

MINUTES
REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JUNE 14, 2005

46235 The Board of Directors of The Metropolitan Water District of Southern California met in Regular Meeting in the Board Room located in the building at 700 North Alameda Street in the City of Los Angeles, State of California, on Tuesday, June 14, 2005.

Chairman Bannister called the Meeting to order at 12:20 p.m.

46236 The Meeting was opened with an invocation by employee Wigsbert Mendoza.

46237 The Pledge of Allegiance to the Flag was given, led by Director Glenn A. Brown.

46238 In the absence of Board Secretary Hansen, Chairman Bannister designated Director Simonds as Secretary Pro Tem.

46239 Secretary Pro Tem Simonds called the roll. Those answering present were: Directors Abdo, Apodaca, Bakall, Bannister, Blake, Brick, Brown, Deaton, De Jesus, Dentler, Dick, Edwards, Farrar, Fellow, Foley, Grandsen, Griset, Hall, Harris, Koopman, Kwan, Murray, Pace, Parker, Peterson, Pocklington, Record, Rez, Simonds, Tait, Veres, and Wright.

Those not answering were: Directors Hansen, Lewis, Loveland, Morris, and Mylne (entered 12:35 p.m.).

Chairman Bannister declared a quorum present.

Director Fellow withdrew from the Meeting at 12:27 p.m.

46240 Chairman Bannister invited members of the public to address the Board on matters within the Board's jurisdiction.

David Schenkel, executive vice president of the National Electrical Contractors Association, commented on Agenda Item 8-6, the Skinner Oxidation Retrofit Program and Washwater Reclamation Plant No. 3. He spoke against the staff recommendation for award of the proposed contract.

Mary Barrie from the La Canada Flintridge Trails Council urged the Board to accept the recommendation of the Asset and Real Property Committee regarding the sale of the Arroyo Seco property to the City of Pasadena, and thanked Metropolitan's staff for all their helpfulness and cooperation over the past six years.

David Czamanske of the Sierra Club referred to the revised language in the Permanent Open Space Easement to be included in the sale of the Arroyo Seco property. He expressed concern regarding the broad language that would reserve to Metropolitan and any other public agencies the manner in which the easement could be enforced.

Director Mylne took his seat at 12:35 p.m.

46241 Chairman Bannister commented on the Solar Cup competition held May 13-15, 2005 at Lake Skinner and presented awards to all those who participated in making it a success. The winning teams in the different categories were Canyon High School, Glendora High School, Nogales High School, Norco High School, and Moorpark High School. The Chair also recognized the member agencies that sponsored the various teams. A video was played showing clips of the Solar Cup event.

46242 Director Tait introduced his daughter Whitney Tait, who is currently attending Vanderbilt University.

Director Pocklington introduced three members of the board of San Diego County Water Authority: Fern Steiner and Yen Tu from the City of San Diego, and Bud Irvin from Santa Fe Irrigation District.

46243 There being no objection, Chairman Bannister ordered the reading of the Minutes of the Meeting of May 10, 2005, dispensed with, a copy having been mailed to each Director.

Vice Chairman Blake moved, seconded by Director Mylne and carried, approving the foregoing Minutes as mailed.

46244 Chairman Bannister presented to Director Timothy F. Brick a 20-year pin for his service on Metropolitan's Board from June 11, 1985, representing the City of Pasadena.

46245 At 12:55 p.m., Chairman Bannister called for a break.

At 1:08 p.m., Chairman Bannister called the Meeting to order.

46246 Vice Chairman Blake moved, seconded by Director Edwards and carried, approving a sixty-day leave of absence for Director Morris, effective June 13, 2005.

46247 Director De Jesus moved, seconded by Director Brick and carried, approving a sixty-day leave of absence for Director Harris, effective June 30, 2005.

46248 The Chair reported he has reassigned Director Veres from the Water Planning, Quality and Resources Committee and the Education and Outreach Committee to the Legal and Claims Committee.

The Chair also reported that he has assigned Director Bakall to the Organization and Personnel Committee.

46249 Director Harris moved, seconded by Director Brown and carried, adopting a Commendatory Resolution for the Honorable Beverly O'Neill, Mayor of Long Beach, on her election as President of the United States Conference of Mayors.

46250 Chairman Bannister reported on events in which he participated or were held between the months of May and June, as follows:

- May 10 - Taping of KTLA Channel 5's "Pacesetters" public affairs program (which is broadcast Sunday mornings) with host Ray Gonzales, the station's public affairs director;

- May 12 - An all-day tour of Diamond Valley Lake;
- May 13-15 - The Solar Cup competition at Lake Skinner;
- May 17 - The joint meeting of the Engineering and Operations and Water Planning, Quality and Resources Committees held at Eastern Municipal Water District;
- May 26 - "Guest speaker" at Water Resource Management staff meeting;
- June 1 - Had a "meet and greet" session with Congressman Radanovich
- June 2 - The Chairman and Chief Operations Officer Man were the guest speakers at the Municipal Water District of Orange County meeting at the Hilton Costa Mesa, speaking on "Regional Water Issues/Introduction to Orange County Water Officials/Challenges with State/Federal Policy"; "Where are you taking Metropolitan?";
- June 3 - Participated in the 10th Anniversary celebration of West Basin Municipal Water District's recycling facility in El Segundo; and
- June 7 - A special meeting of the Engineering and Operations Committee at the Weymouth facility.

Chairman Bannister announced the upcoming future board activities:

- A two-day off-site board workshop, in September or October, regarding growth charge, no growth charge, Section 7 language, preferential rights; Tier 1 and Tier 2 review.
- Ethics Workshop on "The Exercise of Leadership at Metropolitan" on Monday, July 25.
- Climatology and Conservation Program (under development).
- Workshop on Presentation of Developers for Diamond Valley Lake Recreation Area.
- Board trip to Palo Verde Irrigation District.
- Board trip to visit Avocado Growers Association in the San Diego area.

46251 Regarding Colorado River, Bay-Delta, and CALFED matters, CEO/General Manager Underwood referred to his activity report for May signed on May 31, 2005, which was distributed earlier.

CEO/General Manager Underwood reported that he has completed his revision of the Washington and Sacramento consultants that Metropolitan currently has on contract. He identified to the Board those consultants that he plans to have continue through December 2005, at which time he will reassess the need for consultant services and report back to the Board.

Regarding the water supply, CEO/General Manager Underwood stated that Metropolitan would be getting 90 percent allocation from the State Water Project and that the Bureau of Reclamation has approved 700,000 acre-feet from the Colorado River.

Mr. Underwood commented on the role of communications and the challenges before us and how working together with the employees, board members, and member agencies are being linked together in an effective manner. He reported on the review of the Human Resources section, which is currently undergoing an audit. Recruitment is also underway for the Vice President of External Affairs position, which will take about three months to fill.

Director Fellow returned to the Meeting at 1:24 p.m.

46252 Chairman Bannister announced that starting with the next set of committee meetings, they will be held in the Board Room except for the subcommittees and the Communications and Legislation Committee.

The Chair also stated that starting in November the Directors' expense reports would be provided on a quarterly basis.

46253 Regarding Legal Department activities, General Counsel Kightlinger referred to his activity report for May dated May 31, 2005, which was distributed earlier.

General Counsel Kightlinger reported that there have been notices of intent to sue on the All American Canal lining project, and he is expecting a lawsuit to be filed by the end of summer. Metropolitan will likely be a participant in the litigation.

46254 General Auditor Riss presented a summary report of the Audit Department's activities for the month of May. He stated that an audit report was issued on Employee and Director Expense Reports and added that the audit tested expense reports filed from April 2004 through March 2005.

Mr. Riss then conducted a brief discussion of this report, noting that it was issued with an opinion that the accounting and administrative controls included those practices usually necessary to provide for a generally satisfactory internal control structure. However, he indicated that there were some isolated instances where timely submission of claims needs to be improved, some non-compliance of established travel policy issues, and some incomplete review procedures that were noted during the review. Mr. Riss then stated that management has taken appropriate steps, which include the implementation of new management reports, and have satisfactorily addressed the comments noted in the report.

Director Hall withdrew from the Meeting at 1:28 p.m.

46255 Ethics Officer Elliott referred to her activity report for May dated May 31, 2005, which was distributed earlier.

Dr. Elliott reported that the production of the Directors' Ethics Manual is on schedule, and the Directors should receive it in July. Dr. Elliott commented on the upcoming Ethics Leadership Workshop on July 25 to be facilitated by Marty Linsky. She encouraged the Board of Directors, executive management, and representatives from the member agencies to attend the workshop. Dr. Elliott stated that Mr. Linsky teaches an executive management program at the Kennedy School of Government at Harvard University, and he has worked with elected and appointed officials around the world on ethics and leadership issues in government, including conducting seminars with the newly elected United States representatives.

Vice Chairman Blake moved, seconded by Director Bakall and carried, and the Board approved the Consent Calendar Items, **M.I. 46256** through **M.I. 46263**, as follows:

46256 Adopted the California Environmental Quality Act (CEQA) determination and (a) granted conditional approval for the 85th Fringe Area annexation concurrently to Eastern Municipal

Water District and Metropolitan, conditioned upon receipt in full of annexation fee of \$11,055 to Metropolitan if completed by December 31, 2005, or if completed later, at the then current annexation charge rate; (b) approved Eastern's Statement of Compliance with the current Water Use Efficiency Guidelines; and (c) adopted the resolution of intention to impose water standby charge (**Resolution 8947**) within the proposed annexation territories, substantially in the form of Attachment 3 to the letter signed by the CEO/General Manager on May 16, 2005, 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—85TH FRINGE AREA

Director Record requested to be recorded as abstaining.

46257 Adopted the CEQA determination and (a) **Resolution 8948** granting Western Municipal Water District's request for annexation of the 44th Fringe Area into Metropolitan's service area, conditioned upon approval by the Riverside Local Agency Formation Commission, and establishing Metropolitan's terms and conditions for this annexation; and (b) **Resolution 8949** to impose water standby charge at a rate of \$9.23 per acre or per parcel of less than one acre within the proposed annexation area, as set forth in the letter signed by the CEO/General Manager on May 16, 2005, said Resolutions entitled:

Resolution 8948 **RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO WESTERN MUNICIPAL WATER DISTRICT'S 44TH FRINGE AREA ANNEXATION AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

Resolution 8949**RESOLUTION OF THE BOARD OF DIRECTORS OF
THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA FIXING AND ADOPTING
WATER STANDBY CHARGE CONTINGENT UPON
WESTERN MUNICIPAL WATER DISTRICT'S
44TH FRINGE AREA ANNEXATION**

46258 Adopted the CEQA determination and authorized entering into an agreement with Siemens Corporation in an amount not to exceed \$536,000 for consulting services and software to replace Metropolitan's outdated phonemail system and to upgrade the call detail recording system used for analyzing telephone usage/charges, as set forth in the letter signed by the CEO/General Manager on May 16, 2005.

46259 Adopted the CEQA determination and (a) approved up to \$1.1 million to obtain the Aircraft Liability, Crime, Excess General Liability policies, and Excess Workers' Compensation policy; and (b) authorized an increase in the self-insured retention fund equal to the premium savings yielded by increasing the Workers Compensation self-insured retention level from \$2 million to \$5 million in this and subsequent years, as set forth in the letter signed by the CEO/General Manager on May 26, 2005.

46260 Adopted the CEQA determinations and (a) appropriated \$770,000 in budgeted funds (Appropriation No. 15365, No. 8, \$70,000 for Skinner; Appropriation No. 15369, No. 12, \$207,000 for Weymouth; Appropriation No. 15371, No. 8, \$366,000 for Jensen; Appropriation No. 15380, No. 6, \$87,000 for Diemer; and Appropriation No. 15381, No. 5, \$40,000 for Mills, all from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized studies and preliminary design for seven treatment plant rehabilitation projects, as set forth in the letter signed by the CEO/General Manager on May 25, 2005.

46261 Adopted the CEQA determination and (a) appropriated \$1.96 million in budgeted funds (Appropriation No. 15369, No. 13, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) awarded a \$1.44 million construction contract to CentiMark Corporation for the Weymouth Finished Water Reservoir Roof Recoating project, as set forth in the letter signed by the CEO/General Manager on May 25, 2005.

46262 Adopted the CEQA determinations and authorized increases in the Chief Executive Officer's change order authority for (a) the OC-88 Energy Savings Modifications Project, from \$454,750 to \$750,000; (b) the Skinner Water Treatment Plant Site Preparation Project, from \$272,400 to \$650,000; and (c) the Weymouth Softener Building No. 3 Conversion to Office Space Project, from \$250,000 to \$400,000, as set forth in the letter signed by the CEO/General Manager on May 25, 2005.

46263 Adopted the CEQA determination and expressed support for Assembly Bill 371 (Goldberg, D-Los Angeles) relating to Recycled Water, as set forth in the letter signed by the CEO/General Manager on May 26, 2005. The Board took no position on Assembly Bill 1747 (Committee on Water, Parks and Wildlife) as recommended by the Communications and Legislation Committee.

46264 On behalf of the City of Pasadena, Mayor Bill Bogaard stated the city is committed to the acquisition of the 30 acres of property as provided in the staff's recommendation for the sale of the Arroyo Seco property. He continued that the city is also committed to retain in perpetuity the use of the property for park and open space as provided in the contract. Mayor Bogaard expressed his gratitude to the Chairman of the Asset and Real Property Committee and the staff for their cooperative attitude throughout this transaction.

Asset and Real Property Committee Chairman Farrar moved, seconded by Director De Jesus and carried, that the Board adopt the CEQA determination and authorize the Chief Executive Officer to execute the purchase and sale agreement with the City of Pasadena in accordance with the Surplus Land Statute, on terms consistent with the board letter, after the grant and recordation of a Permanent Open-Space Easement, as set forth in Revision 2 of Attachment 3 to the board letter, in favor of a state or local governmental entity, with all documents and procedures having been approved as to form by the General Counsel, as set forth in the revised letter signed by the CEO/General Manager on May 26, 2005. Staff confirmed that the permanent open space easement would be recorded prior to sale of the property.

46265 Budget, Finance, Investment and Insurance Committee Chairman Koopman moved, seconded by Vice Chairman Blake and carried, adopting the CEQA determination and approving (a) the delegation of authority to the Treasurer to make investments on behalf of Metropolitan; and (b) Metropolitan's Statement of Investment Policy, as set forth in the letter signed by the CEO/General Manager on May 25, 2005.

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

46266 Budget, Finance, Investment and Insurance Committee Chairman Koopman moved, seconded by Vice Chairman Blake and carried, and the Board adopted the CEQA determination and:

(a) Approved the 2005/06 Budget;

(b) Appropriated \$814.9 million for the projected annual cash outlays for Metropolitan O&M and operating equipment, power costs on the Colorado River Aqueduct, State Water Project (SWP) operations, maintenance, power and replacement costs and SWP capital charges; demand management programs including the local resources and conservation credits program; and costs associated with supply programs paid from the Water Transfer Fund;

(c) Appropriated as continuing appropriations, \$228.6 million for 2005/06 debt service and cash defeasance on Metropolitan general obligation and revenue bonds and approve the use of \$26.3 million in June 2005 to defease debt to reduce debt service in 2005/06 and 2006/07 pursuant to the Board's 2000 authorization of debt defeasance;

(d) Authorized the use of \$95 million in operating revenues to fund Replacement and Refurbishment and General Fund construction; and

(e) Amended the Administrative Code, as provided in Attachment 2 to the letter signed by the CEO/General Manager on May 25, 2005, to establish the Water Stewardship Fund, which will be funded by the Water Stewardship Rate and authorized expenditures for incentive payments and administrative costs for the Conservation Credits, Local Resources, and seawater desalination programs and conservation advertising and outreach efforts to be paid from this fund.

46267 Communications and Legislation Committee Chairman Fellow moved, seconded by Director Brick and carried, and the Board adopted the CEQA determination and the recommendation to oppose Assembly Bill 672 (Klehs, D-San Leandro), unless amended, regarding the recreational use of drinking water reservoirs, as set forth in the letter signed by the CEO/General Manager on May 26, 2005. At the request of Chairman Bannister, the committee also recommended sending a letter signed by the Chairman to key state lawmakers expressing serious concerns about the bill's public health and security implications.

46268 Engineering and Operations Committee Chairman Mylne moved, seconded by Vice Chairman Blake, that the Board adopt the CEQA determinations and:

(a) Appropriate \$237.6 million in budgeted funds (Appropriation No. 15388, No. 7, for \$188.44 million; Appropriation No. 15410, No. 5, for \$24.54 million; and Appropriation No. 15365, No. 9, for \$24.62 million, all from the Revenue Bonds, Replacement and Refurbishment or General Funds);

(b) Award a \$184.65 million construction contract to Shimmick/Obayashi, A Joint Venture, to construct the Skinner Oxidation Retrofit Program (ORP), Washwater Reclamation Plant No. 3 and related facilities, with a construction duration of 42 months;

(c) Authorize an increase of \$5.5 million to the existing agreement with Camp Dresser & McKee, Inc., for a new not-to-exceed total of \$20.851 million;

(d) Award a contract to Systems Integrated for procurement of control system equipment for a not-to-exceed total of \$1.06 million;

(e) Authorize an agreement with Parsons Constructors, Inc. for Project Labor Agreement administration for Skinner area projects in an amount not to exceed \$410,000 per year for five years;

(f) Authorize an agreement with KDG Development & Construction Consulting for project management support on the ORP in an amount not to exceed \$1.75 million;

(g) Authorize an agreement with Parsons Water & Infrastructure, Inc. for construction management and inspection in an amount not to exceed \$16.52 million; and

(h) Authorize an agreement with Dudek & Associates, Inc. for environmental mitigation monitoring services in an amount not to exceed \$1 million, as set forth in the letter signed by the CEO/General Manager on May 27, 2005.

In answer to questions of whether this item should be delayed due to legal issues, General Counsel Kightlinger responded that this matter was discussed at the committee and everything was done appropriately. For Metropolitan to now change an award to the second lowest bidder that did not have an electrical subcontractor would cost the District some \$36 million or more, and the award of this contract as is presently submitted is legal and appropriate.

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

46269 Water Planning, Quality and Resources Committee Chairman Brown moved, seconded by Director Bakall and carried, that the Board adopt the CEQA determination and authorize the Chief Executive Officer to enter into an Environmental Water Account exchange agreement with the California Department of Water Resources consistent with the terms described in the letter signed by the CEO/General Manager on May 26, 2005, and in form approved by the General Counsel.

46270 Legal and Claims Committee Chairman De Jesus moved, seconded by Director Murray and carried, and the Board adopted the CEQA determination and authorized the amendment of the contract with O'Brien Zarian LLP to increase the maximum payable by \$50,000 to \$150,000 for legal services in *Griffith Construction Company v. Metropolitan Water District of Southern California*, LASC Case No. BC 319223, as set forth in the confidential letter signed by the General Counsel on June 2, 2005.

46271 Legal and Claims Committee Chairman De Jesus reported that the committee gave directions to the General Counsel in negotiations in the matter relative to the *Dewayne Cargill et al. v. Metropolitan* lawsuit, which was discussed in closed session. Committee Chairman De Jesus then moved, seconded by Director Murray, that the Board concur in this matter.

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

Director Dentler requested to be recorded as abstaining due to a conflict of interest since her spouse represents a party in the litigation, and that the records show that she did not participate in the discussion.

46272 The following communication was submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through April 2005 signed by the CEO/General Manager on May 25, 2005.

46273 There being no objection, Chairman Bannister adjourned the Meeting at 1:50 p.m.

ROBERT SIMONDS

SECRETARY PRO TEM

WES BANNISTER

CHAIRMAN