

MINUTES
REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
NOVEMBER 8, 2005

46422 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, November 8, 2005.

Chairman Bannister called the Meeting to order at 9:08 a.m.

46423 Board Secretary Hansen called the roll. Those answering present were: Directors Abdo, Bakall, Bannister, Blake, Brick, Brown, De Jesus, Dick, Edwards, Farrar, Foley, Grandsen, Griset, Hansen, Harris, Koopman, Kwan, Loveland, Morris, Mylne, Pace, Parker, Pocklington, Record, Rez, Simonds, Tait, and Wright.

Those not answering were: Directors Apodaca (entered 9:40 a.m.), Deaton, Dentler (entered 9:11 a.m.), Fellow (entered 9:18 a.m.), Hall (entered 9:40 a.m.), Lewis (entered 9:13 a.m.), Murray (entered 10:37 a.m.), Peterson (entered 9:11 a.m.), and Veres.

Chairman Bannister declared a quorum present.

46424 The invocation was given by Director John V. Foley in memory of Metropolitan's Chief Executive Officer/General Manager Dennis B. Underwood, who passed away on November 2, 2005.

46425 The Pledge of Allegiance to the Flag was given, led by Director Larry D. Dick.

Directors Dentler and Peterson took their seats at 9:11 a.m.

Director Lewis took his seat at 9:13 a.m.

46426 The Board held a memorial service via a video tribute and a moment of silence for CEO/General Manager Underwood.

Director Fellow took his seat at 9:18 a.m.

46427 At 9:24 a.m., the Chair called a public hearing to receive comments on the proposed standby charges for:

Annexation Nos. 85 and 86 to Calleguas Municipal Water District; and
88th, 89th, 90th, 91st, and 92nd Fringe Area Annexations to Eastern Municipal Water District.

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 9:25 a.m.

46428 Chairman Bannister invited members of the public to address the Board on matters within the Board's jurisdiction.

Comments in support of the recreation plan for the Diamond Valley Lake area were heard from:

Bonnie Wright from Congresswoman Mary Bono's office
Lori Van Arsdale, Council Member, City of Hemet
Clint Lorimore from Assemblyman Russ Bogh's office
Kelly Battin from Senator Jim Battin's office
Janine Mundwiler of the Ramona Bowl Amphitheater

Ron Granados from the Las Americas Team requested that the proposals from the developers for the recreation plan be rejected because of noncompliance with the Surplus Lands Act.

46429 Director Record introduced his wife, Anne McCauley Record, to the Board.

46430 There being no objection, Chairman Bannister ordered the reading of the Minutes of the Meeting of October 11, 2005, dispensed with, a copy having been mailed to each Director.

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

46431 The Chair reported there were no new committee assignments.

46432 At 9:35 a.m., Chairman Bannister called the Meeting into closed session pursuant to Government Code Section 54957, to consider the appointment of an Acting CEO/General Manager due to the untimely passing of Dennis B. Underwood.

Directors Apodaca and Hall took their seats at 9:40 a.m.

At 9:50 a.m., Chairman Bannister called the Meeting into open session.

At the request of Chairman Bannister, Organization and Personnel Committee Chairman Loveland reported that the Board acted to appoint Chief Operating Officer Debra Man as Interim Chief Executive Officer/General Manager for up to six months, with Chairman Bannister authorized to negotiate salary and benefits with Ms. Man for that period of time.

Committee Chairman Loveland stated that the Board also referred to a permanent replacement process, which the Organization and Personnel Committee would discuss in December with a recommendation to the Board in January.

46433 Chairman Bannister reported on events in which he participated since the last Board Meeting, as follows:

- October 12 - Participated in a water facility inspection trip flyover with Congressman John T. Doolittle over the Huntington Beach desalination site, Santa Ana River, Prado Dam, Lake Perris, and Diamond Valley Lake;
- October 17-18 - Attended the California Foundation on the Environment and the Economy (CFEE) Roundtable Conference in Del Mar;

- October 20 - Guest speaker at the Water Agencies Association of San Diego Conference at the Pala Resort;
- October 27 - Along with Directors Dick, Kwan, and Wright, met with Joe Adams, president of the Discovery Science Center;
- October 29 - Attended Metropolitan employees' picnic at Knott's Berry Farm
- November 5 - Attended the memorial service for Dennis Underwood at Forest Lawn, Church of Our Heritage.

Executive Legislative Representative Hiltcher introduced Jim McConnell to the Board. Mr. McConnell is one of Metropolitan's consultants in Washington, D.C., responsible for pursuing federal funding opportunities that benefit Metropolitan.

46434 Regarding Colorado River, Bay-Delta, and CALFED matters, Interim CEO/General Manager Man referred to the activity report for October dated October 31, 2005, which was distributed earlier. Ms. Man stated that the contents of the report were closely coordinated with Dennis Underwood, who was very diligent in setting a course of action on the Colorado River. She continued that staff is now pursuing their efforts on the implementation of the Quantification Settlement Agreement, discussions on the shortage guidelines, management of reservoirs, and participation in the Salton Sea.

Interim CEO/General Manager Man commented on the outstanding industry service award given to Metropolitan by the California-Nevada section of the American Water Works Association (AWWA), with special mention of employee David Phillips, for his volunteer activities. Ms. Man also recognized Director John Morris for his leadership role in AWWA.

Director Apodaca withdrew from the Meeting at 10:20 a.m.

46435 Regarding Legal Department activities, General Counsel Kightlinger referred to his activity report for October dated October 31, 2005, which was distributed earlier.

General Counsel Kightlinger informed the Board that the *California Power Exchange Corporation v. Miller, et al.*,

lawsuit has been settled. The California Power Exchange (CalPx) had sued all its former governors and directors for recompense, including an employee of Metropolitan, Jon Lambeck, whom the District defended. The insurance company for CalPx settled, with all claims dismissed and a refund to Metropolitan for attorney fees.

General Counsel Kightlinger reported that interventions are pending in the Hyatt-Thermalito and the All-American Canal cases, and that decisions on those should be forthcoming shortly. Mr. Kightlinger also stated that three amicus briefs were filed on a number of cases before the California Supreme Court, the U.S. Supreme Court, and the Court of Appeals for the Ninth Circuit, all involving CEQA and environmental matters for water projects.

Director Foley withdrew from the Meeting at 10:22 a.m.

46436 General Auditor Riss presented a summary report of the Audit Department's activities for the month of October. He stated that a limited review report and one audit report were issued during the month – United States Forest Service Review and Moffatt & Nichol Engineers Audit Report.

Mr. Riss then began a brief discussion of these reports. He began by discussing the United States Forest Service Review and reported that his office worked with management in trying to get sufficient, competent documentation from the United States Forest Service (USFS) to support monthly billings. Mr. Riss noted that this effort resulted in more cooperation between Metropolitan and the USFS. Next, Mr. Riss discussed the Moffatt & Nichol Engineers Audit Report and reported that it 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. General Auditor Riss remarked that both reports were discussed in detail at the Audit Committee meeting.

Vice Chairman Dick withdrew from the Meeting at 10:24 a.m.

46437 In the absence of Ethics Officer Elliott, Ethics Committee Chairman Edwards referred to the activity report for October dated October 31, 2005, which was distributed earlier.

46438 The following Agenda Items were requested to be added to the Consent Calendar: Director Mylne, Items 8-3 and 8-4; Director Brown, Item 8-5; Director De Jesus, Items 8-7 and 8-8. Director Tait asked that Item 7-6 regarding the expense account regulations pursuant to AB 1234 be pulled from the Consent Calendar.

Chairman Bannister reported that Item 8-1 regarding the five respondent seawater desalination projects has been withdrawn. Director Fellow requested that Item 8-6 regarding H.R. 3691, the Central Valley Project Reform Act of 2005, be withdrawn from the agenda.

Director Blake moved, seconded by Director Edwards and carried, and the Board approved the Consent Calendar Items, **M.I. 46439** through **M.I. 46448**, as follows:

46439 Adopted the California Environmental Quality Act (CEQA) determination and (a) granted conditional approval for the 93rd Fringe Area Annexation concurrently to Eastern Municipal Water District and Metropolitan, conditioned upon receipt in full of annexation fee of \$38,043 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 (**Resolution 8976**) to impose water standby charge within the proposed annexation territory, substantially in the form of Attachment 3 to the letter signed by the CEO/General Manager on October 14, 2005.

Director Record requested to be recorded as abstaining.

46440 Adopted the CEQA determination and (a) **Resolution 8977** granting Calleguas Municipal Water District's request for annexation of Annexation No. 85, Parcel A, into Metropolitan's service area, conditioned upon approval by the Local Agency Formation Commission, and establishing Metropolitan's terms and conditions for this annexation; and (b) a resolution to impose water standby charge (**Resolution 8978**) at a rate of \$9.58 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 October 14, 2005, said Resolutions entitled:

Resolution 8977 **RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO CALLEGUAS MUNICIPAL WATER DISTRICT'S ANNEXATION NO. 85, PARCEL A, AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

Resolution 8978 **RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING WATER STANDBY CHARGE CONTINGENT UPON CALLEGUAS MUNICIPAL WATER DISTRICT'S ANNEXATION NO. 85, PARCEL A**

Director Grandsen requested to be recorded as abstaining.

46441 Adopted the CEQA determination and (a) affirmed the Chief Executive Officer's determination that the Diamond Valley Lake North Property, consisting of ±731 acres, is surplus to the needs of Metropolitan; and (b) complied with the California Surplus Lands Act by offering the property to other public agencies for use in accordance with the law, as set forth in the letter signed by the CEO/General Manager on October 19, 2005.

46442 Adopted the CEQA determination and (a) appropriated \$980,000 (Appropriation No. 15369, No. 16, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) studies and design for four Weymouth plant rehabilitation projects; and (c) an increase of \$450,000 to the existing agreement with Tetra Design for a new not-to-exceed total of \$2.2 million, as set forth in the letter signed by the CEO/General Manager on October 17, 2005.

46443 Adopted the CEQA determination and authorized the CEO/General Manager to enter into a new Three-Year Program agreement with the Department of Water Resources and related agreements with other State Water Project contractors regarding the Municipal Water Quality Investigation Program, as set forth in the letter signed by the CEO/General Manager on October 17, 2005.

46444 Adopted the CEQA determinations and (a) appropriated \$138.7 million in budgeted funds (\$29,174,000 from Appropriation No. 15346, No. 9; \$96,331,000 from Appropriation No. 15365, No. 10; and \$13,195,000 from Appropriation No. 15410, No. 6, all from the Revenue Bonds, Replacement and Refurbishment or General Funds); and awarded (b) a \$109.944 million contract to Kiewit Pacific Co. to construct the Skinner Chemical Systems Modifications; and (c) a contract to Systems Integrated for procurement of control system equipment for a not-to-exceed total of \$873,000; and authorized (d) an increase of \$0.45 million to the existing agreement with Lee & Ro, Inc. for a new not-to-exceed total of \$4.275 million; and (e) an increase of \$3.9 million in the CEO's change order authority, from \$3.819 million to \$7.719 million, for the Skinner Module No. 7 project, as set forth in the letter signed by the CEO/General Manager on October 24, 2005.

46445 Adopted the CEQA determination and (a) appropriated \$3.35 million in budgeted funds (Appropriation No. 15377, No. 14, from the Revenue Bonds, Replacement and Refurbishment or General Funds); (b) awarded a \$1.378 million construction contract to Gantry Constructors, Inc. for the San Diego Pipeline No. 5 and Lake Skinner Outlet Conduit repairs; (c) did not award the contract for the Sepulveda Feeder repairs; and (d) delegated to the CEO the authority to award a sole-source contract to Fibrwrap Construction, Inc. to perform the Sepulveda Feeder repairs, following successful completion of negotiations, as set forth in the letter signed by the CEO/General Manager on October 24, 2005.

46446 Adopted the CEQA determination, the 2005 Regional Urban Water Management Plan, and **Resolution 8979** for submittal to the State of California by December 31, 2005 in order to comply with the Urban Water Management Planning Act of the California Water Code, as set forth in the letter signed by the CEO/General Manager on October 26, 2005; said Resolution entitled:

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN
WATER DISTRICT OF SOUTHERN CALIFORNIA APPROVING THE 2005
REGIONAL URBAN WATER MANAGEMENT PLAN**

46447 Adopted the CEQA determination and authorized the General Counsel to amend the existing agreement with Jeffer, Mangels, Butler & Marmaro, for legal services, increasing the maximum amount payable by \$180,000 in *Lollett Jones-Boyce v. Metropolitan, et al.*, Los Angeles Superior Court Case No. BC 310915, as set forth in the confidential letter signed by the General Counsel on November 2, 2005.

46448 Adopted the CEQA determination and authorized amendment of contracts, increasing the maximum payable to Navigant Consulting, Inc. by \$250,000, and the maximum payable to Brierly Associates, LLC by \$50,000, for assistance related to the Arrowhead Tunnels construction within the Inland Feeder Program, as set forth in the confidential letter signed by the General Counsel on October 26, 2005.

Vice Chairman Dick returned to the Meeting at 10:27 a.m.

Directors Hall and Simonds withdrew from the Meeting at 10:27 a.m.

46449 Regarding the amendment of Metropolitan's Administrative Code relating to expense account regulations pursuant to AB 1234, Director Tait commented that the daily reimbursement rate of \$850 was excessively high in comparison to the IRS rate. Assistant General Counsel Bennion replied that the \$850 figure would apply only in unusual circumstances and that Metropolitan has had an established travel policy since 1980 which kept travel costs down by using government rates whenever applicable. Mrs. Bennion further reported that AB 1234 requires us to adopt what the Board considers to be a reasonable reimbursement amount and because of the existing travel policy, the \$850 amount would only be used in emergency situations or where government rates are not available. Mrs. Bennion noted that past expenses were reviewed before the \$850 figure for lodging, meals, and incidentals was recommended, taking into account inflation measures.

Director Blake then moved, seconded by Director Edwards, that the Board adopt the CEQA determination and the amendments to the Administrative Code set forth in Attachment 1 to the letter signed jointly by Assistant General Counsel

Bennion for the General Counsel and the CEO/General Manager on October 25, 2005.

The Chair then called for a vote on the motion.

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

Ayes: Burbank (Dir. Brown, 1,402 votes), Eastern Municipal Water District (Dir. Record, 4,522 votes), Foothill Municipal Water District (Dir. Edwards, 1,003 votes), Fullerton (Dir. Blake, 1,193 votes), Glendale (Dir. Rez, 1,772 votes), Inland Empire Utilities Agency (Dir. Koopman, 6,104 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,523 votes), Los Angeles (Aye: Dir. Farrar. Absent: Dirs. Deaton and Simonds. 15,419.5 votes), Municipal Water District of Orange County (Ayes: Dirs. Bakall, Bannister, and Dick. Absent: Dir. Foley. 27,744 votes), San Diego County Water Authority (Dirs. Lewis, Loveland, Parker, and Pocklington, 29,821 votes), San Marino (Dir. Morris, 328 votes), Santa Ana (Dir. Griset, 1,722 votes), Three Valleys Municipal Water District (Dir. De Jesus, 4,020 votes), Torrance (Dir. Wright, 1,776 votes), West Basin Municipal Water District (Aye: Dir. Kwan. Absent: Dir. Murray. 10,680 votes). Total 114,940.5 votes.

Noes: Anaheim (Dir. Tait, 2,822 votes), Beverly Hills (Dir. Harris, 1,534 votes), Calleguas Municipal Water District (Dir. Grandsen, 6,534 votes), Central Basin Municipal Water District (No: Dir. Pace. Absent: Dir. Apodaca. 8,874 votes), Long Beach (Dir. Hansen, 2,963 votes), Los Angeles (Dir. Dentler, 15,419.5 votes), Pasadena (Dir. Brick, 1,524 votes), Santa Monica (Dir. Abdo, 1,802 votes), Upper San Gabriel Valley Municipal Water District (Dir. Fellow, 5,732 votes). Total 47,204.5 votes.

Absent: Compton (Dir. Hall, 259 votes), San Fernando (Dir. Veres, 119 votes). Total 378 votes.

The Chair declared the motion passed by a vote of 114,940.5 ayes, 47,204.5 noes, and 378 absent.

46450 The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through September 2005 signed by the CEO/General Manager on October 24, 2005.
- b. Report on Proposed Treated Water Capacity Charge, signed by the CEO/General Manager on October 17, 2005.
- c. Scope and methodology for Integrated Area Studies in support of the System Overview Study Update, signed by the CEO/General Manager on October 24, 2005.
- d. Transmittal of 2005 Integrated Water Resources Plan Implementation Report, signed by the CEO/General Manager on October 25, 2005.

Director Murray took his seat at 10:37 a.m.

Director Foley returned to the Meeting at 10:37 a.m.

46451 Chairman Bannister acknowledged the Directors and staff who worked on the Diamond Valley Lake recreation project. Chairman Bannister then requested Asset and Real Property Committee Chair and Recreation Committee Chair Record to preside over the Meeting for consideration of the Diamond Valley Lake recreation.

Presentations were made by staff on the goals and objectives of the program, the time line and the accomplishments of the project since January to the present, and the Request for Proposals No. 760.

Committee Chair Farrar then requested the three developers make their presentations to the full Board. Presentations were given by:

Jeff Comerchero and Greg McGuff of the Lennar-Rancon Group

Randall Lewis and Bob Campbell of the
Lewis•Shea•Parsons•Ledo International Group

Peter Dangermond and Bill Shopoff of The Shopoff Group & Centex Homes

Director Harris withdrew from the Meeting at 11:28 a.m.

Following the presentations, the Directors discussed the pros and cons of the project.

Directors De Jesus, Dentler, Lewis, and Tait withdrew from the Meeting at 12:10 p.m.

At 12:40 p.m., Committee Chair Farrar called a lunch recess.

Director Abdo withdrew from the Meeting at 12:40 p.m.

Directors Parker and Pocklington withdrew from the Meeting at 1:00 p.m.

Director Blake withdrew from the Meeting at 1:15 p.m.

At 1:25 p.m., Committee Chair Farrar called the Meeting into closed session pursuant to Government Code Section 54956.8, to discuss the negotiations for Diamond Valley Recreation and Land Development.

Directors Bakall, Foley, and Mylne withdrew from the Meeting at 1:50 p.m.

Director Brown withdrew from the Meeting at 2:03 p.m.

At 2:20 p.m., Committee Chair Farrar called the Meeting into open session.

Chairman Bannister withdrew from the Meeting at 2:21 p.m.

In open session, Committee Chair Farrar reported that no action was taken, but staff was given direction on the price and terms in relation to the negotiations.

Director Morris then moved, seconded by Director Murray, that the Board adopt the CEQA determination and

authorize the Chief Executive Officer to initiate negotiations and return to the Board with the essential terms and conditions for development agreements for approval, as set forth in the letter signed by the CEO/General Manager on October 19, 2005.

Committee Chair Farrar then called for a vote on the motion.

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

Ayes: Glendale (Dir. Rez, 1,772 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,523 votes), Long Beach (Dir. Hansen, 2,963 votes), Los Angeles (Aye: Dir. Farrar. Absent: Dirs. Deaton, Dentler, and Simonds. 30,839 votes), Municipal Water District of Orange County (Aye: Dir. Dick. Absent: Dirs. Bakall, Bannister, and Foley. 27,744 votes), Pasadena (Dir. Brick, 1,524 votes), San Diego County Water Authority (Aye: Dir. Loveland. Absent: Dirs. Lewis, Parker, and Pocklington. 29,821 votes), San Marino (Dir. Morris, 328 votes), Santa Ana (Dir. Griset, 1,722 votes), Torrance (Dir. Wright, 1,776 votes), Upper San Gabriel Valley Municipal Water District (Dir. Fellow, 5,732 votes), West Basin Municipal Water District (Dirs. Kwan and Murray, 10,680 votes). Total 116,424 votes.

Noes: Calleguas Municipal Water District (Dir. Grandson, 6,534 votes), Central Basin Municipal Water District (No: Dir. Pace. Absent: Dir. Apodaca. 8,874 votes), Foothill Municipal Water District (Dir. Edwards, 1,003 votes), Inland Empire Utilities Agency (Dir. Koopman, 6,104 votes). Total 22,515 votes.

Absent: Anaheim (Dir. Tait, 2,822 votes), Beverly Hills (Dir. Harris, 1,534 votes), Burbank (Dir. Brown, 1,402 votes), Compton (Dir. Hall, 259 votes), Eastern Municipal Water District (Dir. Record, 4,522 votes), Fullerton (Dir. Blake, 1,193 votes), San Fernando (Dir. Veres, 119 votes,) Santa Monica (Dir. Abdo, 1,802 votes), Three Valleys Municipal Water District (Dir. De Jesus, 4,020 votes), Western Municipal Water District of Riverside County (Dir. Mylne, 5,911 votes). Total 23,584 votes.

The Chair declared the motion passed by a vote of 116,424 ayes, 22,515 noes, and 23,584 absent.

Chairman Bannister returned to the Meeting at
2:25 p.m.

46452 There being no objection, Chairman Bannister adjourned the Meeting at 2:26 p.m. in memory of Raymond Fellow, father of Director Anthony Fellow, and CEO/General Manager Dennis B. Underwood.

HELEN Z. HANSEN

SECRETARY

WES BANNISTER

CHAIRMAN