

MINUTES
REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
DECEMBER 13, 2005

46453 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 13, 2005.

Chairman Bannister called the Meeting to order at 11:58 a.m.

46454 The Meeting was opened with an invocation by Director Daniel E. Griset.

46455 The Pledge of Allegiance to the Flag was given, led by Director James T. Edwards.

46456 Board Secretary Hansen called the roll. Those answering present were: Directors Abdo, Apodaca, Bakall, Bannister, Blake, Brick, Brown, Deaton, De Jesus, Dick, J. Edwards, M. Edwards, Fellow, Foley, Grandsen, Griset, Hansen, Harris, Koopman, Kwan, Lewis, Loveland, Morris, Murray, Mylne, Pace, Parker, Peterson, Pocklington, Record, Rez, and Wright.

Those not answering were: Directors Dentler, Farrar, Hall, Simonds, and Veres.

Chairman Bannister declared a quorum present.

46457 The General Counsel's letter signed December 7, 2005, was presented, transmitting the credentials evidencing the appointment by the City of Anaheim of Marcie L. Edwards as its representative on Metropolitan's Board for an indefinite term, replacing Tom Tait.

General Counsel Kightlinger reported the credentials had been examined and found legally sufficient and that the Oath of Office had been administered to Director M. Edwards earlier today.

Following an introduction by Director Deaton, Ms. Edwards took her seat as a Director representing the City of Anaheim.

46458 Chairman Bannister reported he has assigned Director M. Edwards to the Budget, Finance, Investment and Insurance Committee; the Audit Committee; and the Desalination and Reclamation Committee.

46459 Chairman Bannister invited members of the public to address the Board on matters within the Board's jurisdiction.

William Seelig, speaking as a member of the Hollywood American Legion, commented on the entertainment industry supporting the veterans and stated that he would also seek their help in contributing to water education.

46460 Chairman Bannister welcomed State Senator Sheila J. Kuehl, Chair of the Natural Resources and Water Committee.

Senator Kuehl addressed a number of major water policy issues and answered questions. Senator Kuehl said a settlement providing for restoration of the San Joaquin River is 99 percent complete and would have benefits for Metropolitan while limiting negative impacts on Friant Water User Authority farmers. On the subject of how beneficiaries would pay for CALFED programs, the senator added that while she was not eager for the Legislature to tackle this issue, they would nevertheless do so if Metropolitan and other CALFED stakeholders fail to agree on what "beneficiaries pay" really means. With the Bay-Delta Authority set to dissolve in the near future, Senator Kuehl said that some type of independent oversight body was still needed; and while no approach was perfect, her preferred alternative was a Little Hoover-type independent entity that would track expenditures and actions over the next several years. On the issue of Metropolitan-agriculture alliances, the Senator said such alliances made sense where they involved issues that impacted Metropolitan's service area, but some of Metropolitan's positions were unclear. Senator Kuehl also said she would be

"very appreciative" if the Board would "take as generous a position as it can" during ongoing contract talks with unions representing MWD employees.

46461 At 12:50 p.m., Chairman Bannister called a lunch recess.

Directors Blake and Grandsen withdrew from the Meeting at 1:15 p.m.

Director Murray withdrew from the Meeting at 1:30 p.m.

46462 Chairman Bannister called the Meeting to order at 1:33 p.m.

46463 There being no objection, Chairman Bannister ordered the reading of the Minutes of the Meeting of November 8, 2005, dispensed with, a copy having been mailed to each Director.

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

46464 The Chair reported new committee assignments, as follows:

Director Blake to the Organization and Personnel Committee
Director Pace as Vice Chair of the Asset and Real Property Committee

46465 Organization and Personnel Committee Chairman Loveland moved, seconded by Director Foley and carried, that the Board adopt the CEQA determination and approve the terms of employment for Interim Chief Executive Officer/General Manager Debra Man, as set forth in the letter signed by the Board Chairman on November 21, 2005, as follows:

- Base salary \$235,000 per annum, effective November 8, 2005
- Use of a District vehicle
- One (1) year salary plus benefits for involuntary severance or demotion below her current position as Chief Operating Officer
- All other compensation and benefits as provided to other unrepresented Metropolitan employees

This compensation package shall be effective for as long as Ms. Man serves as the Interim Chief Executive Officer/General Manager.

46466 Chairman Bannister reported on events in which he participated since the last Board Meeting, as follows:

- November 15-17 - Visited Washington, D.C. and met with Senators Feinstein, Bingaman, Domenici, and Murkowski and Representatives Pombo, Calvert, Miller, Napolitano, Sanchez, and Rohrabacher.
- November 29-December 2 - Attended the Association of California Water Agencies (ACWA) conference in San Diego;
- December 2 - Guest speaker at the Los Angeles Community College District Sustainability Conference at the Biltmore Hotel in Los Angeles;
- December 8 - Attended the Municipal Water District of Orange County's dinner and water policy briefing entitled "CALFED at Crossroads: Overcoming Political Adversity, Funding Challenges and Competing Expectations" at the Hilton Costa Mesa.

46467 Regarding Colorado River, Bay-Delta, and CALFED matters, Interim CEO/General Manager Man referred to the activity report for November dated November 30, 2005, which was distributed earlier.

46468 Regarding Legal Department activities, General Counsel Kightlinger referred to his activity report for November dated November 30, 2005, which was distributed earlier.

General Counsel Kightlinger reported that in the Hyatt-Thermalito case the court granted the motion to intervene from the Southern coalition, of which Metropolitan is the lead agency, so Metropolitan is now a full party to that case.

46469 General Auditor Riss presented a report of the Audit Department's activities for the month of November, dated November 30, 2005, which was distributed earlier. He stated that issued during the month were six Audit Reports on Purchasing Process, Sacramento Valley Water Transfer Program, 401(k) Savings Plans and 457 Deferred Compensation Plan Process and Controls, Oxidation Retrofit Program-Jensen Treatment Plant,

Oracle Database Management Systems, and PinnacleOne Agreement. Mr. Riss noted that these reports were discussed in detail at the Audit Committee meeting held on December 12, 2005.

46470 Ethics Officer Elliott referred to the activity reports for October and November dated October 31 and November 30, 2005, respectively, which were distributed earlier.

Dr. Elliott gave a brief report on the ethics requirements of Assembly Bill 1234, to be effective January 1, 2006. She stated the bill requires ethics training for Directors and designated employees, and that the ethics training will cover laws in four areas: personal financial gains, prerequisites of office, transparency laws, and fair processes. Dr. Elliott noted that while some of these trainings are covered in presentations and materials throughout the year, the training, if approved by the Fair Political Practices Commission (FPPC), would be created in a series of four audio CDs that will cover the AB 1234 landscape. This material would also be available to the member agencies. Dr. Elliott announced that the criteria for what would be included in the ethics training was expected to be approved by the FPPC on January 20, 2006. One of the requirements would be to provide two hours of training during 2006 for Directors whose appointments will extend past January 2007, which would also satisfy the requirements of their local agencies.

46471 Communications and Legislation Committee Chairman Fellow commented on the artwork displayed in the rotunda drawn by students in Metropolitan's service area emphasizing water conservation.

Director Foley withdrew from the Meeting at 1:40 p.m.

46472 The following Agenda Items were requested to be added to the Consent Calendar: Director Mylne, Items 8-3 through 8-7; Director De Jesus, Items 8-9 through 8-12; Director Koopman, Item 8-2; and Director Brown, Item 8-8.

Director Blake moved, seconded by Director Bakall and carried, and the Board approved the Consent Calendar Items, **M.I. 46473** through **M.I. 46490**, as follows:

46473 Adopted the California Environmental Quality Act (CEQA) determination and (a) **Resolutions 8980, 8981, 8982, 8983, and 8984** granting Eastern Municipal Water District's request for approval of the 85th, 86th, 87th, 88th, and 89th Fringe Area Annexations, respectively, concurrently to Metropolitan and Eastern, conditioned upon approval by the Riverside Local Agency Formation Commission, and establishing Metropolitan's terms and conditions for these annexations; and (b) resolutions to impose water standby charge (**Resolutions 8985, 8986, 8987, 8988, and 8989**) at a rate of \$6.94 per acre or per parcel of less than one acre within the proposed annexation areas, as set forth in the letter signed by the Interim CEO/General Manager on November 14, 2005, said Resolutions entitled:

Resolution 8980 **RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO EASTERN MUNICIPAL WATER DISTRICT'S 85TH FRINGE AREA ANNEXATION, AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

Resolution 8981 **RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO EASTERN MUNICIPAL WATER DISTRICT'S 86TH FRINGE AREA ANNEXATION, AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

Resolution 8982 **RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO EASTERN MUNICIPAL WATER DISTRICT'S 87TH FRINGE AREA ANNEXATION, AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

- Resolution 8983 RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO EASTERN MUNICIPAL WATER DISTRICT'S 88TH FRINGE AREA ANNEXATION, AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
- Resolution 8984 RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO EASTERN MUNICIPAL WATER DISTRICT'S 89TH FRINGE AREA ANNEXATION, AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
- Resolution 8985 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 85TH FRINGE AREA ANNEXATION
- Resolution 8986 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 86TH FRINGE AREA ANNEXATION
- Resolution 8987 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 87TH FRINGE AREA ANNEXATION

Resolution 8988 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 88TH FRINGE AREA ANNEXATION

Resolution 8989 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 89TH FRINGE AREA ANNEXATION

Director Record requested to be recorded as abstaining.

46474 Adopted the CEQA determination and approved amendment to increase by \$300,000 the professional services contract with the law firm of Duncan, Weinberg, Genzer & Pembroke, P.C. for electric utility legal services, as set forth in the letter signed by the General Counsel on November 9, 2005.

46475 Adopted the CEQA determination and (a) appropriated \$1.52 million in budgeted funds (Appropriation No. 15427, No. 2, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) final design of improvements to the Rialto Pipeline; and (c) an agreement with Black & Veatch for engineering design services in an amount not to exceed \$3 million per year, for up to three years, as set forth in the letter signed by the Interim CEO/General Manager on November 28, 2005.

46476 Adopted the CEQA determination and approved the amendment to the Administrative Code to include Ethics Training required by Assembly Bill 1234 as set forth in Attachment 1 to the letter signed by the Ethics Officer on November 15, 2005.

46477 Adopted the CEQA determination and authorized the Chief Executive Officer to amend existing agreements and enter into new contracts with temporary worker service agencies and professional firms supplying temporary personnel in excess of \$250,000, with the aggregate amount of contracts with agencies

not to exceed \$1.97 million, as set forth in the letter signed by the Interim CEO/General Manager on November 14, 2005.

46478 Adopted the CEQA determination and authorized the Chief Executive Officer to enter into a Local Resources Program agreement with Los Angeles Department of Water and Power to provide incentive payments of \$125 per acre-foot over 25 years for the Sepulveda Basin Water Recycling Project Phase 4, as set forth in the letter signed by the Interim CEO/General Manager on November 14, 2005.

46479 Adopted the CEQA determination and authorized the Chief Executive Officer to execute an agreement with Los Angeles Department of Water and Power to purchase and store water under the Supplemental Storage Program based on the principles in Attachment 1 to the letter signed by the Interim CEO/General Manager on November 21, 2005.

46480 Adopted the CEQA determination and authorized payments up to a total of \$581 million, with up to a total of \$506 million to the Department of Water Resources for water from the State Water Project, and up to \$75 million to Desert Water Agency and Coachella Valley Water District for 2005 and 2006 recall water, as set forth in the letter signed by the Interim CEO/General Manager on December 1, 2005.

46481 Adopted the CEQA determinations and (a) appropriated \$19.06 million (\$17.83 million from Appropriation No. 15389, No. 7; and \$1.23 million from Appropriation No. 15380, No. 10, both from the Revenue Bonds, Replacement and Refurbishment or General Funds); (b) awarded a \$13.96 million contract to Brutoco Engineering & Construction, Inc. to construct the Diemer Chemical System Upgrades; and authorized (c) improvements to the Diemer plant entrance from Carbon Canyon Road and delegated authority to the Chief Executive Officer to enter into a reimbursable-type agreement with State Parks in an amount not to exceed \$700,000; (d) preliminary design of the Phase II and III Diemer North Access Road Improvements; and (e) an increase of \$50,000 to the existing agreement with HDR, Inc. for a new not-to-exceed total of \$550,000, as set forth in the letter signed by the Interim CEO/General Manager on November 14, 2005.

Board Secretary Hansen and Director Kwan requested to be recorded as abstaining.

46482 Adopted the CEQA determinations and (a) appropriated \$76.9 million in budgeted funds (Appropriation No. 15425, No. 2, from the Revenue Bonds, Replacement and Refurbishment, or General Funds); and (b) authorized the Chief Executive Officer to execute a joint agreement with Eastern and Western Municipal Water Districts for CEQA compliance, acquisition of right-of-way, final design, and construction of the Perris Valley pipeline, and to make reimbursement payments to Eastern and Western pursuant to the joint agreement, as set forth in the letter signed by the Interim CEO/General Manager on November 29, 2005.

Director Record requested to be recorded as abstaining.

46483 Adopted the CEQA determinations and (a) appropriated \$19.86 million in budgeted funds (\$9.93 million each from Appropriation No. 15389, No. 8; and Appropriation No. 15392, No. 3, both from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) awarded a \$15,733,300 procurement contract to Ozonia North America to provide ozone equipment and support services for the Diemer and Weymouth treatment plants, as set forth in the letter signed by the Interim CEO/General Manager on November 14, 2005.

46484 Adopted the CEQA determination and (a) appropriated \$3.48 million in budgeted funds (Appropriation No. 15377, No. 15, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and awarded (b) a \$1.25 million construction contract to Fibrwrap Construction, Inc. for the Foothill Feeder Carbon Fiber Liner Repair project; and (c) a \$1.4226 million construction contract to Gantry Constructors, Inc. for the Foothill Feeder Pipeline Replacement project, as set forth in the letter signed by the Interim CEO/General Manager on November 14, 2005.

46485 Adopted the CEQA determinations and awarded a \$3,295,000 contract to Mega Way Enterprises for the Main Entrance Road Realignment and Perimeter Landscaping project at the Mills plant, as set forth in the letter signed by the Interim CEO/General Manager on November 14, 2005.

46486 Adopted the CEQA determination and (a) authorized implementation of the updated incentive level at \$195/acre-foot with Metropolitan's cost share not to exceed 100 percent of product cost; the Enhanced Conservation Program at up to an incentive level of \$250/acre-foot; the continued funding of the Innovative Conservation Program; the development of database and market research studies to support the successful implementation of the conservation program; and pursuit of market transformation to higher efficiency devices through advocating industry standards and developing broad support for legislation; and (b) authorized the new device incentives and transition of device retrofit programs as described in Attachments 1 and 2 to the letter signed by the Interim CEO/General Manager on November 30, 2005.

46487 Adopted the CEQA determination and approved amendment of contract for legal services with Hill, Farrer & Burrill to increase the maximum amount payable by \$200,000 in *Carlita Villanueva v. Metropolitan*, LASC Case No. BC 296912, as set forth in the confidential letter signed by Assistant General Counsel Barbosa for the General Counsel on November 29, 2005.

46488 Adopted the CEQA determination and approved amendment of contract for legal services with Albright, Yee & Schmit to increase the maximum amount payable by \$250,000 in *Felicia Clayton-Gordon v. Metropolitan*, LASC Case No. BC 333064, as set forth in the confidential letter signed by Assistant General Counsel Barbosa for the General Counsel on November 29, 2005.

46489 Adopted the CEQA determination and authorized the General Counsel to increase the maximum amount payable under the existing agreement with Bergman & Dacey by \$590,000 to continue Metropolitan's defense in related lawsuits challenging the employment status of temporary workers in *Dewayne Cargill, et al. v. Metropolitan*, LASC Case No. BC 191881 (consolidated with LASC Case Nos. BC 194444 and BS 052318, as set forth in the confidential letter signed by Assistant General Counsel Barbosa for the General Counsel on November 29, 2005.

46490 Adopted the CEQA determination and approved amendment of contract for legal services with Bingham McCutchen to increase the maximum amount payable from \$100,000 to \$1,000,000 in *Alameda County Flood Control & Water Conservation District Zone 7, et al. v. California Department of Water Resources*,

Sacramento Superior Court Case No. 05AS01775, as set forth in the confidential letter signed by Assistant General Counsel Barbosa for the General Counsel on November 29, 2005.

Director Murray returned to the Meeting at 1:45 p.m.

46491 Desalination and Reclamation Committee Chairman Morris moved, seconded by Director Pocklington, that the Board adopt the CEQA determination and approve Metropolitan's role of regional facilitator to address seawater desalination and other local projects, as set forth in the revised letter signed by the Interim CEO/General Manager on November 30, 2005.

Board Secretary Hansen proposed a friendly amendment to the motion, seconded by Director Deaton, that the General Counsel be directed to work with staff and the member agencies to develop appropriate legal mechanisms to minimize Metropolitan's legal or financial exposure which might be created by reviewing unsolicited proposals; and that within 30 days of an unsolicited proposal staff will report to the Board regarding the proposal, which member agencies the proposal may affect and what the MWD staff time and other costs to evaluate the proposal will be.

Committee Chair Morris then requested that this item be brought back to the Desalination and Reclamation Committee for further discussion if the amendment is added to the motion. Board Secretary Hansen then withdrew her amendment.

Chairman Bannister called for a vote on the original motion, which carried.

Director Griset withdrew from the Meeting at 1:49 p.m.

46492 Director Murray moved, seconded by Director Deaton and carried, and the Board adopted the CEQA determination and authorized the Chief Executive Officer to (a) enter into a ten-year lease for office space at 500 New Jersey Avenue, N.W., Washington, D.C.; and (b) execute a lease in a form approved by the General Counsel, as set forth in the confidential letter signed by the Interim CEO/General Manager on December 6, 2005.

46493 The following communication was submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through October 2005 signed by the Interim CEO/General Manager on November 30, 2005.

46494 There being no objection, Chairman Bannister adjourned the Meeting at 1:50 p.m.

HELEN Z. HANSEN

SECRETARY

WES BANNISTER

CHAIRMAN