

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

45406 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, July 8, 2003.

Chairman Pace called the Meeting to order at 10:42 a.m.

45407 The Meeting was opened with an invocation by Francisca Alfaro and Jenny Gutierrez of Meeting Every Need with Dignity (MEND).

45408 The Pledge of Allegiance to the Flag was given, led by Director Robert Apodaca.

45409 Board Secretary Hansen called the roll. Those answering present were: Directors Abdo, Apodaca, Bakall, Bannister, Blake, Brick, Brown, Coughran, De Jesus, Dentler, Edwards, Fellow, Foley, Grandsen, Hansen, Herman, Kwan, Lewis, Loveland, Luddy, Morris, Mylne, Pace, Parker, Peterson, Record, Rez, Stanton, Turner, and Wright.

Those not answering were: Directors Castro, Harris, Mejia, Murray (entered 10:49 a.m.), Orduna, and Troxel.

The Chair declared a quorum present.

45410 Chairman Pace invited members of the public to address the Board on matters within the Board's jurisdiction. No members of the public responded.

45411 There being no objection, the Chair ordered the reading of the Minutes of the Meeting of June 10, 2003, dispensed with, a copy having been mailed to each Director.

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

45412 Chairman Pace announced there were no new committee assignments.

45413 Director Coughran moved, seconded by Director Blake and carried, approving a 45-day leave of absence for Director Betty Harris, commencing July 9, 2003.

Director Murray took his seat at 10:49 a.m.

45414 Chairman Pace reported that on June 19, he and Executive Vice President Ivey attended the retirement luncheon for Charlie Parks, who served on the Long Beach Board of Water Commissioners. On June 20 there was a groundbreaking for The Center for Water Education, the museum at Diamond Valley Lake. Members of the Board, State Senator David Kelley, local state and federal dignitaries were in attendance. This was followed by a reception hosted by Director and Mrs. Mylne. The Chair stated that the groundbreaking event was the beginning of a number of activities that he attended for the city of Hemet. A video was played showing clips of the groundbreaking event.

On June 25 the Chair attended a signing ceremony between Metropolitan and the Municipal Water District of Orange County, which agreement will provide groundwater for storage in Orange County's basin for use during dry years and emergencies. Later that evening, the Chair also attended the Beverly Hills Groundwater Treatment Plant dedication.

Chairman Pace announced that in May 2001, during the energy crisis, the Diamond Valley Lake pumps were converted to pump/turbines at a cost of \$1.6 million. In May 2003, the total revenue received from the sale of energy generated has produced \$1.694 million in net revenue, exceeding the cost of converting the pumps.

45415 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 June, signed July 2, 2003, which was distributed earlier.

Chief Executive Officer Gastelum reported that the Colorado River issues have dominated this month. The "417" process has been discussed at a workshop, and the resumption of negotiations with the Governor and the other parties are scheduled for tomorrow in Sacramento. The Department of the Interior is watching in earnest the progress of those negotiations. Mr. Gastelum stated that the Board has spent a great deal of time on the underlying public policies and the needs of Metropolitan's service area in coming to an agreement. He believed there is an opportunity for an agreement in applying good business principles with the policies that have been articulated and laid down that should serve all parties well. Chief Executive Officer Gastelum stated he would report back to the Negotiating Team on the Governor's proposal.

45416 Regarding Legal Department activities, General Counsel Kightlinger referred to his activity report for June, dated June 30, 2003, which was distributed earlier.

In *Imperial Irrigation District v. United States, et al.* lawsuit, General Counsel Kightlinger stated that the decision in the "417" process was issued by Regional Director Robert Johnson of the Bureau of Reclamation, which preliminarily determined that IID's water use order should be reduced from its current 3,100,000 acre-feet to 2,824,100 acre-feet, a reduction of 275,900 acre-feet or about a nine percent cutback. By comparison, on January 1, 2003, when the QSA was not executed, Metropolitan's Colorado River water supply was cut back by around 600,000 acre-feet, or about 50 percent. Mr. Kightlinger reported that another part of the ruling issued by Mr. Johnson also emphasized a number of conservation measures and operating procedures and recommendations that IID should, in the Bureau's opinion, start acting upon so as to reduce its use of water and stop its heavy reliance on allowing tailwater to move off its fields. IID now has the right to appeal that ruling to the Regional Director, and it is assumed that they will undertake that right; and there is the potential that IID could appeal to the Secretary of Interior. The entire internal appeal process within the Department of the Interior should be completed

somewhere in late September or early October. After that, the court will take up the matter for final action.

In the *Rio Grande Silvery Minnow, et al. v. John W. Keys, II, Bureau of Reclamation, et al.* case, General Counsel Kightlinger reported that the court ruled that the Bureau of Reclamation has the discretion to reduce water deliveries to water contractors pursuant to the Endangered Species Act. That has the potential to impact water uses throughout the west. Mr. Kightlinger stated that that case would likely be appealed to the United States Supreme Court.

In *Miccosukee Tribe of Indians of Florida, et al. v. South Florida Water Management District*, the court stated that movement of water from one basin to another requires Clean Water Act permits as the constituents are different in the water. This affects Metropolitan since it is in the business of moving water and storing it in a number of places and getting Clean Water Act permits, which are really designed for polluters, was a startling development. The United States Supreme Court has now granted review of that case. Metropolitan will be a participant in that case.

Chairman Pace inquired as to whether the Bureau's finding that IID's tailwater of somewhere between 20 and 25 percent far exceeded IID's existing regulation of around 15 percent. General Counsel Kightlinger confirmed that IID's own internal regulations require no more tailwater than 15 percent, and that the Bureau requested IID, in keeping with its own regulations, cut its water use by 275,000 acre-feet. The Bureau further recommended that the amount of tailwater should likely be between 5 and 12 percent, that 15 percent was excessive but appropriate for 2003, and that the amount should be reduced further in the future.

Director Murray asked whether there would be a concern in terms of having an impact and ecological liability to the Salton Sea if tailwater was reduced. General Counsel Kightlinger replied there would potentially be an impact to the Salton Sea, but it was not clear there would be any liability for that impact.

45417 General Counsel Kightlinger reported that he had filed an application with the California State Water Resources Control Board (SWRCB) for water rights on the New River that flows into the Salton Sea. Metropolitan had previously filed applications on the Alamo River and the Whitewater River for potential water reclamation desalting projects on those rivers. No filing had ever been made on the New River. Mr. Kightlinger stated that programs now being discussed are potentially also considering using water from the New River. In order to protect Metropolitan's rights should such a program prove feasible and desirable, the General Counsel filed the application on the New River. The SWRCB accepted the application, and at some point over the next few years Metropolitan will have to finalize that right or to abandon it.

45418 General Auditor Riss gave a summary report of the Audit Department's activities for the month of June. He stated three traditional reports were issued on Operating, Leased and Expensed Equipment; Treasury Controls Review; and Water Billing Cycle, and all three received satisfactory opinions. Risk assessment reports were issued on the PeopleSoft 8.3 Upgrade and Windows 2000 Implementation, all with low current exposures. In addition, a report card was issued on the Supervisory Control and Data Acquisition (SCADA) Upgrades, indicating low current exposure.

45419 Chairman Pace announced that the Ethics Officer's report is deferred to next month.

45420 The reports of the Standing Committees are as follows:

Chairman Pace reported that at the Executive Committee meeting on June 24, the committee approved Agenda Item 8-8. The proposed items for July's Board and committee agenda items were discussed and approved. A request was made to add to the agenda of the next meeting of the Executive Committee in July consideration of naming the West Dam at Diamond Valley Lake in honor of the late Director Don Owen, and of a bronze plaque in honor of the late Director Charles Barker to be placed in The Center for Water Education. The committee heard reports from Executive Vice President Ivey on the inspection trip scheduling; Directors Coughran and Fellow on activities of the Audit Subcommittee and Ethics Subcommittee, respectively; and Director Wright on the activities of the Colorado River Board.

Chief Executive Officer Gastelum reported on Metropolitan's activities, the "417" process regarding the Bureau of Reclamation's findings on Imperial Irrigation District's usage of water, and a two-day tour of various Metropolitan facilities for the community of Palo Verde Irrigation District. Mr. Gastelum also hosted a workshop for Colorado River Water Users in which he was able to discuss Metropolitan's position on the proposed transfer, the Integrated Resources Plan, outdoor conservation, and the Quantification Settlement Agreement (QSA). At the committee meeting, Chief Executive Officer Gastelum also discussed with Directors an alternative proposal that Metropolitan's Colorado River Negotiating Team worked on that would consider a number of ideas to include a beneficiary-pays principle with a fee applied to each acre-foot per year of Colorado River water used by each of the four agencies. The monies collected would be used to pay for the mitigation costs associated with the water transfer in place of Proposition 50 funds. This alternative proposal will be discussed at a future meeting.

The Executive Committee also discussed in closed session the performance evaluations of the Chief Executive Officer, the General Counsel, the General Auditor, and the Ethics Officer. The committee authorized the Chairman to review the committee's recommendations with the department heads.

Asset, Real Estate and Infrastructure Policy Committee Chair Peterson reported the committee approved Agenda Items 8-6 and 8-7. Agenda Item 9-4 was also approved with an amended motion that the final contract with Urban Park Concessionaires for the operation of the Diamond Valley Lake East Marina be brought back to the Executive Committee for approval. The committee heard reports on the Diamond Valley Lake (DVL) Master Plan Development and the DVL annexation to the city of Hemet. Regarding the DVL Master Plan, staff and the consultant were instructed to offer options for prudent use of water features incorporating local supply where feasible.

Budget, Finance and Investment Committee Vice Chairman Blake reported the committee approved Agenda Items 8-5, 8-10, 9-1, and 9-2. The committee will hear a report on budget and financial planning guidelines at the August meeting, and on funds over the maximum reserve level by the September meeting.

Communications, Outreach and Legislation Committee Chairman Loveland reported that due to a lack of agenda items, the committee adjourned its meeting to a special signing ceremony, where a Memorandum of Understanding was signed between Metropolitan and the U.S. Department of Commerce, Minority Business Development Agency. Committee Chairman Loveland stated that Metropolitan is the first government agency chosen by the Department of Commerce, for what is expected to be a national effort, and marks Metropolitan's first step in working with the federal government to promote small businesses. He continued that this is being done under the small regional business program which, since its inception in August 2001, has seen the percentage of Metropolitan's dollars going to small business contractors increased from virtually zero to more than five percent.

Engineering and Operations Committee Chairman De Jesus reported the committee approved Agenda Items 8-1, 8-2, 8-3, and 8-4. Agenda Item 9-3 was also approved with the recommendation of Option #2 instead of Option #1 as requested by staff. He requested that Item 9-3 be added to the Consent Calendar. The committee heard oral reports on system operations and engineering activities. The committee was informed of the field inspection trip on August 7 and 8, 2003.

Legal, Claims and Personnel Committee Chairman Bannister reported the committee approved Agenda Item 8-9. In closed session the committee (1) discussed and approved Agenda Item 9-5, and requested that it be placed on the Consent Calendar; and (2) heard a report on the State Water Resources Control Board Administrative Civil Liability Complaint re Lake Mathews, with no action taken. The committee heard an update on Colorado River matters and the application to the State Water Resources Control Board for allocation of water from the New River.

Water Planning, Quality and Resources Committee Chairman Wright reported the committee discussed the QSA and staff provided highlights of the U.S. Bureau of Reclamation's Part 417 regulation findings, process, and schedule for finalization. Additionally, the Chief Financial Officer spoke on alternative funding proposals, and the member agency managers made presentations on their perspectives. The committee approved Agenda Item 8-10. Agenda Items 10-2 and 10-3 were

deferred due to time limitations and will be brought back to the committee next month. Reports were given on Bay-Delta and State Water Project matters, perchlorate action plan, remediation of the Kerr-McGee site in Nevada, and an update on water supply and demand conditions.

45421 Chairman Pace presented Certificates of Appreciation to Directors Morris and Mylne for their hospitality in hosting the yearly barbecue and the Water Education Center's reception, respectively.

Director Blake moved, seconded by Director Coughran and carried, and the Board approved the Consent Calendar Items, **M.I. 45422** through **M.I. 45432**, as follows:

45422 Adopted the California Environmental Quality Act (CEQA) determination and (a) appropriated \$12.75 million in budgeted Capital Investment Plan (CIP) funds (Appropriation No. 15391, No. 2, from the Construction Funds); and (b) awarded a \$9.095 million construction contract to Kiewit Pacific Company for the modification of the OC-88 pumping station, as set forth in the letter signed by the Chief Executive Officer on June 18, 2003.

45423 Adopted the CEQA determination and (a) awarded a \$5.965 million construction contract to Traylor Bros., Inc., to perform the Lake Mathews Outlet Tower No. 1 modifications; and (b) authorized a professional services agreement with Han-Padron Associates in an amount not to exceed \$450,000 to provide underwater inspection services, general inspection services, and project management support services, as set forth in the letter signed by the Chief Executive Officer on June 24, 2003.

45424 Adopted the CEQA determinations and (a) appropriated \$51.248 million in budgeted and non-budgeted CIP funds; and authorized (b) the Chief Executive Officer to have all work performed up to the award of competitively bid construction contracts for Skinner Expansion No. 4 and Skinner Oxidation Retrofit Program (ORP); (c) amending the professional services agreements with Camp Dresser & McKee, Inc., for a new not-to-exceed total of \$14.451 million (for Skinner Expansion No. 4 and Skinner ORP final engineering design services), with Tectonics for a new not-to-exceed total of \$1.5 million, and with Black & Veatch Corporation for a new not-to-exceed total of \$700,000;

and (d) issuance of change orders to Kiewit Pacific Company and Ozonia North America in aggregate amounts not to exceed \$15.5 million and \$750,000, respectively, to increase the Jensen ORP ozone treatment capacity to 750-million-gallon-per-day, as set forth in the letter signed by the Chief Executive Officer on June 24, 2003.

45425 Adopted the CEQA determination and approved payment to city of Pasadena of \$110/unit for 396 rebates it issued between January 1, 2002 and November 20, 2002, for the High Efficiency Clothes Washer Program, as set forth in the letter signed by the Chief Executive Officer on May 27, 2003.

45426 Adopted the CEQA determination and authorized (a) Appropriation No. 15411 in the amount of \$4.038 million from the Pay-As-You-Go Fund; and (b) award of contract not to exceed \$720,000 to purchase the Oracle E-Business Suite, as set forth in the letter signed by the Chief Executive Officer on June 24, 2003.

Director Mylne requested to be recorded as abstaining.

45427 Adopted the CEQA determination and (a) appropriated \$415,000 in unbudgeted CIP funds (Appropriation No. 15334, No. 12, from the Construction Funds); and (b) authorized amending a professional services agreement with The Keith Companies, Inc., for engineering services in an amount not to exceed \$180,000 for a total agreement amount of \$1.08 million, to perform final design of site rough grading for Valley-Wide Recreation and Park District for the Diamond Valley Recreation Program, as set forth in the letter signed by the Chief Executive Officer on June 18, 2003.

45428 Adopted the CEQA determination and (a) **Resolution 8853** granting Calleguas Municipal Water District's request for approval of Annexation No. 81, concurrently to Metropolitan and Calleguas, conditioned upon approval by the Ventura Local Agency Formation Commission, and establishing Metropolitan's terms and conditions for this annexation; and (b) **Resolution 8854** to impose water standby charge at a rate of \$9.58 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 June 17, 2003, said Resolutions entitled:

Resolution 8853

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO CALLEGUAS MUNICIPAL WATER DISTRICT'S ANNEXATION NO. 81 AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Resolution 8854

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING WATER STANDBY CHARGE CONTINGENT UPON CALLEGUAS MUNICIPAL WATER DISTRICT'S ANNEXATION NO. 81

Director Grandsen requested to be recorded as abstaining.

45429 Adopted the CEQA determination and approved amendment to professional services contract with the law firm of Duncan, Weinberg, Genzer & Pembroke in the amount of \$250,000 for electric industry restructuring legal services, as set forth in the letter signed by Assistant General Counsel Bennion for the General Counsel dated June 12, 2003.

45430 Adopted the CEQA determination and authorized the expenditure of \$250,000 of unbudgeted operating funds for the seawater desalination research agreements described in the board letter signed by the Chief Executive Officer on June 27, 2003.

Directors Bakall, Hansen, Kwan, Lewis, Loveland, Parker, and Turner requested to be recorded as abstaining.

45431 Adopted the CEQA determinations and directed staff to (a) proceed with the planning for and/or implementation of the use of ozone as the primary disinfectant at all Metropolitan treatment plants; (b) continue the Alternative Disinfectant Evaluation Program to evaluate the feasibility of augmenting ozone with chlorine dioxide during periods of high bromide concentrations; (c) discontinue the parallel design effort of implementing chlorine dioxide at the Weymouth and Diemer plants; and (d) modify the CIP schedule to include on-line dates for the

Weymouth ORP and Diemer ORP of 2009, as set forth in the letter signed by the Chief Executive Officer on June 27, 2003.

45432 Adopted the CEQA determination and approved the Memorandum of Understanding between The Metropolitan Water District of Southern California and the Association of Confidential Employees, as set forth in the confidential letter signed by the Chief Financial Officer for the Chief Executive Officer on July 3, 2003.

Director Dentler requested to be recorded as abstaining.

45433 Regarding the appropriation of monies for final design of the Solids Handling Facilities Project and for construction of the Northwest Hill Grading Project at the Diemer plant, Director Turner stated that since there are going to be discussions on the QSA tomorrow in Sacramento, he thought it was appropriate to let that process take place before the Board vote on this item. He stated that the Diemer plant is a blended plant and the QSA, if approved, would change the blend of water to that plant. Director Turner therefore moved, seconded by Director Parker, that the Board delay decision on this item for sixty days.

Water System Operations Manager Wicke commented that this item should go forward now since work have been done on these facilities long before the whole issue of the QSA came up and that there are regulations that have to be complied with. She stated there has been a high percentage blend of waters through the blend plants especially when the Lake Mathews Outlet Tower was shut down for two months, and there is the need to have the ability to treat State project water blends at the blend plants to obtain maximum flexibility. Since the loss of some of the Colorado River allotment, Metropolitan has been treating much higher blends of water.

Chief Executive Officer Gastelum stated that this year there was an extraordinary amount of State project water made available to Metropolitan, and by making these investments, the Board's policy of being able to take as much of that water as possible and beneficially use it in our service area is being carried out.

Director Murray then moved, seconded by Director Morris and carried, and the Board adopted the CEQA determinations and (a) appropriated \$9,365,985; (b) awarded a construction contract in the amount of \$4.769 million to C. W. Poss, Inc., to perform all work as described in Specifications No. 1469 for the Diemer Northwest Hill Grading Project; and (c) authorized all final design activities up to award of a competitively bid contract for the Diemer Solids Handling Facilities Project, as set forth in the letter signed by the Chief Executive Officer on June 24, 2003.

45434 Budget, Finance and Investment Committee Vice Chairman Blake moved, seconded by Director Edwards and carried, and the Board, by more than the required two-thirds vote, adopted the CEQA determination and authorized the Chief Executive Officer to make payments totaling \$479,165 for the Six Agency Fund and the Colorado River Association for fiscal year 2003/04, as set forth in the letter signed by the Chief Executive Officer on June 17, 2003.

45435 Budget, Finance and Investment Committee Vice Chairman Blake moved, seconded by Director Edwards and carried, and the Board, by more than the required two-thirds vote, adopted the CEQA determination and authorized the Chief Executive Officer to make payments of \$1,121,405 for State Water Contractors member dues; \$250,000 for Bay-Delta Fund; \$24,000 for Bay-Delta Urban Fund; and \$137,408 for Municipal Water Quality Investigation Fund for fiscal year 2003/04, as set forth in the letter signed by the Chief Executive Officer on June 17, 2003. Sufficient funds are included in Metropolitan's fiscal year 2003/04 Operation and Maintenance Fund for these four payments.

45436 Regarding recreational activities at Diamond Valley Lake, Director Edwards stated that after hearing the discussion and concerns expressed at the committee meeting, he wished to make a non-committal amendment to the recommendation as stated in the letter signed by the Chief Executive Officer on July 2, 2003, to add that the Board reserve the right to stop funding this or any recreational project at Diamond Valley Lake if the Board feel the cost is prohibitive in the future.

Director Edwards moved, seconded by Director Murray, that the Board adopt the CEQA determination and authorize the Chief Executive Officer to enter into negotiations and execute a

contract with Urban Park Concessionaires for marina concessionaire and entrance fee collection/reservation services at the Diamond Valley Lake East Marina for a period not to exceed 30 months, and that the Board reserve the right to stop funding this or any recreational project at Diamond Valley Lake if the Board feel the cost is prohibitive in the future.

Director Morris stated that it was not appropriate to add this amendment and asked that this item be put off until there is a complete master plan for the Diamond Valley Lake area.

Following a discussion about contractual commitments made with any vendor and promises made to the city of Hemet and the community for recreational facilities, Chairman Pace called for a vote on the motion made by Director Edwards.

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

Ayes: Burbank (Dir. Brown, 1,149 votes), Foothill Municipal Water District (Dir. Edwards, 781 votes), Municipal Water District of Orange County (Dirs. Bakall, Bannister, and Foley, 21,394 votes), San Diego County Water Authority (Dirs. Lewis, Loveland, Parker, and Turner, 21,570 votes), Santa Ana (Dir. Coughran, 1,376 votes), West Basin Municipal Water District (Dir. Kwan, 4,281 votes). Total 50,551 votes.

Noes: Anaheim (Dir. Stanton, 2,510 votes), Calleguas Municipal Water District (Dir. Grandsen, 4,993 votes), Central Basin Municipal Water District (Dir. Apodaca, 3,592.50 votes), Eastern Municipal Water District (Dir. Record, 2,599 votes), Fullerton (Dir. Blake, 891 votes), Glendale (Dir. Rez, 1,414 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,182 votes), Long Beach (Dir. Hansen, 2,152 votes), Los Angeles (Noes: Dirs. Dentler, Herman, and Luddy. Absent: Dir. Castro. 24,169 votes), Pasadena (Dir. Brick, 1,173 votes), San Marino (Dir. Morris, 266 votes), Santa Monica (Dir. Abdo, 1,454 votes), Three Valleys Municipal Water District (Dir. De Jesus, 3,224 votes), Torrance (Dir. Wright, 1,475 votes), Upper San Gabriel Valley Municipal Water District (Dir. Fellow, 4,564 votes), West Basin Municipal Water District (Dir. Murray, 4,281 votes), Western Municipal Water District of Riverside County (Dir. Mylne, 4,039 votes). Total 63,978.50 votes.

Abstains: Central Basin Municipal Water District (Dir. Pace, 3,592.50 votes). Total 3,592.50 votes.

Absent: Beverly Hills (Dir. Harris, 1,241 votes), Compton (Dir. Orduna, 201 votes), Inland Empire Utilities Agency (Dir. Troxel, 4,441 votes), San Fernando (Dir. Mejia, 94 votes). Total 5,977 votes.

The Chair declared the motion failed by a vote of 50,551 ayes, 63,978.50 noes, 3,592.50 abstain, and 5,977 absent.

Director Edwards then moved, seconded by Director Turner and carried, that the Board adopt the CEQA determination and authorize the Chief Executive Officer to enter into negotiations and execute a contract with Urban Park Concessionaires for marina concessionaire and entrance fee collection/reservation services at the Diamond Valley Lake East Marina for a period not to exceed 30 months, as set forth in the letter signed by the Chief Executive Officer on June 17, 2003.

45437 The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through May 2003, signed by the Chief Executive Officer on June 17, 2003.
- b. Report on fiscal year 2002/03 Innovative Conservation Program Grant Recipients, signed by the Chief Executive Officer on June 17, 2003.
- c. Report on Dedicated Landscape Meters, signed by the Chief Executive Officer on June 17, 2003.

45438 Chairman Pace reported that the evaluation process for staff reporting directly to the Board was completed with recommendations being approved by the Executive Committee on June 24, 2003. The Executive Committee reviewed and recommended a performance rating and compensation recommendation for the Chief Executive Officer, General Counsel, General Auditor, and Ethics Officer.

In the evaluation by the Executive Committee, it was determined that the Chief Executive Officer performed at an

"Above Expectations" level and has earned the full support of the Board, and recommended that the Chief Executive Officer's annual salary remain at \$275,000 and that he receive a pay-for-performance payment of \$25,000.

The Legal, Claims and Personnel Committee met on June 9 and recommended for the Executive Committee's review a performance rating and compensation recommendation for the General Counsel. In the evaluation by the Executive Committee, it was determined that the General Counsel performed at an "Above Expectations" level and has earned the full support of the Board, and recommended that the General Counsel be awarded a new flat rate annual salary of \$189,000, effective July 1, 2003, and a pay-for-performance payment of \$10,000.

The Audit Subcommittee met on June 24 and recommended for the Executive Committee's review a performance rating and compensation recommendation for the General Auditor. In the evaluation by the Executive Committee, it was determined that the General Auditor performed at an "Above Expectations" level and has earned the full support of the Board, and recommended that the General Auditor be awarded a new flat rate annual salary of \$126,000, effective July 1, 2003, and a pay-for-performance payment of \$10,000.

The Ethics Subcommittee met on June 24 and recommended a performance rating and compensation recommendation for the Ethics Officer to the Executive Committee. In the evaluation by the Executive Committee, it was determined that the Office of Ethics will be reviewed and discussed at the July 22, 2003 meeting of the Ethics Subcommittee.

Director Turner moved, seconded by Director Edwards, that the Board approve the compensation and pay-for-performance recommendations as recommended by the Executive Committee as set forth in the letter signed by the Chairman of the Board on July 8, 2003.

A discussion followed on the process used in determining the evaluations of the department heads, and suggestions were made that a process be considered for all Directors to participate instead of only just those Directors being on the specific committees. Chairman Pace stated he would be forming a new compensation committee consisting of the Board

Officers and chairs of the standing- and sub- committees to review the process.

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

Directors Lewis and Stanton requested to be recorded as voting no.

45439 At 12:12 p.m., in memory of Joan Stanton, wife of Director Stanton, and former Director Chester Gilbert, the Chair adjourned the Meeting to Tuesday, August 19, 2003.

HELEN Z. HANSEN

SECRETARY

PHILLIP J. PACE

CHAIRMAN