

MINUTES
REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
FEBRUARY 14, 2006

46534 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, February 14, 2006.

Chairman Bannister called the Meeting to order at 11:37 a.m.

46535 The Meeting was opened with an invocation by Denise Bittel, president of the Orange Education Foundation, vice chair of the OUSD Legislative Coalition, and executive board director for the Orange Community Foundation.

46536 The Pledge of Allegiance to the Flag was given, led by Director Emeritus David Farrar.

46537 Board Secretary Hansen called the roll. Those answering present were: Directors Abdo, Bakall, Bannister, Blake, Brick, Brown, De Jesus, Dick, J. Edwards, M. Edwards, Fellow, Foley, Grandsen, Griset, Grunfeld, Hansen, Harris, Kwan, Lewis, Loveland, Morris, J. Murray, Mylne, Pace, Parker, Peterson, Pocklington, Quiñonez, Record, Rez, Sutley, and Wright.

Those not answering were: Directors Apodaca (entered 11:45 a.m.), Hall, Koopman, W. Murray (entered 11:47 a.m.), and Veres.

Chairman Bannister declared a quorum present.

46538 Chairman Bannister invited members of the public to address the Board on matters within the Board's jurisdiction.

Director Pace introduced Darcy Burke, executive director of The Center for Water Education, who gave a Program Update on The Center.

Director Apodaca took his seat at 11:45 a.m.

Director W. Murray took his seat at 11:47 a.m.

Melanie E. Lomax, attorney representing Lance A. Charles, Sr., addressed the Board regarding his lawsuit against Metropolitan and the upcoming trial.

46539 There being no objection, Chairman Bannister ordered the reading of the Minutes of the Meeting of January 10, 2006, dispensed with, a copy having been mailed to each Director.

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

46540 Director Morris moved, seconded by Director Foley and carried, and the Board approved a thirty-day leave of absence for Board Secretary Hansen, effective February 20, 2006.

46541 Director Mylne reported that he and several Directors attended the Urban Water Institute conference on "New Water and the Role of Power" held January 30-31, 2006 at the Hilton Hotel in Huntington Beach, California.

Director Peterson gave a report on his attendance at the Association of California Water Agencies (ACWA) board and committee meetings in Sacramento, California, on January 25-27, 2006.

46542 Chairman Bannister reported on the assignments made to the committees, as follows:

Director Morris - Vice Chair, Water Planning, Quality and Resources Committee

Director J. Edwards - Member, Water Planning, Quality and Resources Committee

Directors De Jesus, Fellow, Koopman, and Mylne - New members to the Water Planning, Quality and Resources Committee

46543 Chairman Bannister reported on events in which he participated since the last Board Meeting, as follows:

- January 20 - Met with Saeed Ali, chief of staff for Senator Alarcon, and Arlene Irlando, his district coordinator, regarding the current employee negotiations at Metropolitan.
- January 30 - Guest speaker on "New Water and the Role of Power" at the Urban Water Institute Conference at the Hilton Hotel in Huntington Beach.
- February 6 - Attended the Association of Groundwater Agencies (AGWA) annual conference at the Marriott Hotel, Ontario.

Chairman Bannister announced that the Board and committee meeting dates in May have been moved to May 15 and 16, 2006 due to the ACWA conference.

46544 Chairman Bannister announced the appointment of Jeffrey Kightlinger as the new General Manager.

Director Pace then moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and affirm Jeffrey Kightlinger as General Manager and the terms of his employment as set forth in the letter signed by the Board Chairman on February 13, 2006, as follows:

- Base salary \$260,000 per annum, effective February 14, 2006
- Car allowance or appropriate District vehicle at Mr. Kightlinger's option
- One (1) year compensation for involuntary severance plus benefits
- All other compensation and benefits as provided to other unrepresented Metropolitan employees

With the appointment of General Counsel Kightlinger as the new General Manager, Legal and Claims Committee Chairman De Jesus announced that he would be calling a special meeting of the committee, possibly on March 7, 2006, to establish a process

for the appointment of a General Counsel and the naming of an Interim General Counsel.

46545 In the absence of a General Counsel, the Board approved the Chairman's recommendation that Assistant General Counsel Sydney Bennion be appointed Acting General Counsel until the Legal and Claims Committee makes a decision.

46546 In reference to the labor negotiations with the three employee associations, Organization and Personnel Committee Chairman Loveland reported that the negotiating team is meeting with the state mediator and AFSCME Local 1902; and there is nothing further to report on negotiations with the Management and Professional Employees Association and the Supervisors Association.

46547 Regarding Colorado River, Bay-Delta, and CALFED matters, Interim CEO/General Manager Man referred to the activity report for January dated January 31, 2006, which was distributed earlier.

Interim CEO/General Manager Man pointed out that one of the attachments to the activity report addressed the water supply and financial updates, which showed that we are doing well on both accounts. There is a 70 percent allocation in the State Water Project, and we are expecting our allocated amount from the Colorado River. Ms. Man also reported on the shutdowns and thanked staff and the member agencies for their cooperation in completing the work in a shorter time period than was scheduled.

46548 Regarding Legal Department activities, General Manager-elect Kightlinger referred to the General Counsel's activity report for January dated January 31, 2006, which was distributed earlier.

Mr. Kightlinger reported that the California Supreme Court has accepted the Bay-Delta cases, in which an appellate court in Sacramento threw out the Record of Decision and the EIR on the CALFED Program, specifically stating that an alternative that should have been studied would reduce water deliveries to Southern California and therefore reduce the population growth.

Mr. Kightlinger informed the Board that Cadiz Inc. filed a lawsuit in mid-January against Metropolitan alleging breach of contract for not completing the environmental review process on Cadiz' proposed contract. He stated that the Legal Department would keep the Board apprised of the developments in that case.

46549 General Auditor Riss presented a report of the Audit Department's activities for the month of January, dated January 31, 2006, and stated that two Audit Reports were issued during the month. Specifically, he noted that the Review of Disability Management Audit Report and Metropolitan's Web Platform/Infrastructure Audit Report were issued.

Mr. Riss then explained that Disability Management is the process that Metropolitan has to minimize the impact and cost of employee disability and to encourage return to work of an employee with disabilities as soon as possible. Next, Mr. Riss stated that the audit was issued with an opinion that the operating and administrative procedures over disability management included those practices usually necessary to provide for a generally satisfactory internal control structure. He then briefly discussed the report.

Next, Mr. Riss discussed Metropolitan's Web Platform/Infrastructure Audit Report and reported it was also issued with an opinion that the administrative procedures included those practices usually necessary to provide for a satisfactory internal control structure. General Auditor Riss then stated that minor comments were noted in both reports, and that management has taken corrective actions to improve operations.

46550 Ethics Officer Elliott referred to the activity report for January dated January 31, 2006, which was distributed earlier.

Dr. Elliott announced that a copy of the ethics manual on *Partnering: Ethics and Contracts, Grants and Sponsored Programs at The Metropolitan Water District* was sent to all Directors in the board mailing for this month, and would also be sent to executive team members, agreement administrators, and government contractor grantees.

Dr. Elliott reported that Directors, executive staff, and member agency managers would be invited to the upcoming workshop to be sponsored by the Ethics Office and the Legal Department on February 28, to discuss Form 700, the Brown Act, and Public Records Act. She informed the Directors that attendance at this workshop would fulfill a significant portion of the AB 1234 ethics training mandate. Dr. Elliott also reported on future workshops. For those who are not able to attend in order to complete the ethics training, a series of CDs is being designed for self-study, to be available by the end of summer.

Director Kwan withdrew from the Meeting at 12:16 p.m.

Vice Chairman Dick withdrew from the Meeting at 12:20 p.m.

46551 The following Agenda Items were requested to be added to the Consent Calendar: Director Mylne, Items 8-3 and 8-4; Director Record, Item 8-2; Director Pace, Item 8-1.

Director Blake moved, seconded by Director Wright and carried, and the Board approved the Consent Calendar Items, **M.I. 46552** through **M.I. 46563**, as follows:

46552 Adopted the California Environmental Quality Act (CEQA) determination and (a) appropriated \$963,000 in budgeted funds (Appropriation No. 15397, No. 2, from both Revenue Bonds and Cash Financing) to implement Phase II of the Energy Management System; and (b) authorized an increase of \$670,000 to the existing agreement with Fortech for a new not-to-exceed total of \$990,000, as set forth in the letter signed by the Interim CEO/General Manager on January 18, 2006.

46553 Adopted the CEQA determination and approved the semiannually recommended Community Partnering Program sponsorships for fiscal year 2005/06, for discretionary community activities as listed in Attachment 2 to the letter signed by the Interim CEO/General Manager on January 18, 2006.

46554 Adopted the CEQA determination and the California Friendly™ theme and logo as a brand name for promoting water use efficiency among Southern Californians, as set forth in the

letter signed by the Interim CEO/General Manager on January 17, 2006.

46555 Adopted the CEQA determination and (a) appropriated \$530,000 in budgeted funds (\$333,000 from Appropriation No. 15365, No. 11; \$197,000 from Appropriation No. 15377. No. 16, both from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) replacement of turbidimeters and particle counters for Skinner Modules 1-6; and (c) replacement of two Lake Skinner air compressors, as set forth in the letter signed by the Interim CEO/General Manager on January 20, 2006.

46556 Adopted the CEQA determination and authorized the General Counsel to retain the firms listed on Attachment 1 to the letter signed by the General Counsel on January 20, 2006, as special bond counsel for the three years ending December 31, 2008, at maximum fees negotiated on a transaction-by-transaction or project basis.

46557 Adopted the CEQA determination and authorized the Chief Executive Officer to enter into a joint connections and water exchange agreement with the San Gabriel Valley Municipal Water District, Three Valleys Municipal Water District, Inland Empire Utilities Agency, and the City of Sierra Madre consistent with the draft terms outlined in Attachment 2 to the letter signed by the Interim CEO/General Manager on January 31, 2006.

Director De Jesus requested to be recorded as abstaining.

46558 Adopted the CEQA determination and waived Administrative Code Section 4507 and allowed Eastern Municipal Water District to certify 490 acre-feet of water under Metropolitan's Replenishment Service Program during fiscal year 2004/05, as set forth in the letter signed by the Interim CEO/General Manager on January 27, 2006.

Director Record requested to be recorded as abstaining.

46559 Adopted the CEQA determination and approved payment of compensation for Mr. Oscar Yanez of the difference between his full-time Metropolitan salary and his military pay, and the

employer portion of his medical, dental, vision, life insurance and long-term disability benefits for the duration of his current period of active duty, as set forth in the letter signed by the Interim CEO/General Manager on January 20, 2006.

46560 Adopted the CEQA determination and (a) appropriated \$3.34 million in budgeted funds (Appropriation No. 15376, No. 4, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized a procurement contract with MTM Technologies, Inc. in an amount not to exceed \$1.416 million to replace Information Technology network hardware and upgrade the network management software, as set forth in the letter signed by the Interim CEO/General Manager on January 17, 2006.

46561 Adopted the CEQA determination and awarded (a) a \$1,963,700 construction contract to Sunrise Landscape Company, Inc. for Searl Parkway Phase I Landscaping and Signage; (b) a \$6,242,068 construction contract to Griffith Company for Searl Parkway Phase II Street and Utility Improvements; and (c) authorized an agreement with Butier Construction Managers for construction management services in an amount not to exceed \$750,000 for up to three years, as set forth in the letter signed by the Interim CEO/General Manager on January 18, 2006.

46562 Adopted the CEQA determinations and (a) appropriated \$2.4 million in budgeted funds (\$2,010,000 from Appropriation No. 15373, No. 9; and \$390,000 from Appropriation No. 15374, No. 6, both from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) fabrication of pipe and fittings for Phase 4 of the cast iron blow-off replacement project; and (c) final design of four rehabilitation projects and preliminary design of two projects on the Colorado River Aqueduct, as set forth in the letter signed by the Interim CEO/General Manager on January 20, 2006.

46563 Adopted the CEQA determination and authorized an agreement with MWH Americas for engineering services in an amount not to exceed \$6 million for engineering services on Colorado River Aqueduct rehabilitation projects and the Second Lower Cross Feeder project, as set forth in the letter signed by the Interim CEO/General Manager on February 2, 2006.

Director Morris requested to be recorded as abstaining.

46564 Director Morris reported there were two actions taken on Agenda Item 8-6, the policy principles regarding short-term emergency preparedness and long-term actions for the Sacramento-San Joaquin River Delta. The first action was to refer portions of this item to a workshop on March 7, 2006; and the second was to proceed with the short-term emergency preparedness action.

Director Morris then moved, seconded by Director Bakall and carried, and the Board directed staff to proceed with the short-term emergency preparedness program aspects as described in the board letter signed by the Interim CEO/General Manager on February 8, 2006.

46565 The Chair announced that Agenda Item 8-7 on water management/flood control component of the Governor's Strategic Growth Plan was deferred to the workshop on March 7, 2006.

46566 The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through December 2005 signed by the Interim CEO/General Manager on January 20, 2006.
- b. Financing strategy for future capital requirements, signed by the Interim CEO/General Manager on January 30, 2006.

46567 Organization and Personnel Committee Chairman Loveland announced that the Performance and Evaluation Compensation item for the General Counsel, General Auditor, Ethics Officer, and Chief Operating Officer has been withdrawn.

46568 Chairman Bannister announced the upcoming World Water Forum to be held in Mexico City, Mexico, March 16-22, 2006. Directors Fellow and Brick gave an overview of the purpose of this forum.

46569 Director Kwan introduced her guests from the Chinese Chamber of Commerce and members of the Chinatown's royal court in celebration of the Chinese New Year.

46570 Director De Jesus moved, seconded by Director Pace and carried, and the Board appropriated \$3.8 million and authorized acquisition of land adjoining the Chemical Unloading Facility property under the Chlorine Containment and Handling Facilities Program, as set forth in the confidential letter signed by the Interim CEO/General Manager on February 2, 2006.

46571 There being no objection, Chairman Bannister adjourned the Meeting at 12:40 p.m.

HELEN Z. HANSEN

SECRETARY

WES BANNISTER

CHAIRMAN