

MINUTES
ADJOURNED REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
AUGUST 17, 2004

45850 The Board of Directors of The Metropolitan Water District of Southern California met in Adjourned 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, August 17, 2004.

Chairman Pace called the Meeting to order at 12:50 p.m.

45851 The Meeting was opened with an invocation by Elizabeth McKinney of Prophetic Management and Entertainment.

45852 The Pledge of Allegiance to the Flag was given, led by Chairman Pace.

45853 Board Secretary Hansen called the roll. Those answering present were: Directors Apodaca, Bakall, Bannister, Blake, Brick, Brown, Coughran, De Jesus, Dick, Edwards, Fellow, Foley, Grandsen, Hansen, Kwan, Lewis, Mejia, Morris, Murray, Mylne, Pace, Parker, Pocklington, Rez, Tait, and Wright.

Those not answering were: Directors Abdo, Dentler, Farrar (entered 12:56 p.m.), Hall, Harris, Koopman, Loveland, Luddy (entered 12:57 p.m.), Peterson (entered 12:57 p.m.), Record (entered 12:56 p.m.), and Simonds (entered 12:56 p.m.).

Chairman Pace declared a quorum present.

45854 At 12:54 p.m., the Chair called a public hearing to receive comments on the proposed standby charge for Annexation No. 84 to Calleguas Municipal Water District, and Baxter Annexation to San Diego County Water Authority.

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 12:55 p.m.

45855 Chairman Pace invited members of the public to address the Board on matters within the Board's jurisdiction.

Melissa Ameluxen, representative for Assemblyman Russ Bogh of the San Bernardino-Riverside-Diamond Valley Lake area, introduced herself to the Board and stated she would report back to Assemblyman Bogh and the constituents of the city of Hemet on the progress being made on the completion of Diamond Valley Lake and the proposed recreation facilities.

Directors Farrar, Record, and Simonds took their seats at 12:56 p.m.

Directors Luddy and Peterson took their seats at 12:57 p.m.

Lester Snow, Director, Department of Water Resources, told the Board that Central Valley flood management, additional water storage, and the increase in south Delta pumping are among the most important issues facing his department. He related the financial problems in the Central Valley pursuant to a ruling by the state Supreme Court in the *Paterno* case that basically said the state was liable for damages that occurred resulting from a flood in 1986. Major discussion of this matter will be held in the state Legislature this coming session to see how the state can be protected from a financial risk, as well as providing public safety.

Mr. Snow also commented on Bulletin 160, the California Water Plan update, and referenced the major system in the state with the State Water Project, the Central Valley Project, the Colorado River Aqueduct, Owens Valley, and the Los Angeles Aqueduct, which all provide the basic network for development of water resources. Mr. Snow stated that in Bulletin 160 the state wants to develop a basic framework for integrated resource planning, which framework would basically support regional implementation plans.

As for additional storage sites, Mr. Snow stated that the department is also looking for groundwater banking opportunities. He emphasized the need for additional storage in California to face the uncertainty that would occur in the next 20 to 50 years. Other topics that Mr. Snow referenced were the Quantification Settlement Agreement, the Salton Sea, and the Colorado River drought.

45856 There being no objection, Chairman Pace ordered the reading of the Minutes of the Meeting of July 13, 2004, dispensed with, a copy having been mailed to each Director.

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

45857 Chairman Pace announced that Director James Turner from the San Diego County Water Authority has retired, and Bud Pocklington has been appointed to replace Mr. Turner.

The General Counsel's letter signed August 16, 2004, was presented, transmitting the credentials evidencing the appointment by San Diego County Water Authority of Bud Pocklington as one of its representatives on Metropolitan's Board for an indefinite term, replacing James F. Turner.

General Counsel Kightlinger reported the credentials had been examined and found legally sufficient and that the Oath of Office had been administered to Director Pocklington on August 16, 2004.

Following an introduction by Director Parker, Director Pocklington took his seat as a Director representing San Diego County Water Authority.

45858 Chairman Pace presented to Vice Chairman John V. Foley a pin for his fifteen years of service on Metropolitan's Board, representing Municipal Water District of Orange County.

45859 Director Blake moved, seconded by Director Edwards and carried, authorizing a thirty-day leave of absence for Vice Chairman Foley, commencing September 20, 2004.

45860 Director Coughran moved, seconded by Director Blake and carried, authorizing a Commendatory Resolution for former Director S. Dale Stanton.

45861 Director Blake moved, seconded by Director Coughran and carried, approving the committee appointments as recommended by the Chair, as follows:

Director Tait to the Legal, Claims and Personnel Committee, Communications, Outreach and Legislation Committee, and the Ethics Subcommittee

Director Pocklington to the Budget, Finance and Investment Committee, Engineering and Operations Committee, and the Desalination Subcommittee

Directors Foley and Rez to the Ethics Intake Committee for Directors' Concerns

Director Lewis withdrew from the Meeting at 1:38 p.m.

45862 Chairman Pace reported on the July 19 and 20 two-day inspection trip by the Diamond Valley Lake and Lake Skinner Oversight Subcommittee. At Lake Skinner the Directors were taken through the recreation areas and given updates on the land usages, leases, and recreation management. At the Southwest Riverside County Multi-Species Reserve headquarters, information was provided regarding the activities inside the reserve boundaries. The inspection trip included the proposed recreation areas and lake features of Diamond Valley Lake, including the east and west sides, inspection of the marina and the areas used for shoreline fishing. Directors were also able to view nearby facilities operated by Valley-Wide Recreation and Park District, and they received an update from Valley-Wide on their activities. The subcommittee held its meeting in the Diamond Valley Lake area, where local community leaders and elected officials attended the meeting.

45863 A letter from the Chief Executive Officer signed August 16, 2004, was presented, reporting that the Original Certificates of the County Auditors for the six counties in which areas of the District lie are on file in the Office of the Controller, certifying the fiscal year 2004/05 assessed valuations of all property used for calculating Metropolitan's tax. There being no objection, Chairman Pace ordered the tabulations transmitted with the foregoing letter from the Chief Executive Officer setting forth the assessed valuations, percentage participation, and vote entitlement of member public agencies of The Metropolitan Water District of Southern California, as of August 17, 2004, based on certificates of assessed valuation of property taxable by Metropolitan for fiscal year 2004/05, as submitted by the various County Auditors, be filed, reported in the Minutes, and that the Executive Secretary be directed to send a copy to each absent Director and to each member public agency.

Assessed Valuations, Percentage Participation, and Vote
Entitlement of Member Public Agencies of
The Metropolitan Water District of Southern California
as of August 17, 2004

Assessed Valuation

<u>Member Agency</u>	<u>Amount Certified</u>	<u>Percent of Total</u>	<u>Vote Entitlement</u>
Anaheim	\$ 26,217,396,332	1.79	2,622
Beverly Hills	14,071,847,362	0.96	1,407
Burbank	12,872,527,906	0.88	1,287
Calleguas MWD	59,275,248,022	4.06	5,928
Central Basin MWD	81,277,969,988	5.56	8,128
Compton	2,296,603,124	0.16	230
Eastern MWD	35,703,891,155	2.44	3,570
Foothill MWD	9,209,224,837	0.63	921
Fullerton	10,901,151,795	0.75	1,090
Glendale	16,262,217,705	1.11	1,626
Inland Empire Utilities Agency	53,793,492,242	3.68	5,379
Las Virgenes MWD	13,776,602,934	0.94	1,378
Long Beach	26,691,831,048	1.83	2,669
Los Angeles	280,878,002,413	19.22	28,088
MWD of Orange County	251,258,319,780	17.20	25,126
Pasadena	13,805,799,899	0.94	1,381
San Diego County Water Authority	262,218,091,329	17.95	26,222
San Fernando	1,089,429,757	0.07	109
San Marino	3,038,392,149	0.21	304
Santa Ana	15,742,963,606	1.08	1,574
Santa Monica	16,475,778,103	1.13	1,648
Three Valleys MWD	37,063,725,852	2.54	3,706
Torrance	15,517,343,520	1.13	1,652
Upper San Gabriel Valley MWD	52,559,380,932	3.60	5,256
West Basin MWD	97,751,833,678	6.69	9,775
Western MWD	50,429,929,220	3.45	5,043
TOTAL ASSESSED VALUATIONS WITHIN METROPOLITAN	<u>\$1,461,178,994,688</u>	<u>100.00</u>	<u>146,119</u>

The above valuations include only those which have been certified by the County Auditors, in accordance with Section 305 of the Metropolitan Water District Act, Statutes of 1969, as amended. The certified valuations have been reduced to reflect Homeowners' Property Exemptions and do not include areas excluded from Metropolitan.

45864 Budget, Finance and Investment Committee Chairman Mylne moved, seconded by Director Blake, that the Board adopt the California Environmental Quality Act determination and **Resolution 8916** which fixes the District's secured property tax rate for District purposes for fiscal year 2004/05 at .0058 percent of assessed valuations and an unsecured property tax rate of .0061 percent, together with various tax rates for annexation charges due Metropolitan, thereby producing a total levy of \$100.1 million. After allowing for estimated delinquencies, allocations for redevelopment agencies and adjustments for supplemental tax collections and prior years' tax collections, this results in projected net tax revenues of \$94.2 million, as set forth in the Chief Executive Officer's letter signed August 16, 2004; said Resolution entitled:

A RESOLUTION LEVYING TAXES FOR THE FISCAL YEAR COMMENCING JULY 1, 2004 AND ENDING JUNE 30, 2005 FOR THE PURPOSES OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

The Chair called for a vote on the motion.

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

Ayes: Anaheim (Dir. Tait, 2,622 votes), Burbank (Dir. Brown, 1,287 votes), Calleguas Municipal Water District (Dir. Grandson, 5,928 votes), Central Basin Municipal Water District (Dirs. Apodaca and Pace, 8,128 votes), Eastern Municipal Water District (Dir. Record, 3,570 votes), Foothill Municipal Water District (Dir. Edwards, 921 votes), Fullerton (Dir. Blake, 1,090 votes), Glendale (Dir. Rez, 1,626 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,378 votes), Long Beach (Dir. Hansen, 2,669 votes), Los Angeles (Ayes: Dirs. Farrar, Luddy, and Simonds. Absent: Dir. Dentler. 28,088 votes), Municipal Water District of Orange County (Dirs. Bakall, Bannister, Dick, and Foley, 25,126 votes), Pasadena (Dir. Brick, 1,381 votes), San Diego County Water Authority (Ayes: Dirs. Parker and Pocklington. Absent: Dirs. Lewis and Loveland. 26,222 votes), San Fernando (Dir. Mejia, 109 votes), San Marino (Dir. Morris, 304 votes), Santa Ana (Dir. Coughran, 1,574 votes), Three Valleys Municipal Water District (Dir. De Jesus, 3,706 votes), Torrance (Dir. Wright, 1,652 votes), Upper San Gabriel Valley Municipal Water District (Dir. Fellow, 5,256 votes), West Basin Municipal Water District (Dirs. Kwan and Murray, 9,775 votes),

Western Municipal Water District of Riverside County (Dir. Mylne, 5,043 votes). Total 137,455 votes.

Noes: None.

Abstain: None.

Absent: Beverly Hills (Dir. Harris, 1,407 votes), Compton (Dir. Hall, 230 votes), Inland Empire Utilities Agency (Dir. Koopman, 5,379 votes), Santa Monica (Dir. Abdo, 1,648 votes). Total 8,664 votes.

The Chair declared **Resolution 8916** adopted by a vote of 137,455 ayes and 8,664 absent, representing more than the required two-thirds vote.

45865 Regarding Colorado River, Bay-Delta, and CALFED matters, Chief Executive Officer Gastelum referred to his activity report for July dated August 11, 2004, which was distributed earlier.

Vice President of Colorado River Resources Underwood reported that this morning the Palo Verde Irrigation District's (PVID) board approved and signed our agreement with them for the Land Management, Crop Rotation and Water Supply Program. PVID also approved the landowners' agreement, which will lead to next month's signups. Mr. Underwood stated that solicitation letters will be going out, and Metropolitan anticipates having the capability of taking the maximum amount of water in 2005 if it elects to do so. The program provides from 25,000 up to 111,000 acre-feet, and it is the number one priority among the agencies on the Colorado River. Mr. Underwood also reported on the Multi-Species Program covering 27 species. He stated that three states have signed letters for financial commitments pending the approval of the implementation by Metropolitan's Board and other boards, which is the necessary step for this program to go forward.

Chief Executive Officer Gastelum reported that the CALFED Bay-Delta Authority made a key decision this past week on the Delta Improvements package that includes the initiative for the Department of Water Resources to go to 8,500 cfs pumping at Banks pumping plant. Mr. Gastelum continued that Metropolitan is moving ahead officially under the Bay-Delta Authority's

action, and although it is not yet complete, it was a key test and received a unanimous vote.

45866 Regarding Legal Department activities, General Counsel Kightlinger referred to his activity report for July dated August 9, 2004, which was distributed earlier.

General Counsel Kightlinger reported that in the preferential rights case, the San Diego County Water Authority's petition to have it heard by the state Supreme Court was denied and there is no further appeal so that is the last chapter on that matter. Mr. Kightlinger continued that the Court of Appeal had found that this was a legislative matter to be decided upon by either Metropolitan's Board or the state Legislature to change, and that it was not a legal issue.

General Counsel Kightlinger further reported on the flurry of correspondence that took place in the last couple of days, copies of which were distributed to the Board, regarding the inclusion of the rate structure integrity language being proposed for inclusion in all future Local Resources Program agreements.

45867 General Auditor Riss presented a summary report of the Audit Department's activities for the month of July. He began by discussing the Health, Safety, and Environmental (HSE) Program Audit Report. Mr. Riss stated that this report was issued with an opinion that the operating and administrative procedures over the HSE Compliance and Audit Program provided for a less than satisfactory internal control structure. He added that this opinion was the result of the fact that HSE audit recommendations contained in numerous reports issued over multiple years remain open and unresolved. He then stated that while unresolved audit findings pointed to a failure on the part of HSE Audit to perform effective follow-up procedures, these facts also indicated a failure on the part of management to address concerns that may impact the ability to measure the effectiveness of the HSE Compliance program in ensuring that the District is operating in a manner consistent with regulatory requirements and board policies. Mr. Riss then referred to his written report dated July 31, 2004 for a more detailed explanation of the audit comments and recommendations.

Next, Mr. Riss discussed the Petty Cash, Drafts, Credit Cards, and Purchase Cards Audit Report. He noted that the report was issued with an opinion that the accounting and administrative procedures over these items included those practices usually necessary to provide for a generally satisfactory internal control structure. Mr. Riss then reported that there were some instances of non-compliance, and there were some opportunity to improve efficiency with recommendations made, which management has concurred with.

Finally, Mr. Riss reported that an audit of Cell Phone, Pagers, and Desktop/Laptop Report was issued with an opinion that the accounting and administrative procedures included those practices usually necessary to provide for a generally satisfactory internal control structure. He stated minor issues were found in this audit, and management has appropriately responded to these.

General Auditor Riss also reported that an update was prepared on the State Audit Response Follow-up, which is to ensure that the District is completing the action plans that were reported to the state auditors in response to the State Audit. In this month's report, Mr. Riss stated progress is being achieved according to target.

45868 Ethics Officer Elliott reviewed her monthly report. She stated that the Ethics Office has been working with the various departments at Metropolitan regarding contractor relationships with the goal of avoiding conflict of interest and the appearance of conflict of interest. That work began prior to the recent media coverage, and the work is continuing. Dr. Elliott continued that disclosure and recusal requirements for contractors, staff, and Directors have been proposed for the Board and would be discussed at the next subcommittee meeting. She reported that after about two months of work with the Legal Department, contracting office, and the Ethics Office, the new process for contracting report and potential conflicts of interest is in its final vetting.

Dr. Elliott also reported on the new committee formed called "Intake Committee for Directors' Concerns". This committee was developed due to the receipt of expressions of concern from Directors and regarding Directors. The committee is made up of Directors Foley and Rez, Executive Vice President

Ivey, and herself, and had its initial meeting on August 17. She stated that a full report of that committee and its actions would be given out at the next subcommittee meeting.

Dr. Elliott announced that the Institute of Local Self-Government is creating a new reference guide for local officials on ethics laws, and copies will be made available to Directors and executive management. Dr. Elliott referred to her monthly report and commented on the receipt of the amount of expressions of concern received.

45869 The reports of the Standing Committees are as follows:

Chairman Pace reported the Executive Committee, at its meeting of August 3, approved Agenda Item 8-1. The committee also discussed and approved the proposed items for August's Board and committee agenda items. The committee heard reports on activities of the contingency plan for allocation of returned Proposition 13 funds for groundwater, the Compensation Committee, and Colorado River Board. Chief Executive Officer Gastelum reported on Metropolitan's activities, including CALFED and San Diego Pipeline No. 6. He stated that a workshop on Pipeline 6 has been scheduled for some time in September. At the meeting, Chairman Pace also reported that Directors discussed the protocol for communication with staff, and it was suggested that Board members consider reviewing this issue and the Carver principles at the Ethics Subcommittee.

Asset, Real Estate and Infrastructure Policy Committee Chairman Record reported the committee approved Agenda Items 8-8, 8-9, 9-6, 9-7, and 9-10. Committee Chairman Record requested Items 9-6, 9-7, and 9-10 be placed on the Consent Calendar (Items 9-6 and 9-10 subsequently taken off the Consent Calendar).

Budget, Finance and Investment Committee Chairman Mylne reported the committee unanimously approved Agenda Items 5G-2 and 9-3. The committee deferred item 9-4, the Long Range Finance Plan.

Communications, Outreach and Legislation Committee Chairman Fellow reported the committee heard reports on the version of the water quality report that focuses on issues in the home, the forthcoming two Colorado River Aqueduct inspection

trips for educators in the fall, the current activities from both Washington, D.C. and Sacramento, and the Southern California Landscape Program. Chief Executive Officer Gastelum stated that Metropolitan is working with ACWA on its blueprint to paint a realistic picture of California's water needs and to encourage regional programs. Mr. Gastelum also discussed the issues around recent news stories and editorials about Metropolitan's communications contracts.

Engineering and Operations Committee Chairman Wright reported the committee unanimously approved Agenda Items 8-2, 8-3, and 9-1. Committee Chairman Wright requested Item 9-1 be added to the Consent Calendar. He stated that Item 9-2 regarding the San Diego Pipeline No. 6 North Reach and Service Connection EM-21 projects was withdrawn from the agenda. The committee heard oral reports on the Inland Feeder Program, Engineering Services Benchmarking Plan, system operations, and engineering activities.

Legal, Claims and Personnel Committee Chairman De Jesus reported that after hearing the report in closed session on Agenda Item 9-8, in open session the committee approved it. Committee Chairman De Jesus requested Item 9-8 be added to the Consent Calendar. In closed session the committee also heard reports on the negotiations with the Water Attorneys of Metropolitan, *Enron Power Marketing v. Metropolitan* case, and the *Aerojet v. Metropolitan* cases.

Water Planning, Quality and Resources Committee Chairman Luddy reported the committee approved Agenda Items 8-5, 8-6, and 9-5 as amended. Committee Chairman Luddy requested Item 9-5 be added to the Consent Calendar. The committee deferred Agenda Item 8-7, revisions to Annexation Policy in Administrative Code Section 3107 regarding Water Use Efficiency Guidelines. The committee received an update on seawater desalination project contracts, and an overview of the recommendations from the recently published Governor's California Performance Review.

45870 Director Brick requested that Agenda Item 8-8, contracts for power management system and project management services in the Information Technology Strategic Plan and the Water System Control Master Plan, be removed from the Consent Calendar.

Director Blake moved, seconded by Director Edwards and carried, and the Board approved the Consent Calendar Items, **M.I. 45871** through **M.I. 45881**, as follows:

45871 Adopted the California Environmental Quality Act (CEQA) determination and (a) granted conditional approval for 50th Fringe Area Annexation, concurrently to Western Municipal Water District and Metropolitan, conditioned upon receipt in full of annexation fee of \$357,816.20 to Metropolitan if completed by December 31, 2004, or if completed later, at the then current annexation charge rate; (b) approved Western's proposed Plans for Implementing Water Use Efficiency Guidelines; and (c) adopted the resolution of intention (**Resolution 8917**) to impose water standby charge within the proposed annexation territories, substantially in the form of Attachment 3 to the letter signed by the Chief Executive Officer on July 19, 2004, 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

45872 Adopted the CEQA determination and (a) appropriated \$1.17 million in budgeted funds (Appropriation No. 15380, No. 4, from the Construction Funds); and (b) authorized final design of Phase II of the Diemer Basin Rehabilitation Project, as set forth in the letter signed by the Chief Executive Officer on July 23, 2004.

45873 Adopted the CEQA determination and (a) appropriated \$921,000 (Appropriation No. 15421 from the Construction Funds); and (b) authorized upgrade of meters and communication equipment at Metropolitan's fifteen hydroelectric power plants, as set forth in the letter signed by the Chief Executive Officer on July 23, 2004.

45874 Adopted the CEQA determination and authorized the Chief Executive Officer to enter into a multi-year pilot water exchange agreement with Department of Water Resources consistent with the terms in Attachment 1 to the letter signed by the Chief Executive Officer on July 23, 2004, and in form approved by the General Counsel.

45875 Adopted the CEQA determination and directed the Chief Executive Officer to implement the Emergency Storage Program including preparation of any required administrative procedures and Administrative Code language consistent with the Draft Emergency Storage Program policy parameters summarized in Attachment 1 to the letter signed by the Chief Executive Officer on August 2, 2004.

45876 Adopted the CEQA determination and appropriated \$429,000 (Appropriation No. 15334, No. 14, from the Construction Funds) for utility service agreements with Verizon, Adelphia, and Southern California Edison to prepare design drawings, and with The Gas Company to prepare design drawings and install utility distribution lines to and within a portion of the Diamond Valley East Recreation Area, as set forth in the letter signed by the Chief Executive Officer on July 27, 2004.

Director Tait requested to be recorded as abstaining.

45877 Adopted the CEQA determinations and (a) appropriated \$18.56 million in budgeted funds (Appropriation No. 15373, No. 7, from the Construction Funds); (b) awarded a construction contract to Banshee Construction Co., Inc. in the amount of \$10,848,201 for Colorado River Aqueduct (CRA) Repairs and Instrumentation; and (c) authorized investigation of CRA single-barrel siphons and reservoir outlets, as set forth in the letter signed by the Chief Executive Officer on July 30, 2004.

45878 Adopted the CEQA determination and (a) authorized the Chief Executive Officer to use unrestricted funds in an amount not to exceed \$75 million to purchase discounted Metropolitan bonds in the secondary market; and (b) extended the expiration date of the bond authorization under the Fourteenth Supplemental Resolution to August 31, 2005, as set forth in the letter signed by the Chief Executive Officer on July 23, 2004.

45879 Adopted the CEQA determination and authorized the Chief Executive Officer to enter into a Local Resources Program agreement with Municipal Water District of Orange County and Irvine Ranch Water District for the Michelson/Los Alisos Water Reclamation Plants Recycled Water Upgrades and Distribution System Expansion Project to provide financial incentives over 25 years at \$117 per acre-foot under the terms included in the letter signed by the Chief Executive Officer on August 3, 2004,

as amended, subject to successful negotiation of contract language related to rate structure integrity.

Directors Bakall and Dick requested to be recorded as abstaining.

45880 Adopted the CEQA determination and authorized the sale of Metropolitan property located near Needles, California to Pacific Gas & Electric Company for a groundwater treatment facility, as set forth in the confidential letter jointly signed by the General Counsel on July 28 and the Chief Executive Officer on July 29, 2004.

Director Tait requested to be recorded as abstaining.

45881 Regarding *Shank/Balfour Beatty, a Joint Venture vs. Metropolitan Water District*, the Board adopted the CEQA determination and authorized the amendment of contracts for: (1) legal services with Hunt, Ortmann, Blasco, Palffy & Rossell to increase compensation by \$500,000; (2) forensic accounting with Navigant Consulting to increase compensation by \$70,000; (3) litigation support services with Executive Presentations to increase compensation by \$130,000; and (4) pipe expert services with Jack Williams to increase compensation by \$50,000, as set forth in the confidential letter signed by the General Counsel on July 30, 2004.

Directors Parker and Pocklington requested to be recorded as abstaining.

45882 Director Brick expressed concern regarding the three firms listed being given an umbrella contract with an aggregate amount of \$2.2 million for consulting services, which appear to exceed the authority of the Chief Executive Officer from \$250,000 per contract to \$2.2 million. Staff replied that a blanket authority is not being requested, and that this award was done via a competitive process, and each firm would be given a contract depending on its specific expertise.

Director Bakall then moved, seconded by Director Dick and carried, that the Board adopt the CEQA determination and authorized (a) entering into an agreement with ForTech, Inc. in an amount not to exceed \$450,000 to purchase and implement a Power Management System; and (b) entering into agreements for

project management services for the Information Technology Strategic and Water System Control Master Plans with (1) Westin Engineering, Inc., (2) CSC Consulting, Inc., and (3) Geer & Geer Engineering in an aggregate amount not to exceed \$2.2 million, as set forth in the letter signed by the Chief Executive Officer on July 23, 2004.

Directors Brick and Edwards requested to be recorded as voting no.

45883 Director Bakall commented on the proposed surplusing of the Ormond Beach property, which could be used for mitigation purposes or set aside for use by member agencies for desalination plants.

Vice Chair Peterson moved, seconded by Director Wright and carried, and the Board adopted the CEQA determination and (a) affirmed the Chief Executive Officer's determination that the subject 289-acre property (309 minus the reserved 20-acre site) at Ormond Beach in Oxnard, Ventura County is surplus; and (b) established provision with condition subsequent wherein utility corridors and access easements are reserved, as set forth in the letter signed by the Chief Executive Officer on July 27, 2004.

Director Bakall requested to be recorded as abstaining.

45884 Reference was made to the recommendation of the Diamond Valley Lake and Lake Skinner Oversight Subcommittee to consolidate and collect costs of Diamond Valley Lake (DVL) Recreation projects as they shall be approved by the Board into the existing board-approved Diamond Valley Lake Capital construction budget of \$2,085.1 million. DVL Recreation costs shall be funded from these budget funds remaining unspent and from the proceeds derived from the disposition of surplus lands (previously acquired as a part of the DVL Project) as approved by the Board. Director Edwards stated that since there are a lot of unanswered questions, he requested that this item be sent back to the Asset, Real Estate and Infrastructure Policy Committee for further consideration.

Following a discussion on where the monies are to be allocated, Director Mylne clarified the recommendation to

consolidate and collect costs of Diamond Valley Lake (DVL) Recreation projects (both existing and future as they are approved by the Board) into the existing board-approved Diamond Valley Lake Capital construction budget of \$2,085.1 million. DVL Recreation costs shall be funded from these budget funds remaining unspent and from the proceeds derived from the disposition of surplus lands (previously acquired as a part of the DVL Project Budget) as approved by the Board

Following a more detailed discussion, Director Mylne moved, seconded by Director Bannister and carried, and the Board approved to consolidate and collect costs of Diamond Valley Lake (DVL) Recreation projects (both existing and future as they are approved by the Board) into the existing board-approved Diamond Valley Lake Capital construction budget of \$2,085.1 million. DVL Recreation costs will only be funded from these DVL budget funds remaining unspent, from the proceeds derived from the disposition of surplus lands (previously acquired as a part of the DVL Project Budget) as approved by the Board, and from other (non-MWD) public and private sources as may be appropriate.

Director Brick requested to be recorded as abstaining.

Director Edwards requested to be recorded as voting no.

45885 The following communication was submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through June 2004, signed by the Chief Executive Officer on July 23, 2004.

45886 There being no objection, Chairman Pace adjourned the Meeting at 2:49 p.m.

HELEN Z. HANSEN

SECRETARY

PHILLIP J. PACE

CHAIRMAN