

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

45521 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, October 14, 2003.

Vice Chairman Foley called the Meeting to order at 12:09 p.m.

45522 The Meeting was opened with an invocation by Lawrence R. Gibbs, Program Manager, Equal Employment Opportunity, with Metropolitan.

45523 The Pledge of Allegiance to the Flag was given, led by Director Glenn A. Brown.

45524 Board Secretary Hansen called the roll. Those answering present were: Directors Abdo, Apodaca, Bakall, Bannister, Blake, Brown, Coughran, De Jesus, Dentler, Dick, Edwards, Farrar, Fellow, Foley, Grandsen, Harris, Hansen, Herman, Kwan, Loveland, Mejia, Murray, Mylne, Parker, Peterson, Record, Rez, Stanton, Turner, and Wright.

Those not answering were: Directors Brick, Lewis, Luddy (entered 12:18 p.m.), Morris, Orduna, Pace, and Troxel.

Vice Chairman Foley declared a quorum present.

45525 Vice Chairman Foley invited members of the public to address the Board on matters within the Board's jurisdiction. No members of the public responded.

45526 There being no objection, Vice Chairman Foley ordered the reading of the Minutes of the Meeting of September 9, 2003, dispensed with, a copy having been mailed to each Director.

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

45527 The General Counsel's letter signed October 3, 2003, was presented, transmitting the credentials evidencing the appointment by the city of Los Angeles of David Farrar as one of its representatives on Metropolitan's Board for a term ending December 31, 2006, replacing Jorge G. Castro.

General Counsel Kightlinger reported the credentials had been examined and found legally sufficient and that the Oath of Office had been administered to Director Farrar on October 7, 2003.

Vice Chairman Foley ordered the credentials, together with the General Counsel's letter, received and filed.

Following an introduction by Director Herman, Director Farrar took his seat as a Director representing the city of Los Angeles.

Vice Chairman Luddy took his seat at 12:18 p.m.

45528 Vice Chairman Foley presented to Director John M. Mylne, III, a pin for his ten years of service on Metropolitan's Board, representing Western Municipal Water District of Riverside County.

Vice Chairman Luddy withdrew from the Meeting at 12:21 p.m.

45529 Director Bannister moved, seconded by Director Fellow and carried, approving the committee appointments as recommended by the Chair, of Director Blake and Director Mejia as Chairman and Vice Chairman, respectively, of the Budget, Finance and Investment Committee.

45530 Vice Chairman Foley announced that Chairman Pace was on annual leave. In his absence, Vice Chairman Foley reported that on September 10 Chairman Pace, Executive Vice President Ivey, and Vice President of External Affairs Ortega attended the Liquid Art showing at SomArts Gallery in San Francisco, where taking this show to Northern California opened an opportunity to present another side of Metropolitan. They also visited the San Francisco Exploratorium, an interactive museum.

On September 23 Metropolitan approved the Quantification Settlement Agreement (QSA).

On September 26 Chairman Pace and Mr. Ivey attended the "First to Fish" fundraiser at Diamond Valley Lake sponsored by The Center for Water Education and Valley-wide Recreation and Park District, with over \$50,000 raised at the event.

On September 29 a news conference was held at the Jensen plant regarding the legislative and team efforts on the QSA. Vice Chairman Foley, Director Peterson, General Counsel Kightlinger, and Vice President of Colorado River Resources Underwood represented Metropolitan at this event, along with a number of representatives from the Legislature and the agencies involved in this long-awaited agreement.

On October 1 and 3 Chairman Pace and Mr. Ivey participated in events on the opening of Diamond Valley Lake to the public. The events were shown via a video, with favorable comments from the community.

On October 2 Chief Executive Officer Gastelum and key executive staff met with the State Auditors, with a report to be given by the Chief Executive Officer in his activity report.

45531 Regarding Colorado River, Bay-Delta, and CALFED matters, Chief Executive Officer Gastelum referred to his activity report for September dated October 8, 2003, which was distributed earlier.

On the state audit, Chief Executive Officer Gastelum reported the Board Chairman and certain executive staff met with the state audit team. It was an opportunity for Metropolitan to hear from the state audit team what they considered the scope of

the audit, and to hear the ground rules for the conducting of the audit and what was expected from Metropolitan in the way of information and coordination that will be provided the state auditors as they complete their task. The scope of the audit is exactly as stated in the Chief Executive Officer's report. The state audit is a public process where the Legislature had identified in their process the four items that they wanted the auditor to look into. The state audit team was asked if there were specific allegations that were in addition to the four broad categories, and the response was no, it was exactly as stated in the charge from the Legislature. The state team will now proceed to review their policies and whatever they deem important to look into in order to fulfill the directive from the Legislature. They did ask for confidentiality, which is a standard procedure. All their proceedings are confidential up until the point when they are making a public report. The report will go to the Legislature and then made available to the public. After submission of the report, Metropolitan will likely have an opportunity to comment on the findings and recommendations of the audit. The state audit team anticipates about three months to complete the report.

Regarding the QSA, Chief Executive Officer Gastelum stated that although the documents were signed on October 10, there will be a formal signing ceremony scheduled for Thursday, October 16, 2003, at Hoover Dam, Nevada, to be hosted by the Secretary of the Interior. Secretary Norton has invited representatives from the Basin States, the California parties involved in the QSA, the California Legislature, and the Governor.

45532 Regarding Legal Department activities, General Counsel Kightlinger referred to his activity report for September, dated October 6, 2003, which was distributed earlier.

General Counsel Kightlinger further reported on the QSA, stating that all the parties involved came to Metropolitan on October 10 to sign the documents. There were over 30 legal agreements among the various parties that were all signed. In *Imperial Irrigation District v. United States, et al.*, the pertinent agreement was sent to the judge in that case for dismissal after the parties signed a stipulation. With the dismissal of the lawsuit and the signing of the documents, the

QSA is now in effect. General Counsel Kightlinger noted that because of a concern to Metropolitan's Negotiating Committee, Metropolitan did not sign the stipulation dismissing the lawsuit. Instead Metropolitan withdrew from the lawsuit without prejudice, keeping their rights as they were beforehand. The stipulation contained a number of provisions that Metropolitan was concerned about and did not feel were necessarily appropriate. Mr. Kightlinger stated that Metropolitan did not want to necessarily condone any findings regarding waste of water or in a joint dismissal.

Referring to the Topock site, General Counsel Kightlinger stated that site near the Colorado River belonged to Pacific Gas & Electric Company who used it for a generating facility. Metropolitan's staff has participated with the Regional Water Quality Control Board's staff in a site investigation. They have found Chromium 6 and some other contaminants on the site, and Metropolitan's Water Quality staff has worked on ensuring there would be a proper clean-up plan and a monitoring plan in place to protect the Colorado River. Metropolitan owns some property right next to the Topock site, which the contamination has a potential to impact. This was a site purchased in the 1930s as a potential intake facility, but it was never actually used.

General Counsel Kightlinger announced that the Board may be interested in hearing that the current Solicitor General for the U.S. Department of the Interior has been nominated for a judicial appointment, which makes Roderick Walston, former General Counsel of Metropolitan, the Acting Solicitor General for Interior.

Vice Chairman Luddy returned to the Meeting at 12:37 p.m.

45533 General Auditor Riss noted that for the month of September, two reports were issued. The first one was the Official Statement for the Water Revenue Bonds, in which a review was provided and a "comfort" letter issued that the Official Statement was complete and accurate.

Next, General Auditor Riss reviewed the Enterprise-wide Physical and Cyber Security Improvements Program. He noted

this is a program that has nine separate sub-projects. Each one was tracked to insure that there was no high risk or no medium risk issues. One of the projects was already completed, and another is to be completed this month. The remaining seven projects are on schedule, and no elements were noted to indicate high risk. Mr. Riss stated the report card did indicate the current exposure was low as project management controls are in place.

45534 The reports of the Standing Committees are as follows:

Vice Chairman Foley stated the Executive Committee did not have a meeting in September.

Asset, Real Estate and Infrastructure Policy Committee Chair Peterson reported the committee approved Agenda Item 8-8 and amended Item 9-4 to modify the individual agreement amounts not be limited to \$1.2 million per firm to provide more flexibility to seek the most competitive price for the work. Committee Chair Peterson requested that Item 9-4 be added to the Consent Calendar. The committee heard reports on real estate activities, the surplus properties, the Diamond Valley Recreation Area, and the public opening of Diamond Valley Lake.

On behalf of the Budget, Finance and Investment Committee, Vice Chairman Foley reported the committee approved Agenda Item 8-2. The committee received a presentation on the Long Range Finance Plan - 2003 Update.

Communications, Outreach and Legislation Committee Chairman Loveland reported the committee approved Agenda Item 8-5; and that he reported on the opening of Diamond Valley Lake for boating and fishing on October 3 and its coverage in the local media, and the Outdoor Conservation Public Outreach Campaign. The committee heard reports on the legislative activities from both Washington, D.C., and Sacramento, and the high school Solar boat competition scheduled for April 2004. The Customer and Community Services staff held several Community Partnering Program (CPP) and City Makeover public check presentations during September. Staff is now soliciting CPP applications for the 2004/05 funding period, which application period began October 1, 2003.

Engineering and Operations Committee Chairman De Jesus reported the committee approved Agenda Items 8-1, 9-1, 9-2, and 9-3, and he requested that Items 9-1, 9-2, and 9-3 be placed on the Consent Calendar. The committee heard oral reports on Engineering performance measures, system operations, engineering activities, and the closeout costs for the Diamond Valley Lake Program.

Legal, Claims and Personnel Committee Chairman Bannister reported the committee approved Agenda Items 8-3 and 9-7. He requested that Item 9-7 be added to the Consent Calendar. The committee withdrew Item 8-4 due to the dismissal of the lawsuit that is incorporated into the settlement of the QSA, and legal services are no longer needed.

Water Planning, Quality and Resources Committee Chairman Wright reported the committee approved Agenda Items 8-6, 8-7, 9-5, and 9-6. He requested that Items 9-5 and 9-6 be added to the Consent Calendar. The committee heard an update on the Colorado River QSA. Reports were given on Bay-Delta and State Water Project matters, the Integrated Resources Plan Update draft, and the Salton Sea Restoration Approaches. The reports on perchlorate and the dedicated landscape meters were deferred.

45535 Vice Chairman Foley announced that Agenda Item 8-4, the increase in professional services contract with the law firm of Latham & Watkins for legal services in *Imperial Irrigation District v. United States*, was withdrawn due to dismissal of the lawsuit in the settlement of the QSA.

Director Coughran moved, seconded by Director Blake and carried, and the Board approved the Consent Calendar Items, **M.I. 45536** through **M.I. 45552**, as follows:

45536 Adopted the California Environmental Quality Act (CEQA) determination and authorized (a) Appropriation No. 15414 in the amount of \$1.2 million in budgeted funds from the Construction Funds; (b) all study and design activities for the implementation of fluoridation at the Diemer, Jensen, Mills, and Weymouth plants; and (c) entering into a professional services agreement with CGvL Engineers for engineering services in an

amount not to exceed \$500,000, as set forth in the letter signed by the Chief Executive Officer on September 24, 2003.

Director Stanton requested to be recorded as voting no.

45537 Adopted the CEQA determination and (a) eliminated the November and December revenue requirements letters; and (b) amended Metropolitan Water District Administrative Code Section 4304, as set forth in the letter signed by the Chief Executive Officer on September 24, 2003.

45538 Adopted the CEQA determination and, in accordance with the negotiated labor agreements with Metropolitan's four bargaining units, adopted **Resolution 8873** changing Metropolitan's contributions to the medical plans maintained by Public Employees Retirement System for employees and annuitants in classifications represented by these units, and unrepresented employees, said changes to be effective January 1, 2004, as set forth in the letter signed by the Chief Executive Officer on September 24, 2003, said Resolution entitled:

**RESOLUTION FIXING THE EMPLOYER'S CONTRIBUTION UNDER THE
PUBLIC EMPLOYEES' MEDICAL AND HOSPITAL CARE ACT**

45539 Adopted the CEQA determination and (a) appropriated \$500,000; and (b) authorized amendment of Agreement No. 55209 with Fraser Communications, increasing the maximum amount payable from \$249,000 to \$749,000 to extend the region-wide Southern California Heritage Landscape public outreach campaign, as set forth in the letter signed by the Chief Executive Officer on September 24, 2003.

45540 Adopted the CEQA determination and authorized a new incentive for commercial-grade, weather-based irrigation controllers, as set forth in the letter signed by the Chief Executive Officer on September 24, 2003.

45541 Adopted the CEQA determination and (a) **Resolutions 8874, 8875, and 8876** to accept \$4.63 million in state grants for three water conservation projects; and (b) approved extending the expenditure of bridge funding (\$110/unit) until Proposition 13 funds become available or through June 2004,

whichever comes first, as set forth in the letter signed by the Chief Executive Officer on September 24, 2003, said Resolutions entitled:

Resolution 8874 **RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA ACCEPTING FUNDING PURSUANT TO THE URBAN WATER CONSERVATION PROGRAM OF THE SAFE DRINKING WATER, CLEAN WATER, WATERSHED PROTECTION AND FLOOD PROTECTION ACT (PROPOSITION 13, CHAPTER 8, ARTICLE 6) FOR HIGH EFFICIENCY CLOTHES WASHER REBATE PROJECT**

Resolution 8875 **RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA ACCEPTING FUNDING PURSUANT TO THE URBAN WATER CONSERVATION PROGRAM OF THE SAFE DRINKING WATER, CLEAN WATER, WATERSHED PROTECTION AND FLOOD PROTECTION ACT (PROPOSITION 13, CHAPTER 8, ARTICLE 6) FOR EVAPOTRANSPIRATION (ET) IRRIGATION CONTROLLER INSTALLATION REBATE PROJECT**

Resolution 8876 **RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA ACCEPTING FUNDING PURSUANT TO THE URBAN WATER CONSERVATION PROGRAM OF THE SAFE DRINKING WATER, CLEAN WATER, WATERSHED PROTECTION AND FLOOD PROTECTION ACT (PROPOSITION 13, CHAPTER 8, ARTICLE 6) FOR INDUSTRIAL PROCESS CAPITAL IMPROVEMENT PROJECT**

45542 Adopted the CEQA determination and (a) appropriated \$1.85 million (Appropriation No. 15411, No. 2, from the Pay-As-You-Go Fund); and (b) authorized entering into a contract with Milli Micro Systems, in an amount not to exceed \$970,000, for consulting services to upgrade Metropolitan's Human Resources

System, as set forth in the letter signed by the Chief Executive Officer on September 24, 2003.

45543 Adopted the CEQA determination and authorized the Chief Executive Officer to pay the expected membership dues/assessments for calendar year 2004, to be paid in fiscal year 2003/04, as set forth in the revised letter signed by the Chief Executive Officer on October 8, 2003.

45544 Adopted the CEQA determination and (a) granted conditional approval for the 44th Fringe Area Annexation, concurrently to Western Municipal Water District and Metropolitan, conditioned upon receipt in full of annexation fee of \$52,644.20 to Metropolitan if completed by December 31, 2003, or if completed later, at the then current annexation charge rate, and in compliance with those terms and conditions fixed upon final request for approval pursuant to Administrative Code Section 3100 et seq.; (b) approved Western's proposed Plan for Implementing Water Use Efficiency Guidelines; and (c) adopted the Resolution of Intention to Impose Water Standby Charge (**Resolution 8877**) within the proposed annexation territory, substantially in the form of Attachment 3 to the letter signed by the Chief Executive Officer on September 15, 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

45545 Adopted the CEQA determination and (a) granted conditional approval for the 75th Fringe Area Annexation, concurrently to Eastern Municipal Water District and Metropolitan, conditioned upon receipt in full of annexation fee of \$28,943.20 to Metropolitan if completed by December 31, 2003, or if completed later, at the then current annexation charge rate, and in 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 to Impose Water Standby Charge (**Resolution 8878**) within the proposed annexation territory, substantially in the form of Attachment 3 to the letter signed

by the Chief Executive Officer on September 15, 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.

45546 Adopted the CEQA determination and (a) appropriated \$9.15 million (Appropriation No. 15405, No. 2, from the Construction Funds); (b) authorized entering into an agreement with the city of Los Angeles in an amount of \$7.7 million for the relocation of two miles of the Santa Monica Feeder; and (c) authorized the Chief Executive Officer to amend the agreement up to five percent to cover changes during construction, as set forth in the letter signed by the Chief Executive Officer on September 30, 2003.

45547 Adopted the CEQA determinations and (a) appropriated \$3.585 million in budgeted and non-budgeted funds (Appropriation No. 15373, No. 5; and Appropriation No. 15374, No. 4, both from the Construction Funds); and (b) authorized completion of all work described in the letter signed by the Chief Executive Officer on September 24, 2003, for the following projects:

- Vulnerability Study of Colorado River Aqueduct Tunnels
- Eagle Mountain Pumping Plant Sand Traps Inflow Study
- Canal Lining, Siphons, Sand Traps and Iron Mountain Tunnel Monitoring Designs
- Head Gates Rehabilitation Design
- Blow-off Valve Flange Replacement Design and Construction
- Gene Pumping Plant Heavy Equipment Service Pit Design and Construction

45548 Adopted the CEQA determinations and (a) appropriated \$1,072,600 (Appropriation No. 15410, No. 2, from the Construction Funds – \$618,400 for Pipe Procurement for Skinner Expansion No. 4 and \$454,200 for Skinner Sludge Handling Facilities); (b) awarded a procurement contract in the amount of \$560,355 to Northwest Pipe Co. to furnish all materials as

described in Specifications No. 1484, Furnishing Fabricated Steel Pipe and Fittings for the Skinner Expansion No. 4; (c) authorized issuance of a change order to Gantry Constructors, Inc., Contract No. 1565 in an amount not to exceed \$372,000 to purchase and install a third belt press and accessories for the Skinner Sludge Handling Facilities Project; and (d) authorized issuance of a change order to Gantry Constructors, Inc., Contract No. 1566 in an amount not to exceed \$415,000 to perform pipeline tie-in work for the Skinner Effluent Replenishment Tank Bypass Pipeline Project (no appropriation required), as set forth in the letter signed by the Chief Executive Officer on September 30, 2003.

45549 Adopted the CEQA determination and (a) appropriated \$22.815 million (Appropriation No. 15413, No. 2, from the Construction Funds) to perform extensive field surveys to better define property boundaries, locate facilities, set visible boundary markers, and identify encroachment problems; and (b) authorized the Chief Executive Officer to enter into four-year consulting agreements with Rick Engineering Company, Psomas, The Keith Companies, Coast Surveying Inc., RBF Consulting, Towill Inc., Hunsaker and Associates Irvine Inc., David Evans and Associates Inc., Johnson-Frank and Associates Inc., and Huitt-Zollars Inc., for surveying and mapping services, with a modification that the individual agreement amounts not be limited to \$1.2 million per firm as specified in the letter signed by the Chief Executive Officer on October 2, 2003, to provide more flexibility to seek the most competitive price for the work, with the total of the agreement amounts not to exceed the \$20.125 million identified in the foregoing letter for consulting services.

45550 Adopted the CEQA determination and (a) approved the State Water Project entitlement transfer to Desert Water Agency and Coachella Valley Water District; and (b) authorized the Chief Executive Officer to execute the finalized transfer and related agreements, in form approved by the General Counsel, as described in the letter signed by the Chief Executive Officer on October 8, 2003, and Attachment 1 to the letter.

45551 Adopted the CEQA determination and authorized the Chief Executive Officer to enter into agreements with (a) North Kern Water Storage District for a demonstration water

banking/exchange program, in form approved by the General Counsel, and to proceed with the technical and environmental studies for a long-term program; and (b) Mojave Water Agency for a demonstration exchange program, in form approved by the General Counsel, and to proceed with the technical and environmental studies for a long-term program, as set forth in the letter signed by the Chief Executive Officer on September 30, 2003.

45552 Adopted the CEQA determination and authorized settlement of existing litigation entitled *Kuan v. Metropolitan, et al.*, LASC Case No. BC 272702, as set forth in the confidential letter jointly signed by the General Counsel on October 3, and the Chief Executive Officer on October 5, 2003.

45553 The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through August 2003, signed by the Chief Executive Officer on September 24, 2003.
- b. Semiannual report on Equal Employment Opportunity and Affirmative Action for January 1, 2003 through June 30, 2003, signed by the Chief Executive Officer on September 24, 2003.
- c. Review of Integrated Resources Plan Update draft report, signed by the Chief Executive Officer on October 1, 2003.
- d. Water Surplus and Drought Management Report on Supply and Storage Balances as of September 15, 2003, signed by the Chief Executive Officer on September 30, 2003.

45554 The Chief Executive Officer's letter signed on September 30, 2003, entitled "Adoption of the Long Range Finance Plan - 2003 Update" was submitted as a pending item, with action to be taken at a future meeting.

45555 Director Fellow reported on the Water Fest'2003 event that was sponsored by Upper San Gabriel Valley Municipal Water District, West Basin Municipal Water District, Metropolitan, and

others on October 11, 2003, at the Arcadia County Park, with the theme focusing on water conservation.

45556 There being no objection, Vice Chairman Foley adjourned the Meeting at 12:49 p.m.

HELEN Z. HANSEN

SECRETARY

JOHN V. FOLEY

VICE CHAIRMAN