

MINUTES
REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
JANUARY 10, 2006

46495 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, January 10, 2006.

Chairman Bannister called the Meeting to order at 11:36 a.m.

46496 The Meeting was opened with an invocation by Executive Vice President Gilbert F. Ivey.

46497 The Pledge of Allegiance to the Flag was given, led by Director Anthony R. Fellow.

46498 Board Secretary Hansen called the roll. Those answering present were: Directors Abdo, Apodaca, Bakall, Bannister, Blake, Brick, Brown, De Jesus, Dick, J. Edwards, M. Edwards, Fellow, Foley, Grandsen, Griset, Grunfeld, Hansen, Koopman, Lewis, Loveland, Morris, J. Murray, W. Murray, Mylne, Pace, Parker, Peterson, Pocklington, Quiñonez, Record, Rez, Sutley, Veres, and Wright.

Those not answering were: Directors Hall, Harris, and Kwan.

Chairman Bannister declared a quorum present.

46499 Chairman Bannister invited members of the public to address the Board on matters within the Board's jurisdiction. No members of the public responded.

46500 Director Mylne introduced Al Lopez, director on Western Municipal Water District's board.

Director Brick commented on the Southern California Preparatory Conference for World Water Forum IV to be held on Friday, February 10, 2006 at Metropolitan Water District.

46501 At 11:43 a.m., the Chair called a public hearing to receive comments on the proposed standby charge for the 93rd Fringe Area Annexation 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 11:44 a.m.

46502 Chairman Bannister welcomed Joe Grindstaff, Chief Deputy Director, Department of Water Resources.

Mr. Grindstaff spoke about the Governor's proposal for infrastructure improvements in California, including up to \$9 billion of bond funding for water projects. Mr. Grindstaff said the bonds would include \$1 billion for surface storage, and that the possible locations would include a reservoir on the Upper San Joaquin River, and perhaps a north-of-Delta location. Mr. Grindstaff also noted that the Governor plans two flood-related bonds between now and 2010, which would deal with levees. Mr. Grindstaff also discussed a \$380 million per year Water Resources Investment Fund that would be partly paid for through a \$3-per-residence monthly charge, with two-thirds of revenues for regional use, and one-third for statewide priorities.

46503 At 12:25 p.m., Chairman Bannister called a lunch recess.

Director Veres withdrew from the Meeting at 12:30 p.m.

46504 Chairman Bannister called the Meeting to order at 1:20 p.m.

46505 There being no objection, Chairman Bannister ordered the reading of the Minutes of the Meeting of December 13, 2005, dispensed with, a copy having been mailed to each Director.

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

46506 The General Counsel's letters signed January 3, 2006, were presented, transmitting the credentials evidencing the appointments by the City of Los Angeles of its representatives on Metropolitan's Board, as follows:

Aaron A. Grunfeld for a term ending December 31, 2006, replacing David Farrar

John W. Murray, Jr. for a term ending December 31, 2006, replacing Deborah Dentler

Jesús E. Quiñonez for a term ending December 31, 2008, replacing Robert Simonds

Nancy Sutley for a term ending December 31, 2008, replacing Ronald Deaton

General Counsel Kightlinger reported the credentials had been examined and found legally sufficient and that the Oaths of Office had been administered to Directors Grunfeld, J. Murray, Jr., Quiñonez, and Sutley on January 6, 2006.

46507 Chairman Bannister reported on the assignments made to the committees, as follows:

Director Grunfeld - Budget, Finance, Investment and Insurance Committee; Colorado River Oversight Subcommittee; and Recreation Committee

Director J. Murray, Jr. - Engineering and Operations Committee and Education and Outreach Committee

Director Sutley - Water Planning, Quality and Resources Committee; CALFED/Bay-Delta Oversight Subcommittee; and Communications and Outreach Committee

Director Quiñonez - Legal and Claims Committee and Ethics Committee

Director Bakall - Budget, Finance, Investment and Insurance Committee; and Engineering and Operations Committee

Director W. Murray - Vice Chair, Engineering and Operations Committee; Organization and Personnel Committee

Director Pocklington - Chair, Education and Outreach Committee; and member, Engineering and Operations Committee

Director Kwan - Vice Chair, Ethics Committee; member, Education and Outreach Committee

Director Pace - Chair, Asset and Real Property Committee

Director Foley - Vice Chair, Asset and Real Property Committee

Director Apodaca - Asset and Real Property Committee

Director Koopman - Asset and Real Property Committee and Vice Chair, Recreation Committee

Director Griset - Vice Chair, Communications and Legislation Committee

Director Dick - Nominating Committee

Director Blake - Recreation Committee

Director Mylne - Recreation Committee and CALFED/Bay-Delta Oversight Subcommittee

Director Brown - CALFED/Bay-Delta Oversight Subcommittee and Colorado River Oversight Subcommittee

Chairman Bannister also reported on the following removal from committees, as follows:

Director Hall - Ethics Committee; Asset and Real Property Committee; and Education and Outreach Committee

Director Veres - Communications and Legislation Committee

46508 Director Peterson reported that he and several Directors attended the Association of California Water Agencies (ACWA) conference held November 30 through December 2, 2005 at the Town & Country Resort and Convention Center in San Diego, California. Director Peterson noted the highlight of the conference was the keynote address by Department of Water Resources Director Lester Snow, who spoke on how an earthquake in the Delta could devastate California's economy and focused on the state of the levees. Director Peterson reported that a presentation was made by Huell Howser, host of the PBS Programs *California's Gold* and *California's Green*. Mr. Howser spoke of a proposed new series for public television titled "*California's Water*" to be sponsored by ACWA and its members. Director Peterson stated that the cost of the production would be \$360,000, and that all of the segments for the first year are fully funded.

Director Blake gave a report on the 60th Annual Conference of the Colorado River Water Users Association held on December 14-16, 2005 at Caesars Palace in Las Vegas, Nevada. A number of Metropolitan's Directors also attended. Director Blake reported that standing in for U.S. Secretary of the Interior Gale Norton was Martin Limbaugh, Deputy Secretary of the Interior, who gave the keynote address on "Building on Success—Facing the Challenges Ahead". His remarks were based on managing the river in a time of drought when Lake Powell is at one-third of its capacity and Lake Mead only one-half full, with both lakes continuing to decline. In addition, Director Blake stated he was asked to give a few remarks on our recently departed General Manager Dennis Underwood.

46509 Chairman Bannister reported on events in which he participated since the last Board Meeting, as follows:

- December 14 - Along with Executive Vice President Ivey, attended the Met Vets luncheon at the Mountain Meadows Golf

Course in La Verne, and participated in a dinner meeting with Secretary of Resources Mike Chrisman and Undersecretary Crawford Tuttle;

- December 22 - Met with Director Pocklington and SDCWA General Manager Stapleton in Oceanside

The Chair announced that on February 10, he would be hosting Senator Kevin Murray on an all-day tour of Metropolitan's facilities.

Board Secretary Hansen returned to the Meeting at 1:26 p.m.

46510 Organization and Personnel Committee Chairman Loveland reported that at the December committee meeting, the committee selected a process in which the new CEO/General Manager would be appointed. He therefore moved, seconded by Director Blake, that the Board direct the Organization and Personnel Committee to:

1. Survey those individuals who submitted applications for the last recruitment to ascertain their current interest in being considered for the vacancy of General Manager;
2. Solicit applications from current Metropolitan executive staff at the Group Manager level and above who did not apply last time; and
3. Provide a brief posting period for outside candidates.

Organization and Personnel Committee Chairman Loveland stated that the committee also proposed a schedule to start the process of selecting those candidates who would ultimately be interviewed by the Board, as follows:

January 20 - The O&P Committee would establish a short list for Board consideration. The candidates who receive the support of two or more Directors would be invited for interviews on February 14, 2006 (subsequently changed to February 7, 2006).

January 31 - Hold date for additional O&P committee meeting to establish list, if necessary.

February 7 – Hold date for additional O&P Committee meeting to establish list, if necessary.

February 14 – Board interviews and selection of General Manager (subsequently changed to February 7, 2006).

Director W. Murray then offered an amendment to the motion, seconded by Director Bakall, which would limit the consideration of candidates for the position of CEO/General Manager to those that are presently employed by Metropolitan.

The Chair then called for a vote on the amendment.

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

Ayes: Municipal Water District of Orange County (Dirs. Bakall, Bannister, Dick, and Foley, 27,744 votes), Three Valleys Municipal Water District (Dir. De Jesus, 4,020 votes), Upper San Gabriel Valley Municipal Water District (Dir. Fellow, 5,732 votes), West Basin Municipal Water District (Aye: Dir. W. Murray. Absent: Dir. Kwan. 10,680 votes). Total 48,176 votes.

Noes: Anaheim (Dir. M. Edwards, 2,822 votes), Burbank (Dir. Brown, 1,402 votes), Calleguas Municipal Water District (Dir. Grandsen, 6,534 votes), Central Basin Municipal Water District (Dirs. Apodaca and Pace, 8,874 votes), Eastern Municipal Water District (Dir. Record, 4,522 votes), Foothill Municipal Water District (Dir. J. 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), Long Beach (Dir. Hansen, 2,963 votes), Los Angeles (Dirs. Grunfeld, J. Murray, Quiñonez, and Sutley, 30,839 votes), Pasadena (Dir. Brick, 1,524 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), Santa Monica (Dir. Abdo, 1,802 votes), Torrance (Dir. Wright, 1,776 votes), Western Municipal Water District of Riverside County (Dir. Mylne, 5,911 votes). Total 112,435 votes.

Absent: Beverly Hills (Dir. Harris, 1,534 votes), Compton (Dir. Hall, 259 votes), San Fernando (Dir. Veres, 119 votes). Total 1,912 votes.

The Chair declared the motion failed by a vote of 48,176 ayes, 112,435 noes, and 1,912 absent.

The Chair then called for a vote on the original motion made by Director Loveland

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

Ayes: Anaheim (Dir. M. Edwards, 2,822 votes), Burbank (Dir. Brown, 1,402 votes), Calleguas Municipal Water District (Dir. Grandsen, 6,534 votes), Central Basin Municipal Water District (Dirs. Apodaca and Pace, 8,874 votes), Eastern Municipal Water District (Dir. Record, 4,522 votes), Foothill Municipal Water District (Dir. J. 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), Long Beach (Dir. Hansen, 2,963 votes), Los Angeles (Dirs. Grunfeld, J. Murray, Quiñonez, and Sutley, 30,839 votes), Municipal Water District of Orange County (Dirs. Bakall, Bannister, Dick, and Foley, 27,744 votes), Pasadena (Dir. Brick, 1,524 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), Santa Monica (Dir. Abdo, 1,802 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. W. Murray. Absent: Dir. Kwan. 10,680 votes), Western Municipal Water District of Riverside County (Dir. Mylne, 5,911 votes). Total 154,879 votes.

Abstain: Upper San Gabriel Valley Municipal Water District (Dir. Fellow, 5,732 votes). Total 5,732 votes.

Absent: Beverly Hills (Dir. Harris, 1,534 votes), Compton (Dir. Hall, 259 votes), San Fernando (Dir. Veres, 119 votes). Total 1,912 votes.

The Chair declared the motion passed by a vote of 154,879 ayes, 5,732 abstain, and 1,912 absent.

Chairman Bannister stated that the interviews would be open to the entire Board and any change of dates and place would be posted well in advance. The Chair encouraged the full Board to participate in the process.

46511 Regarding Colorado River, Bay-Delta, and CALFED matters, Interim CEO/General Manager Man referred to the activity report for December dated December 29, 2005, which was distributed earlier.

Interim CEO/General Manager Man commented on the attachment to the activity report which gave a snapshot view of Metropolitan's core business, how well we are meeting demands, water supplies, distribution and storage, as well as State Water Project and Colorado River deliveries, and the Capital Investment Program. She stated that at the end of the calendar year Metropolitan has met all firm agricultural and replenishment demands, and has fully complied with water quality regulations.

Interim CEO/General Manager Man noted that in the report some strategic issues were outlined which Metropolitan would be addressing and phasing in in the next few months. Ms. Man announced that strategic initiatives would be brought back to the Board for full disclosure of information, discussion, and consideration.

46512 Regarding Legal Department activities, General Counsel Kightlinger referred to his activity report for December dated December 30, 2005, which was distributed earlier.

General Counsel Kightlinger reported that the State Water Resources Control Board (SWRCB) is considering issuing a cease and desist order against the Department of Water Resources (DWR) and the Bureau of Reclamation regarding salinity control levels in the Delta, and that could be done as early as Friday, January 13. Mr. Kightlinger stated that he has asked for a delay in the process because the DWR was in the process of finalizing a plan to address the salinity levels in the Delta, and it was not known whether or not the State board would adopt that order or delay it. General Counsel Kightlinger advised the

Board that he would take the matter back to the Legal and Claims Committee for consideration of options on behalf of the State Water Contractors working in conjunction with DWR if a written order is filed by the SWRCB.

46513 General Auditor Riss presented a report of the Audit Department's activities for the month of December, dated December 30, 2005, and indicated it included a Special Review Report on an investigation that had been requested by management. Specifically he reported on the Investigation of Possible Asbestos Exposure from Head Gate Gasket Removal During CRA Switchyards and Head Gates Rehabilitation Projects. Mr. Riss stated that an outside consultant was commissioned to complete this review and analysis. He added that the investigation was completed under the joint direction of the General Counsel's Office, an AFSCME Local 1902 representative, and the Audit Department. Mr. Riss explained that the consultant conducted extensive interviews of personnel involved in the projects, visited the subject job sites involved in the projects, and presented comments and recommendations intended to improve operating policies and procedures. General Auditor Riss added that management has received these recommendations and is in the process of developing an action plan to revise policies and procedures.

46514 Ethics Officer Elliott referred to the activity report for December dated December 29, 2005, which was distributed earlier.

Dr. Elliott reported that the second of the three Ethics Manuals, *Partnering: Ethics and Contracts, Grants and Sponsored Programs at the Metropolitan Water District*, is being vetted and will be distributed to the Board in its February board mailing. This manual will also be given to contract administrators, grants and sponsorships supervisors to be distributed to contractors and grantees. Dr. Elliott advised that in the future this manual will be given to contractors at the time of their agreement and its availability will be advertised on the appropriate Metropolitan's Web site. Dr. Elliott stated that approximately 400 copies of this manual would be distributed each year.

46515 The following Agenda Items were requested to be added to the Consent Calendar: Director De Jesus, Items 8-5 and 8-6; Director Koopman, Item 8-1; Director Brown, Item 8-4; Director Mylne, Items 8-2 and 8-3; Director Loveland, Item 8-7; Director Bakall, Item 8-8. Director J. Edwards requested that Item 8-8 not be added to the Consent Calendar.

Director Blake moved, seconded by Director Wright and carried, and the Board approved the Consent Calendar Items, **M.I. 46516** through **M.I. 46524**, as follows:

46516 Adopted the California Environmental Quality Act (CEQA) determinations and (a) **Resolutions 8990, 8991, and 8992** granting Eastern Municipal Water District's request for approval of the 90th, 91st, and 92nd 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 8993, 8994, and 8995**) 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 December 12, 2005, said Resolutions entitled:

Resolution 8990

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO EASTERN MUNICIPAL WATER DISTRICT'S 90TH FRINGE AREA ANNEXATION, AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Resolution 8991

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO EASTERN MUNICIPAL WATER DISTRICT'S 91ST FRINGE AREA ANNEXATION, AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

- Resolution 8992** RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO EASTERN MUNICIPAL WATER DISTRICT'S 92ND FRINGE AREA ANNEXATION, AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
- Resolution 8993** 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 90TH FRINGE AREA ANNEXATION
- Resolution 8994** 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 91ST FRINGE AREA ANNEXATION
- Resolution 8995** 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 92ND FRINGE AREA ANNEXATION

Director Record requested to be recorded as abstaining.

46517 Adopted the CEQA determination and authorized the purchase of 83 fleet vehicles, as set forth in the letter signed by the Interim CEO/General Manager on December 22, 2005.

46518 Adopted the CEQA determination and the recommendation as set forth in the letter signed by the Interim CEO/General Manager on December 28, 2005, as follows:

a. Determined that revenues required from rates and charges during fiscal year 2006/07 should not be less than

\$1.081 billion, and use this determination in establishing water rates and charges to be effective January 1, 2007.

b. Set a time for a public hearing of the Budget, Finance, Investment and Insurance Committee at which interested parties may present their views regarding the Chief Executive Officer's recommendation for rates and charges to be effective January 1, 2007:

Description:	Effective January 1, 2006	Effective January 1, 2007
Tier 1 Supply Rate (\$/AF)	\$ 73	\$ 73
Tier 2 Supply Rate (\$/AF)	\$169	\$169
System Access Rate (\$/AF)	\$152	\$143
Water Stewardship Rate (\$/AF)	\$ 25	\$ 25
System Power Rate (\$/AF)	\$ 81	\$ 90
Full Service Untreated Volumetric Cost (\$/AF)		
Tier 1	\$331	\$331
Tier 2	\$427	\$427
Replenishment Water Rate Untreated (\$/AF)	\$238	\$238
Interim Agricultural Water Program Untreated (\$/AF)	\$241	\$241
Treatment Surcharge (\$/AF)	\$112	\$147
Full Service Treated Volumetric Cost (\$/AF)		
Tier 1	\$453	\$478
Tier 2	\$549	\$574
Treated Replenishment Water Rate (\$/AF)	\$335	\$360
Treated Interim Agricultural Water Program (\$/AF)	\$339	\$364
Readiness-to-Serve Charge (\$M)	\$80	\$80
Capacity Charge (\$/cfs)	\$6,800	\$6,800

c. Adopted the following resolutions:

1. Resolution of intention (**Resolution 8996**) to impose the Readiness-to-Serve (RTS) Charge in the form shown as Attachment 2 to the foregoing letter, declaring the Board's intention (i) at its March 14, 2006 meeting to consider and act upon the Chief Executive Officer's recommendation to impose a

Readiness to Serve Charge, and (ii) at its May 9, 2006 meeting to consider and act upon the Chief Executive Officer's recommendation to impose standby charges within the service territories of member agencies that have requested that charge as a means of collecting all or a portion of their RTS Charge, said resolution entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA GIVING NOTICE OF INTENTION TO IMPOSE A READINESS-TO-SERVE CHARGE FOR FISCAL YEAR 2006/07

2. Resolution of intention (**Resolution 8997**) to impose a Capacity Charge in the form shown as Attachment 3 to the foregoing letter, declaring the Board's intention, at its March 14, 2006 meeting to consider and act upon the Chief Executive Officer's recommendation to impose a Capacity Charge, said resolution entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA GIVING NOTICE OF INTENTION TO IMPOSE A CAPACITY CHARGE EFFECTIVE JANUARY 1, 2007

46519 Adopted the CEQA determination and (a) appropriated \$8.59 million in budgeted funds (Appropriation No. 15428, No. 2, from the Revenue Bonds, Replacement and Refurbishment or General Funds) and (b) authorized final design of the Orange County Cross Feeder, as set forth in the letter and supplement signed by the Interim CEO/General Manager on December 20, 2005 and January 9, 2006, respectively.

Director Morris requested to be recorded as abstaining.

46520 Adopted the CEQA determination and (a) appropriated \$2,860,000 in budgeted funds (\$1,350,000 from Appropriation No. 15428, No. 3; \$1,510,000 from Appropriation No. 15427, No. 3, both from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) awarded a \$2,708,964 procurement contract to Hughes Water & Sewer, Ltd. to furnish seven large diameter vales, as set forth in the letter signed by the Interim CEO/General Manager on December 22, 2005.

46521 Adopted the CEQA determination and authorized execution of a settlement agreement and supplemental benefits fund agreement related to the Department of Water Resources' application for a new license from the Federal Energy Regulatory Commission under the Federal Power Act for the Oroville Facilities, as set forth in the confidential letter signed by the Interim CEO/General Manager on December 22, 2005.

46522 Adopted the CEQA determination and authorized increase of \$290,000 in maximum amount payable under contract with Jeffer, Mangels, Butler & Marmaro for legal services to defend Metropolitan in *Lollett Jones-Boyce v. Metropolitan, et al*, LASC Case No. BC 310915, as set forth in the confidential letter signed by the General Counsel on January 4, 2006.

46523 Adopted the CEQA determination and authorized increase of \$75,000 in maximum amount payable under contract with Cox, Castle & Nicholson for legal services to defend Metropolitan in *Metropolitan Water District v. Campus Crusade for Christ*, SBSC Case No. SCV 35498, as set forth in the confidential letter signed by the General Counsel on December 20, 2005.

46524 Adopted the CEQA determination and approved amendment of contract with Bate, Peterson, Deacon, Zinn and Young to increase maximum amount payable by \$52,000 for a total of \$456,000 for consulting services related to labor and human resources, as set forth in the letter signed by the Interim CEO/General Manager on January 9, 2006.

46525 Regarding the CALFED Statement of Principles dated December 20, 2005, Director J. Edwards expressed his concerns which focused on the fact that with the current reorganization of CALFED, Metropolitan should not be agreeing to fund activities when it is unclear who is in charge and accountable.

CALFED/Bay-Delta Oversight Subcommittee Chairman Bakall stated that the Board is agreeing only to a set of principles with the goal of reaching subsequent detailed agreements, and recommended approval of this item.

Interim CEO/General Manager Man clarified that out of the \$60 million in funding from water users, \$30 million will come from existing obligations of the State Water Project and Central Valley Project; and that Metropolitan's share of

\$5.3 million a year for two years is based on additional funds to establish a habitat conservation plan process and to conduct studies of the pelagic fish decline.

CALFED/Bay-Delta Oversight Subcommittee Chairman Bakall then moved, seconded by Director Peterson and carried, that the Board adopt the CALFED Statement of Principles and authorize the Interim CEO/General Manager to express Metropolitan's support, as set forth in the letter signed by the Interim CEO/General Manager on January 6, 2006.

Director J. Edwards requested to be recorded as voting no.

46526 The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through November 2005 signed by the Interim CEO/General Manager on January 4, 2006.
- b. Water Surplus and Drought Management Plan report on water supply and demand (as of December 15, 2005), signed by the Interim CEO/General Manager on December 20, 2005.

46527 At 1:55 p.m., there being no objection, Chairman Bannister adjourned the Meeting in memory of former Director Ellen Stern Harris, who represented the City of Beverly Hills on Metropolitan's Board from January 1978 to March 1981.

HELEN Z. HANSEN

SECRETARY

WES BANNISTER

CHAIRMAN