

**MINUTES**  
**REGULAR MEETING OF THE**  
**BOARD OF DIRECTORS**  
**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**  
**JUNE 10, 2003**

**45364** 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, June 10, 2003.

Chairman Pace called the Meeting to order at 12:01 p.m.

**45365** The Meeting was opened with an invocation by employee Bobbi Becker, Business Outreach Manager.

**45366** The Pledge of Allegiance to the Flag was given, led by Director James H. Blake.

**45367** Board Secretary Hansen called the roll. Those answering present were: Directors Apodaca, Bannister, Blake, Brick, Brown, Coughran, De Jesus, Dentler, Edwards, Fellow, Foley, Grandsen, Harris, Hansen, Kwan, Lewis, Mejia, Morris, Murray, Mylne, Pace, Parker, Peterson, Record, Rez, Stanton, Turner, and Wright.

Those not answering were: Directors Abdo (entered 12:10 p.m.), Bakall (entered 12:08 p.m.), Castro (entered 12:14 p.m.), Herman (entered 12:14 p.m.), Loveland, Luddy (entered 12:10 p.m.), Orduna, and Troxel.

The Chair declared a quorum present.

**45368** At 12:05 p.m., the Chair called a public hearing to receive comments on the proposed standby charge for Eastern 73<sup>rd</sup>

and 74<sup>th</sup> Fringe Areas Annexations to Eastern 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 12:06 p.m.

**45369** Chairman Pace invited members of the public to address the Board on matters within the Board's jurisdiction.

William Sloan Seelig of Institute of Human Engineering Sciences commented on the appeal from the United Nations for innovative ideas and financing to help two billion people dying from water and sanitation problems.

Director Bakall took his seat at 12:08 p.m.

**45370** There being no objection, the Chair ordered the reading of the Minutes of the Meeting of May 13, 2003, dispensed with, a copy having been mailed to each Director.

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

Directors Abdo and Luddy took their seats at 12:10 p.m.

**45371** The General Counsel's letter signed June 3, 2003, was presented, transmitting the credentials evidencing the appointment by Central Basin Municipal Water District of Robert Apodaca as one of its representatives on Metropolitan's Board for an indefinite term, replacing Gary A. Morse.

General Counsel Kightlinger reported the credentials had been examined and found legally sufficient and that the Oath of Office had been administered to Director Apodaca.

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

Following an introduction by David Lizárraga, executive director of The East Los Angeles Community Union, Director Apodaca took his seat as a Director representing Central Basin Municipal Water District.

Directors Castro and Herman took their seats at 12:14 p.m.

**45372** Chairman Pace announced there were no new committee assignments.

**45373** Chairman Pace reported that on May 16, he was interviewed by Art Levine with *Straight Talk*, a cable program out of Long Beach, to discuss a variety of Metropolitan's water issues. On June 1 Chairman Pace, Director Peterson, and Vice Presidents Man and Quinn met with the board of Contra Costa Water District and their staff to tour the Whitsett Pump Plant at Lake Havasu and Copper Basin. This was an opportunity for Contra Costa to have a first-hand look at one of Metropolitan's facilities and discuss issues involving the Quantification Settlement Agreement (QSA).

A video was played showing clips of Metropolitan's recent events emphasizing the stewardship of water resources, including the annual Student Water Forum, the Student Water Fair, the winners of the first ever City Makeover contest for the native plant campaign, and the Solar Splash Program.

Chairman Pace presented awards to Canyon High School of Anaheim and Valley View High School of Moreno Valley, two of the winning teams of Solar Splash, a competition sponsored by Metropolitan and some of the member agencies featuring solar powered boats built by the students. Long Beach Polytechnic High, the second place winner in Solar Splash, was unable to attend the awards presentation due to their final examinations. Chairman Pace recognized the six member agencies that participated with human and financial resources--Anaheim, Calleguas, Eastern, Long Beach, Three Valleys, and Western. Bonnie Wright, field representative to Congresswoman Mary Bono, also presented awards to the Solar Splash winners.

**45374** 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 May, signed June 5, 2003, which was distributed earlier.

On Colorado River matters, Chief Executive Officer Gastelum reported that he was invited to speak at Secretary Norton's "Water 2025: Preventing Crises and Conflict in the

West" conference in Denver to kick off the "Water 2025" activities. He cited a report in the *Los Angeles Times* today commending the Secretary on the "Water 2025" initiative and East Bay Municipal Utilities District. The article was not complimentary to Metropolitan. Mr. Gastelum stated he would respond to that article.

At the "Water 2025" conference, Chief Executive Officer Gastelum stated that Metropolitan was recognized for its leadership role in its service area and in the collaborative spirit that is going on in the West in seeking ways to achieve future water supply reliability. There were news articles in the *Albuquerque Journal* touting the various things Metropolitan is doing in urban Southern California that are relevant to others in the West as they move forward in meeting their future water needs. The Secretary and the participants from the West were appreciative of Metropolitan's role in developing innovative solutions. Mr. Gastelum stated a board workshop on the QSA will be held on June 17, and it is an opportunity to hear from the General Counsel and our experts on what are the issues that are being presented in the "417" process about water use in the Imperial Irrigation District.

Relative to CALFED matters, Chief Executive Officer Gastelum stated that he was invited to participate in a CALFED meeting held last Thursday in Sacramento, where he was requested to speak on "Will the lack of progress on the QSA have an impact on CALFED?" A very vigorous discussion took place at that meeting. In attendance were Richard Katz, representing the Governor's office; Maureen Stapleton from the San Diego County Water Authority; and David Guy from the Northern California Water Association. Steve Hall from ACWA was the moderator. The discussion was very good and provoked a lot of thought and comment. Mr. Gastelum stated that Metropolitan is not impacted and he illustrated how Metropolitan's programs are entirely consistent with CALFED, and that Metropolitan continues to be a very proactive and positive player in the CALFED process. Hearings on CALFED will be held in late June in various parts of the state.

In response to questions on the Business Outreach Program, Chief Executive Officer Gastelum stated that Metropolitan's Business Outreach Program has been recognized from various business groups and others. Mr. Gastelum called on

Business Outreach Manager Bobbi Becker who gave an update on Metropolitan's Regional/Small Business Program and compared the former program with the current one. Following a question and answer session, staff was requested to submit additional data.

Director Mejia withdrew from the Meeting at 1:17 p.m.

**45375** Water Planning, Quality and Resources Committee Chairman Wright reported the committee discussed the QSA and Salton Sea issues and considered a motion that "The Metropolitan Water District of Southern California staff cooperate with the Salton Sea Authority in their studies and consider the feasibility (as soon as possible), of a desalination component that would be complementary of a long-term quantification settlement agreement. The plan should recognize, however, that the restoration of the Sea apart from the operations of a desalination plant would be a public responsibility to be assumed by the state of California and the federal government."

Committee Chairman Wright stated that the committee unanimously approved this motion. He therefore moved, seconded by Director Morris and carried, that this item be placed on the Consent Calendar.

**45376** Regarding Legal Department activities, General Counsel Kightlinger referred to his activity report for May, dated May 30, 2003, which was distributed earlier.

In *Imperial Irrigation District v. United States, et al.* lawsuit, General Counsel Kightlinger stated that Metropolitan did its filing in the "417" process, and that about 30(+) individuals and agencies made filings in this process, including the state of California and Coachella Valley Water District. About six member agencies also submitted filings. Copies of Metropolitan's technical filings, or a summary, are available either by e-mail or by hard copy. The deadline for filing was May 29, and an initial determination by the Regional Director of the Bureau of Reclamation on this issue is scheduled for June 23.

In the *MWD and AWZ v. Hartford Fire Insurance and Metropolitan v. Hartford* cases, those have been completely settled at this time and all payments have been made and the

lawsuits dismissed. This was a long process to finally reach this point.

Director Mejia returned to the Meeting at 1:20 p.m.

**45377** General Auditor Riss gave a summary report of the Audit Department's activities for the month of May. He stated two traditional reports were issued on Bond Covenant Requirements and Restrictions and Accounts Payable Process and Controls, and both received satisfactory opinions. Mr. Riss stated the recruitment process is still ongoing to fill the four openings in his department.

**45378** Ethics Officer Anderson reported that last month she provided an overview of the ethics policy to some groups of managers both at Headquarters and at the La Verne facility. In response to particular contacts there were one on conflict of interest, one on nepotism, two on the appearance of impropriety, and one on contract prohibitions. Ms. Anderson stated she also has ongoing discussions with the Human Resources training unit regarding implementation of training strategies for the employees upon approval by the subcommittee.

**45379** The reports of the Standing Committees are as follows:

Chairman Pace reported that at the Executive Committee meeting on May 27, the committee approved Agenda Item 8-5. The proposed items for June's Board and committee agenda items were discussed and approved. The committee heard reports from Executive Vice President Ivey on the evaluation process for the Department Heads; Directors Fellow and Coughran on activities of the Ethics Subcommittee and Audit Subcommittee, respectively; and Director Foley on the activities of the Colorado River Board. Chief Executive Officer Gastelum reported on Metropolitan's activities and his participation at a hearing in Washington, D.C., on water infrastructure and the management of water supply and water quality and how the nation is dealing with these issues. The committee reviewed and approved the Chief Executive Officer's business plan for 2003/04. The Water Forum planned with the State Department was rescheduled to July 17, 2003.

Asset, Real Estate and Infrastructure Policy Committee Chair Peterson reported the committee approved Agenda Item 9-5 with an amended motion to add to the Diamond Valley Lake and Lake Skinner rules and regulations that there would be no smoking except in designated smoking areas. He requested that Item 9-5 be placed on the Consent Calendar (subsequently removed from the Consent Calendar). The committee heard reports on the real estate activities, Diamond Valley Lake North Hills Trail Design proposal, and The Center for Water Education. Presentations were given on the draft Diamond Valley Recreation Master Plan and on the status of the East Marina Phase I.

Budget, Finance and Investment Committee Chairman Castro reported the committee unanimously approved Agenda Items 8-3 and 9-2 and requested that Item 9-2 be placed on the Consent Calendar. The committee also approved Agenda Item 9-1, the annual budget, except for the use of monies over the maximum reserve level for capital expenditures in lieu of issuing additional debt. A separate discussion will take place in August or September, after the books are closed, regarding use of any monies over the maximum reserve target. Committee Chair Castro requested Item 9-1 be placed on the Consent Calendar (subsequently removed from the Consent Calendar). The committee heard a report on the financing structure for The Center for Water Education.

Communications, Outreach and Legislation Committee Vice Chair Abdo reported the committee approved Agenda Items 8-7 and 9-6 and requested that Item 9-6 be added to the Consent Calendar. The committee heard reports on the legislative activities from Washington and Sacramento; and from Fraser Communications, the advertising firm that provided details on the water conservation program that will target homeowners and large landscape users from August to October, with attention-getting radio, on-line and print ads, and a presence in garden centers and nurseries.

Vice Chairman Luddy withdrew from the Meeting at 1:30 p.m.

Engineering and Operations Committee Chairman De Jesus reported the committee approved Agenda Items 8-1, 8-2, and 9-4. He requested that Item 9-4 be added to the Consent Calendar. The committee heard oral reports on the alternative disinfectant

evaluation workshop, system operations, and engineering activities. The committee recommended that Metropolitan proceed with ozone at all five treatment plants.

Legal, Claims and Personnel Committee Chairman Bannister reported the committee approved Agenda Item 8-4 with an amended motion authorizing funds for up to 60 days and up to \$1.5 million for existing contracts, and that staff return with an analytical report for the staff's recommendation for Item 8-4. The committee also approved Agenda Items 9-8 and 9-9, and requested that they be placed on the Consent Calendar. The committee heard an update on Colorado River matters and the *Navajo Nation v. United States Department of the Interior*. In closed session, the committee heard reports on *Imperial Irrigation District v. United States of America, et al.*, the ACE contract negotiations, and the General Counsel's annual performance review.

Director Herman withdrew from the Meeting at 1:35 p.m.

Water Planning, Quality and Resources Committee Chairman Wright reported the committee discussed the QSA and Salton Sea and approved a motion to be taken up at today's Board Meeting. The committee approved Agenda Item 8-6. Reports were given on Bay-Delta and State Water Project matters, zero water use urinals, and an update on water supply.

Vice Chairman Foley moved, seconded by Director Blake and carried, and the Board approved the Consent Calendar Items, **M.I. 45380** through **M.I. 45392**, as follows:

**45380** Adopted the California Environmental Quality Act (CEQA) determination and (a) appropriated \$335,000 in budgeted Capital Investment Plan (CIP) funds (Appropriation No. 15346, No. 5, from the Construction Funds); and (b) authorized entering into a professional services agreement with Lee & Ro, Inc., for engineering services in an amount not to exceed \$1.15 million, as set forth in the letter signed by the Chief Executive Officer on May 20, 2003.

**45381** Adopted the CEQA determination and (a) appropriated \$135,000 in budgeted CIP funds (Appropriation No. 15371, No. 4, from the Construction Funds); and authorized the Chief Executive Officer to (b) have all work performed in advance of award of a



competitively bid construction contract for the Jensen Tank Farm Chemical Containment System Upgrade project; and (c) enter into five-year agreements with Carollo Engineers, Camp Dresser & McKee, Inc., Kennedy/Jenks Consultants, Lee & Ro, Inc., and MWH Americas, Inc., for plant engineering services, in amounts not to exceed \$2 million each per year, as set forth in the letter signed by the Chief Executive Officer on May 20, 2003.

Director Morris requested to be recorded as abstaining.

**45382** Adopted the CEQA determination and (a) approved up to \$1,104,500, as amended by the Board, to renew or replace the expiring insurance coverages; and (b) directed staff to investigate risk finance alternatives during this difficult insurance market cycle, as set forth in the letter signed by the Chief Executive Officer on May 20, 2003.

**45383** Adopted the CEQA determination and amended the staff's recommendation to enter into and amend existing contracts with employment service agencies and professional firms supplying temporary personnel, to authorize funds for up to 60 days, up to \$1.5 million for existing contracts, and that staff return to the committee with an analytical report regarding the staff's recommendation as set forth in the letter signed by the Chief Executive Officer on May 27, 2003.

**45384** Adopted the CEQA determination and (a) **Resolution 8851** granting Eastern Municipal Water District's request for approval of 72<sup>nd</sup> Fringe Area Annexation, concurrently to Metropolitan and Eastern, conditioned upon approval by the Local Agency Formation Commission of Riverside County, and establishing Metropolitan's terms and conditions for this annexation; and (b) **Resolution 8852** 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 20, 2003, said Resolutions entitled:

**Resolution 8851** RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO EASTERN MUNICIPAL WATER DISTRICT'S 72<sup>ND</sup> FRINGE AREA ANNEXATION AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**Resolution 8852** RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING WATER STANDBY CHARGE CONTINGENT UPON EASTERN MUNICIPAL WATER DISTRICT'S 72<sup>ND</sup> FRINGE AREA ANNEXATION

Director Record requested to be recorded as abstaining.

**45385** Adopted the CEQA determination and authorized the Chief Executive Officer to (a) enter into a Wheeling Service Agreement, approved as to form by the General Counsel, between Metropolitan, Fallbrook Public Utility District, and San Diego County Water Authority, consistent with the proposed Wheeling Service Agreement Principles attached to the letter signed by the Chief Executive Officer on May 20, 2003; and (b) amend the existing Lake Skinner Memorandum of Understanding and Agreement, approved as to form by the General Counsel, as described in the foregoing letter.

Directors Lewis, Parker, and Turner requested to be recorded as abstaining.

**45386** Adopted the CEQA determination and approved funding, not to exceed \$650,000, for the Community Partnering Program for fiscal year 2003/04 for discretionary community activities, as set forth in the letter signed by the Chief Executive Officer on May 23, 2003.

**45387** Approved that The Metropolitan Water District of Southern California staff cooperate with the Salton Sea Authority in their studies and consider the feasibility (as soon as possible), of a desalination component that would be complementary of a long-term Quantification Settlement

Agreement. The plan should recognize, however, that the restoration of the Sea apart from the operations of a desalination plant would be a public responsibility to be assumed by the state of California and the federal government.

Directors Lewis, Parker, and Turner requested to be recorded as voting no.

**45388** 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 for 2003/04 as shown in Attachment 1 to the letter signed by the Chief Executive Officer on May 20, 2003.

**45389** Adopted the CEQA determinations for all projects determined herein in the letter signed by the Chief Executive Officer on May 21, 2003, and (a) appropriated \$11.243 million in Appropriation No. 15295, No. 3, to fund security system improvements; and (b) authorized entering into an agreement with Johnson Controls, Inc., to provide design, installation and maintenance for a period of five years for security improvements including alarm, video, and access control at 72 prioritized sites in an amount not to exceed \$9.5 million.

**45390** Adopted the CEQA determination and the policy principles on water infrastructure financing as shown in Attachment 1 to the letter signed by the Chief Executive Officer on May 23, 2003.

Directors Lewis, Parker, and Turner requested to be recorded as voting no.

**45391** Adopted the CEQA determination and authorized the amendment of the contract with the law firm of Whitfield Russell Associates to increase the maximum compensation payable by \$75,000 to complete testimony and appear at hearing before the Federal Energy Regulation Commission in *California Independent System Operator Corporation*, FERC Docket No. ER00-2019-000, as set forth in the letter signed by the General Counsel on May 16, 2003.

**45392** Adopted the CEQA determination and authorized settlement of *Diamond Valley Recreation Group v. The Metropolitan Water District of Southern California*, Riverside

Superior Court Case No. RIC 377291, as set forth in the confidential letter signed by the General Counsel on May 20, 2003.

Director Harris requested to be recorded as voting no.

Director Apodaca withdrew from the Meeting at 1:40 p.m.

**45393** Director Bakall moved, seconded by Director Blake and carried, and the Board adopted the CEQA determination and

a. Approved the 2003/04 Budget, as set forth in the revised letter signed by the Chief Executive Officer on June 4, 2003;

b. Appropriated \$752.8 million for the projected annual cash outlays for Metropolitan O&M and operating equipment, power costs on the Colorado River Aqueduct, State Water Project (SWP) operations, maintenance, power and replacement costs and SWP capital charges; demand management programs including the local resources and conservation credits program; and costs associated with supply programs paid from the Water Transfer Fund;

c. Appropriated as continuing appropriations, \$210.7 million for debt service on Metropolitan general obligation and revenue bonds;

d. Authorized \$22.4 million to be used to cash defease debt as directed by the Board in July 2000;

e. Authorized the use of \$140 million in operating revenues for fund deposits including \$45 million to the Water Transfer Fund and \$95 million to the PAYG Fund; and

f. Authorized the continued use of the Water Transfer Fund to pay for water transfers and sunset any further deposits to the Water Transfer Fund after June 30, 2004.

Budget, Finance, and Investment Committee Chairman Castro reported the committee had approved the budget, except for the use of monies over the maximum reserve level for capital expenditures in lieu of issuing additional debt; and that a separate discussion will take place in August or September,

after the books are closed, regarding use of any monies over the maximum reserve target.

Directors Lewis, Parker, and Turner requested to be recorded as voting no.

Director Apodaca returned to the Meeting at 1:44 p.m.

Directors Lewis and Turner withdrew from the Meeting at 1:44 p.m.

**45394** In reference to the addition of the "no smoking designation" to the rules and regulations at Diamond Valley Lake, Director Bannister stated he could not vote for that item as amended since he did not think it would be enforceable and that it would be extraneous to the operation at Diamond Valley Lake.

Director Bakall moved, seconded by Vice Chairman Foley and carried, and the Board adopted the CEQA determination and amended the staff's recommendation and (a) approved the Diamond Valley Lake and Lake Skinner Recreation Area Rules and Regulations as set forth in the letter signed by the Chief Executive Officer on May 20, 2003, with no smoking except in designated smoking areas; (b) authorized the Chief Executive Officer to adopt an interim user fee schedule; and (c) directed staff to perform the necessary public notification of the Rules and Regulations in accordance with the applicable portions of the California Health and Safety Code.

Directors Bannister, Edwards, Harris, and Murray voted to be recorded as voting no.

**45395** The following communication was submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through April 2003, signed by the Chief Executive Officer on May 20, 2003.

**45396**      There being no objection, the Chair adjourned the Meeting at 1:46 p.m.

**HELEN Z. HANSEN**  

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**SECRETARY**

**PHILLIP J. PACE**  

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**CHAIRMAN**