

MINUTES
REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
DECEMBER 9, 2003

45590 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, December 9, 2003.

Chairman Pace called the Meeting to order at 9:04 a.m.

45591 The Meeting was opened with an invocation by Conny B. McCormack, Registrar-Recorder/County Clerk, county of Los Angeles.

45592 The Pledge of Allegiance to the Flag was given, led by Director James H. Blake.

45593 Board Secretary Hansen called the roll. Those answering present were: Directors Abdo, Apodaca, Bakall, Bannister, Blake, Brick, Brown, Coughran, De Jesus, Dick, Edwards, Farrar, Fellow, Foley, Grandsen, Harris, Hansen, Kwan, Lewis, Luddy, Mejia, Morris, Mylne, Pace, Parker, Peterson, Record, Stanton, and Wright.

Those not answering were: Directors Dentler, Herman (entered 9:16 a.m.), Koopman, Loveland, Murray, Orduna, Rez, and Turner.

Chairman Pace declared a quorum present.

45594 Chairman Pace invited members of the public to address the Board on matters within the Board's jurisdiction. No members of the public responded.

45595 There being no objection, Chairman Pace ordered the reading of the Minutes of the Meetings of September 23, November 11 and 18, 2003, dispensed with, copies having been mailed to each Director.

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

45596 Chairman Pace recognized Director Emeritus Patrick H. Miller, who represented Calleguas Municipal Water District from 1990 to 1999.

45597 Chairman Pace reported that on November 22 he, Director Record, and Executive Vice President Ivey attended the Searl Parkway dedication at Diamond Valley Lake. The Searl family history began about 110 years ago as ranchers and farmers, and Metropolitan purchased their land to build the Diamond Valley Lake reservoir.

Many Directors attended the ACWA fall conference held in San Diego last week. The conference focused on five programs that included an attorney track, groundwater issues, finance, human resources, and small agencies.

Director Herman took her seat at 9:16 a.m.

45598 Regarding Colorado River, Bay-Delta, and CALFED matters, Chief Executive Officer Gastelum referred to his activity report for November dated December 4, 2003, which was distributed earlier.

Chief Executive Officer Gastelum stated that at the upcoming Colorado River Water Users Association conference, there would be a special signing ceremony on Thursday, December 11, with the Secretary of the Interior. This ceremony is to celebrate the signing of the Memorandum of Understanding (MOU) between Metropolitan and the Department of Interior coordinating our land management activities in the California desert, which MOU was approved some time ago. Mr. Gastelum invited those Directors attending the conference to participate in this ceremony.

Referring to the state audit, Chief Executive Officer Gastelum reported that the state audit has been continuing. The auditors gathered material and asked questions at the beginning of the audit, then returned to Sacramento for about four weeks to review everything. The auditors are now back at Metropolitan, asking additional questions, and have interviewed some individuals. Mr. Gastelum believes the audit would conclude in January, and that the auditors have focused more on Metropolitan's policies and procedures. He stated that the audit appeared to be proceeding as the audit team suggested, and that he would bring to the Board the state audit team's preliminary comments. Metropolitan will be provided an exit interview with an opportunity for comments.

45599 Regarding Legal Department activities, General Counsel Kightlinger referred to his activity report for November, dated December 1, 2003, which was distributed earlier.

In the *Dewayne Cargill, et al. v. Metropolitan, et al.* litigation, the temporary workers' lawsuit, General Counsel Kightlinger reported that the case was argued before the California Supreme Court on December 3; and it appeared there is a divided court. A number of questions focused on the potential unfunded liability and the impact this would have on public agencies across the state of California, particularly at this time in the state's budget crisis; fairness and what was the real definition of "temporary"; and whether there was some problem with temporary workers on a job too long. Some justices expressed an interest that perhaps this was more a legislative issue instead of a judicial one and asked why the Legislature had not taken this up to try and resolve it. Mr. Kightlinger stated that the Supreme Court has 90 days to issue an opinion, which would be some time in February 2004. The Board would then be informed of the outcome.

45600 General Auditor Riss noted that for the month of November, a review of cash management was issued with the opinion that the administrative and accounting procedures of cash receipts and cash disbursements were generally satisfactory. There were a couple of observations that management concurred with and is in the process of preparing their response. Mr. Riss also noted that his department has tracked other reports that have been issued in previous months

with responses from management that have been acceptable, thorough, and complete.

45601 The reports of the Standing Committees are as follows:

Chairman Pace reported the Executive Committee, at its meeting of November 25, approved Agenda Item 8-6. The proposed items for December's Board and committee agenda items were discussed and approved. The committee heard reports on activities of the Ethics Subcommittee and the Colorado River Board. Chief Executive Officer Gastelum reported on Metropolitan's activities, the Integrated Resources Plan (IRP) and the inclusion of comments from Directors and the public, the desalination projects with member agencies, and the recreation development plans with the city of Hemet.

Asset, Real Estate and Infrastructure Policy Committee Chair Peterson reported the committee approved Agenda Items 8-2, 8-4, and 9-4, and he requested that Item 9-4 be placed on the Consent Calendar. The committee received presentations on the Information Technology performance measures; the commercial development adjacent to Metropolitan's Headquarters Building at Union Station; and the Diamond Valley Recreation Area.

Budget, Finance and Investment Committee Chairman Blake reported the committee unanimously approved Agenda Items 8-3 and 9-1. He requested Item 9-1 be placed on the Consent Calendar.

Chairman Pace announced there was no meeting of the Communications, Outreach and Legislation Committee.

Engineering and Operations Committee Chairman De Jesus reported the committee approved Agenda Item 8-1. The committee heard oral reports on the Inland Feeder Program, system operations, and engineering activities.

Legal, Claims and Personnel Committee Chairman Bannister reported the committee approved Agenda Items 9-2 and 9-3, and he requested that they be added to the Consent Calendar. The committee heard a report on the State Water Project power cost allocations.

Water Planning, Quality and Resources Committee Chairman Wright reported the committee held a public hearing on key accomplishments and information contained in Metropolitan's annual water management progress report to the Legislature. The committee heard reports on Bay-Delta and State Water Project matters, the Water Surplus and Drought Management Plan, the Innovative Supply Program, the approval of the Mojave Storage Program by the Department of Water Resources, and the IRP Update process.

Director Morris moved, seconded by Director Stanton and carried, and the Board approved the Consent Calendar Items, **M.I. 45602** through **M.I. 45610**, as follows:

45602 Adopted the California Environmental Quality Act (CEQA) determinations and (a) appropriated \$1.47 million in budgeted CIP funds (Appropriation No. 15389, No. 2, from the Construction Funds); and authorized (b) the Chief Executive Officer to have all work performed up to the award of competitively bid construction contract(s) for the Diemer Plant Maintenance Facility and Vehicle Maintenance Center; and (c) amending the existing professional services agreement with RNL Design for a new not-to-exceed total of \$1.545 million for Diemer Oxidation Retrofit Program final design services, as set forth in the letter signed by the Chief Executive Officer on November 21, 2003.

45603 Adopted the CEQA determination and (a) appropriated \$170,000 (Appropriation No. 15401, No. 6, from the Construction Funds) and authorized final design of the ramp extension contingency plan for the Diamond Valley Lake East Marina; and (b) authorized an amendment of \$77,750 to an existing agreement with Moffatt & Nichol Engineers for a new not-to-exceed total of \$1,127,250, as set forth in the letter signed by the Chief Executive Officer on November 21, 2003.

45604 Adopted the CEQA determination and approved the proposed amendments to Metropolitan's employee savings plans and the Administrative Code, as set forth in the revised letter signed by the Chief Executive Officer on December 5, 2003.

45605 Adopted the CEQA determination and authorized entering into an agreement with Applied Planning International, Inc., not to exceed \$452,000 for implementation services to upgrade Metropolitan's Maintenance Management System, as set forth in the letter signed by the Chief Executive Officer on November 21, 2003.

45606 Adopted the CEQA determination and (a) **Resolution 8885** granting Eastern Municipal Water District's request for approval of 76th 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 8886** 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 November 19, 2003, said Resolutions entitled:

Resolution 8885

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO EASTERN MUNICIPAL WATER DISTRICT'S 76TH FRINGE AREA ANNEXATION AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Resolution 8886

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 76TH FRINGE AREA ANNEXATION

Director Record requested to be recorded as abstaining.

45607 Adopted the CEQA determination and approved payments up to a total of \$544 million determined to be due and payable under the terms of the State Water Project and Devil Canyon/Castaic contracts for calendar year 2004, as set forth in

the letter signed by the Chief Executive Officer on November 21, 2003.

Director Edwards requested to be recorded as abstaining.

45608 Adopted the CEQA determination and authorized amendment to contract for consultant services with Lemley & Associates California, Inc., to increase the compensation to a maximum of \$400,000, regarding the pending litigation on the Arrowhead East and Arrowhead West tunnel contracts, as set forth in the confidential letter signed by the General Counsel on November 17, 2003.

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

45609 Adopted the CEQA determination and authorized settlement with Campus Crusade for Christ, Inc., of specified Inland Feeder Project matters, including that lawsuit denominated *The Metropolitan Water District of Southern California v. Campus Crusade for Christ, Inc., et al.*, San Bernardino Superior Court Case No. SCV 088016, as set forth in the confidential letter jointly signed by the General Counsel on November 18, and by the Chief Executive Officer on November 19, 2003.

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

45610 Adopted the CEQA determination and authorized increased flexibility in purchasing temporary easements for the San Diego Pipeline No. 6 North Reach project, as set forth in the confidential letter signed by the Chief Executive Officer on November 24, 2003.

45611 The following communication was submitted to the Board for information:

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

45612 Special Committee on Water Education Chair Herman reported the committee heard reports on the education focus group research that was undertaken over the past few months, and the exhibit and design project for the proposed Center for Water Education. Ms. Herman stated that at its next meeting, the committee would review changes to the inspection trips to accommodate different schedules of working people and the itinerary of those trips. She continued that the committee would also look at revising and updating the Vista del Lago exhibit. Chairman Pace expressed satisfaction with The Center for Water Education working with the Special Committee on Water Education to formulate educational programs for both entities.

45613 Chairman Pace announced there would be an IRP workshop on January 20, 2004.

45614 Director Peterson introduced members from Las Virgenes Municipal Water District: Charles Caspary, vice chairman of Las Virgenes' board; James Colbaugh, retiring General Manager; and John Mundy, the new General Manager.

45615 Executive Vice President Ivey announced Metropolitan would be celebrating its 75th anniversary at a lunch later today in the city of Pasadena, where Metropolitan held its first meeting of the Board in 1928.

45616 There being no objection, Chairman Pace adjourned the Meeting at 9:43 a.m.

HELEN Z. HANSEN

SECRETARY

PHILLIP J. PACE

CHAIRMAN