

MINUTES
ADJOURNED REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
AUGUST 15, 2006

46752 The Board of Directors of The Metropolitan Water District of Southern California met in Adjourned 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, August 15, 2006.

Chairman Bannister called the Meeting to order at 11:16 a.m.

Director Sutley withdrew from the Meeting at 11:18 a.m.

46753 The Meeting was opened with an invocation by Carolyn Cavecche, Mayor Pro Tem, City of Orange.

46754 The Pledge of Allegiance to the Flag was given, led by Director John V. Foley.

46755 Board Secretary Hansen called the roll. Those answering present were: Directors Abdo, Apodaca, Bakall, Bannister, Blake, Brick, Brown, De Jesus, Dick, M. Edwards, Fellow, Foley, Grandsen, Griset, Grunfeld, Hansen, Kwan, Lewis, Loveland, Morris, J. Murray, W. Murray, Mylne, Pace, Parker, Peterson, Pocklington, Record, and Wright.

Those not answering were: Directors J. Edwards, Hall, Harris, Koopman, Quiñonez, Rez, Sutley (entered 11:23 a.m.), and Veres.

Chairman Bannister declared a quorum present.

46756 There being no objection, Chairman Bannister ordered the reading of the Minutes of the Meeting of July 11, 2006, dispensed with, a copy having been mailed to each Director.

Director Brown moved, seconded by Director Foley and carried, approving the foregoing Minutes as mailed.

Director Blake requested to be recorded as abstaining.

46757 Chairman Bannister invited members of the public to address the Board on matters within the Board's jurisdiction. No members of the public responded.

Director Pocklington introduced Margaret Welsh, board member from Sweetwater Authority; Fern Steiner and Tom Wornham, members of the board of San Diego County Water Authority, and Jim Bond, chairman of the San Diego County Water Authority board.

Director Sutley took her seat at 11:23 a.m.

Director Pace introduced Ed Vasquez, board member from Central Basin Municipal Water District.

Director Fellow introduced Leon Garcia, board member from Upper San Gabriel Valley Municipal Water District.

Director Mylne introduced Al Lopez, board member from Western Municipal Water District of Riverside County.

Director W. Murray withdrew from the Meeting at 11:24 a.m.

46758 A written report of meetings attended by Directors at Metropolitan expense during the month of July was distributed.

46759 Board Secretary Hansen reported the candidates for the Office of Board Chairman were Directors Brick, Koopman, and Record.

46760 Director Blake moved, seconded by Director Pace and carried, approving the recommendation of Chairman Bannister's appointment of Director Parker to the Water Planning, Quality and Resources Committee.

46761 Chairman Bannister reported on events in which he participated since the last Board Meeting, as follows:

- July 16-August 2 - Keynote speaker at the American Membrane Technology Biennial Association Conference in Anaheim

46762 A letter from the General Manager signed August 11, 2006 was presented, submitting a preliminary report on list of certified assessed valuations for fiscal year 2006/07, stating that as of August 10, 2006, Metropolitan had not received all the final certified assessed valuations from the six counties, and that the final report will be published when all certifications are received.

46763 Budget, Finance, Investment and Insurance Committee Vice Chairman Blake moved, seconded by Director Morris, that the Board adopt the California Environmental Quality Act determination and **Resolution 9006** which fixes the District's secured property tax rate for District purposes for fiscal year 2006/07 at .0047 percent of assessed valuations and an unsecured property tax rate of .0052 percent, together with various tax rates for annexation charges due Metropolitan, thereby producing a total levy of \$103.9 million. After allowing for estimated delinquencies, allocations for redevelopment agencies and adjustments for supplemental tax collections and prior years' tax collections, this results in projected net tax revenues of \$94 million, as set forth in the General Manager's letter signed August 11, 2006; said Resolution entitled:

A RESOLUTION LEVYING TAXES FOR THE FISCAL YEAR COMMENCING JULY 1, 2006 AND ENDING JUNE 30, 2007 FOR THE PURPOSES OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

The Chair called for a vote on the motion.

The following is a record of the vote on the 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), Fullerton (Dir. Blake, 1,193 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,523 votes), Long Beach (Dir. Hansen, 2,963

votes), Los Angeles (Ayes: Dirs. Grunfeld, J. Murray, and Sutley. Absent: Dir. Quiñonez. 30,839 votes), Municipal Water District of Orange County (Dirs. Bakall, Bannister, and Dick, 20,808 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), Upper San Gabriel Valley Municipal Water District (Dir. Fellow, 5,732 votes), West Basin Municipal Water District (Aye: Dir. Kwan. Absent: Dir. W. Murray. 10,680 votes), Western Municipal Water District of Riverside County (Dir. Mylne, 5,911 votes). Total 144,796 votes.

Noes: None.

Abstain: Municipal Water District of Orange County (Dir. Foley, 6,936 votes). Total 6,936 votes.

Absent: Beverly Hills (Dir. Harris, 1,534 votes), Compton (Dir. Hall, 259 votes), Foothill Municipal Water District (Dir. J. Edwards, 1,003 votes), Glendale (Dir. Rez, 1,772 votes), Inland Empire Utilities Agency (Dir. Koopman, 6,104 votes), San Fernando (Dir. Veres, 119 votes). Total 10,791 votes.

The Chair declared **Resolution 9006** adopted by a vote of 144,796 ayes, 6,936 abstain, and 10,791 absent, representing more than the required two-thirds vote.

46764 Regarding Colorado River, Bay-Delta, and CALFED matters, General Manager Kightlinger referred to the activity report for July dated July 31, 2006, which was distributed earlier.

General Manager Kightlinger reported that on August 2 Metropolitan sold \$200,000,000 of water revenue bonds in the past month and will be selling another \$100,000,000 of auction rate water revenue bonds this week. He stated that Metropolitan continues to maintain its high financial ratings and was able to get very good rates on all of the bond sales.

General Manager Kightlinger also informed the Board of staff's review of the Department of Water Resources' (DWR) climate change report and that he had invited one of the authors of that report to attend the member agency managers' meeting, who will discuss the findings and what the report means in terms of DWR's thinking. The member agency managers would then have the chance of asking questions of DWR and express their thoughts on the report. Mr. Kightlinger stated he would keep the Board apprised on this matter for long-term implications for Metropolitan and the member agencies.

General Manager Kightlinger announced that on August 2 he and Chief Administrative Officer Ivey attended the Minority Business Enterprise Institute Council event as guests of Director John Murray, Jr., which was held at Metropolitan's Headquarters. On August 17 Metropolitan also participated in the California Construction Expo.

Director W. Murray returned to the Meeting at 11:28 a.m.

46765 Regarding Legal Department activities, Interim General Counsel Bennion referred to the General Counsel's activity report for July dated July 31, 2006, which was distributed earlier.

Interim General Counsel Bennion gave the Board an update on the *Protect Our Water and Environmental Rights v. Imperial Irrigation District* lawsuit. This is the state court case on the All-American Canal litigation. She reported that a hearing was held on August 10, 2006, on the plaintiff's motion for a preliminary injunction to stop construction on the All-American Canal and on the defendant's demurrer to the complaint. The court did not hear the arguments on the preliminary injunction but took the argument on the demurrer, and gave the parties until August 18 to brief the demurrer issue. If the demurrer is successful, the case will be dismissed and there would be no need for the preliminary injunction; and if not, the parties would go back for a hearing on the preliminary injunction at a later date. Ms. Bennion stated she would keep the Board apprised of any later development.

46766 Assistant General Auditor Gagliano presented a report of the Audit Department's activities for the month of July, dated July 31, 2006. He stated that two Audit Reports were issued during the month. Specifically he noted that Human Resources Section Audit Report and Butier Construction Managers Audit Report were issued during the month. Mr. Gagliano reported that the Human Resources report was issued with an unsatisfactory opinion, while the Butier report was issued with a generally satisfactory opinion. Mr. Gagliano highlighted the fact that the Human Resources audit was issued along with management's responses and strategic plans to address the findings and recommendations made by the audit. He further reported that at the July meeting of the Special Committee on Human Resources the General Auditor presented a review of the audit. Chief Administrative Officer Ivey and members of the Human Resources audit team also presented management's strategy plan to address the findings and how they would progress in dealing with the recommendations. Mr. Gagliano informed the Board that the Audit Department would continue to work with management in reviewing and assessing the results and achievements in addressing the audit.

46767 Ethics Officer Elliott referred to the activity report for July dated July 31, 2006, which was distributed earlier.

Dr. Elliott reported that a question was asked relating to the permissibility of copying journal articles and from the ethics journal subscriptions for distribution to the Board. Based on a research by the Legal Department, such copying and distribution would not constitute fair use, so Directors are encouraged to review the ethics journals as they come in and copy for themselves what they would like for their own use. The Ethics Office will also preview the journals as well to see if there is anything in particular that Directors would like to review.

Dr. Elliott gave an update on the report relating to the Employees Ethics Manual. A new section on employee-management relations will be added, which is not something that is usually seen in an employee ethics manual. She stated that this inclusion would delay the manual.

46768 The following Agenda Items were requested to be added to the Consent Calendar: Director Pace, Item 8-1 (Item 8-1 was subsequently withdrawn from the Consent Calendar); Director Fellow, Item 8-9; Director De Jesus, Items 8-5 through 8-8; Director Mylne, Items 8-3 and 8-4.

Director Blake moved, seconded by Vice Chairman Dick and carried, and the Board approved the Consent Calendar Items, **M.I. 46769** through **M.I. 46781**, as follows:

46769 Adopted the California Environmental Quality Act (CEQA) determination and (a) granted conditional approval for the 94th Fringe Area Annexation concurrently to Eastern Municipal Water District and Metropolitan, conditioned upon receipt in full of annexation fee of \$23,614.80 to Metropolitan if completed by December 31, 2006, 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 9007**) to impose water standby charge within the proposed annexation territory, substantially in the form of Attachment 3 to the letter signed by Assistant General Manager Man for the General Manager on July 18, 2006, said Resolution entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA GIVING NOTICE OF INTENTION TO IMPOSE WATER STANDBY CHARGES CONTINGENT UPON ANNEXATION - 94TH FRINGE AREA

Director Record requested to be recorded as abstaining.

46770 Adopted the CEQA determination and (a) appropriated \$700,000 (Appropriation No. 15434 from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized final design of additional ozone system capacity at the Mills plant, as set forth in the letter signed by the General Manager on July 25, 2006.

46771 Adopted the CEQA determination and (a) appropriated \$1.928 million in budgeted funds (Appropriation No. 15295, No. 4, from the Revenue Bonds, Replacement and Refurbishment or General Funds); (b) authorized implementation of four security

projects; (c) awarded a \$529,350 construction contract to Fishel Company for the Copper Basin Security Fiber Optic Cable Network System; and (d) authorized an agreement in an amount not to exceed \$1.1 million to provide a floating waterway barrier system at the Whitsett Intake Pumping Plant, including maintenance for a period of five years, as set forth in the letter signed by the General Manager on July 31, 2006.

46772 Adopted the CEQA determination and authorized the General Manager to enter into a five-year agreement with the California Department of Forestry and Fire Protection, with a yearly amount not to exceed \$665,000 to provide weed abatement services, as set forth in the letter signed by the General Manager on July 25, 2006.

46773 Adopted the CEQA determinations and authorized (a) incentives for (1) steam sterilizers, (2) zero water and high-efficiency urinal upgrades, (3) rotating nozzle retrofits for pop-up spray heads, and (4) large landscape surveys; and (b) the following program changes: (5) choice of contracting options for landscape irrigation equipment retrofit projects, and (6) streamline payment process for landscape surveys and irrigation equipment retrofit projects, as set forth in the letter signed by the General Manager on July 28, 2006.

46774 Adopted the CEQA determination and approved the Education Plan as set forth in the letter signed by the General Manager on July 25, 2006.

46775 Adopted the CEQA determination and (a) appropriated \$7.97 million in budgeted funds (Appropriation No. 15427, No. 4, from the Revenue Bonds, Replacement and Refurbishment or General Funds); (b) awarded a \$6,109,028 construction contract to J.F. Shea Construction, Inc. for Phase I of the Rialto Pipeline Improvements Program; and (c) authorized an agreement with Marrs Services, Inc. in an amount not to exceed \$710,000 for construction management and inspection services, as set forth in the letter signed by the General Manager on July 24, 2006.

46776 Adopted the CEQA determination and delegated authority to the General Manager to enter into a Memorandum of Understanding with California Department of Parks and Recreation to support the Diemer North Access Road Improvements project, conditioned on future environmental, regulatory, and project

approvals, as set forth in the letter signed by the General Manager on July 24, 2006.

46777 Adopted the CEQA determination and authorized (a) execution of a settlement agreement with Shea-Kenny Joint Venture to resolve past issues; and (b) amendment of Contract No. 1542 for the Arrowhead Tunnels project of the Inland Feeder Program, as set forth in the confidential letter signed by the General Manager on August 14, 2006.

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

46778 Adopted the CEQA determination and approved amendment of contract for legal services with Williams, Yasinski & Jones to increase maximum amount payable by \$200,000 to a total of \$750,000 to defend Metropolitan in *Lance Charles, Sr. v. Metropolitan*, LASC Case No. BC313797, as set forth in the confidential letter signed by the Interim General Counsel on August 8, 2006.

46779 Adopted the CEQA determination and approved amendment of contract for legal services with Meserve, Mumper and Hughes to defend Lance Charles in *Carlita Villanueva v. Metropolitan*, LASC Case No. BC296912, as set forth in the confidential letter signed by the Interim General Counsel on August 8, 2006.

46780 Adopted the CEQA determination and approved amendment of contract for legal services performed with Christensen, Glaser, Fink, Jacobs, Weil & Shapiro to increase maximum amount payable by \$225,000 to a total of \$325,000; and approved amendment of contract with the new law firm of Miller Barondess LLP to increase the maximum amount payable by \$500,000 to a total of \$600,000 to defend Metropolitan in *Cadiz, Inc., etc. v. Metropolitan*, LASC Case No. BC343232, as set forth in the confidential letter signed by the Interim General Counsel on August 8, 2006.

46781 Adopted the CEQA determination and (a) opposed Proposition 90; (b) opposed SB 1210 and SB 1650 as currently written; and (c) adopted staff's recommended policy position on future eminent domain reform measures, as set forth in the letter signed by the General Manager on July 26, 2006.

46782 Budget, Finance, Investment and Insurance Committee Vice Chairman Blake moved, seconded by Director M. Edwards and carried, that the Board adopt the CEQA determination and (a) adopt Seventeenth Supplemental Resolution (**Resolution 9008**) to the Master Revenue Bond Resolution authorizing the sale of up to \$500 million of Water Revenue Bonds, 2006 Authorization; and approve entering into interest rate swap transactions of up to \$500 million to capture savings and reduce interest rate risk; and (b) approve Appropriation No. 15437 for \$860,000 to cover the expenses associated with the bond and interest rate swap transactions; and authorize reimbursement of expenses paid from the General Fund by bond proceeds, with the appropriation to expire on August 31, 2008, as set forth in the letter signed by the General Manager on August 1, 2006, said Resolution entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA AUTHORIZING THE ISSUANCE OF UP TO \$500,000,000 WATER REVENUE BONDS AND PROVIDING THE TERMS AND CONDITIONS FOR THE SALE AND ISSUANCE OF SAID WATER REVENUE BONDS (SEVENTEENTH SUPPLEMENTAL RESOLUTION)

46783 The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through June 2006 signed by the General Manager on July 25, 2006.
- b. Report on development of the Planning Agreement for the Bay-Delta Conservation Plan, signed by the General Manager on July 28, 2006.

46784 At 11:40 a.m., pursuant to Government Code Section 54956.8, Chairman Bannister called the Meeting into closed session to discuss the negotiations for Diamond Valley Lake Recreation and Land Development Program.

At 12:07 p.m., Chairman Bannister called the Meeting into open session.

In closed session the Board approved Parts (a) and (b) of Option #1 in the revised board letter signed by the General Manager on August 8, 2006, as follows: Adopted the CEQA

determination and authorized the General Manager to
(a) terminate the exclusive negotiating agreement (ENA) with The Shopoff Group and Centex Homes in accordance with the ENA; and
(b) enter into discussions with Shea/Parsons/LEDO for the Diamond Valley Lake Recreation and Land Development Program.

Directors Grunfeld, J. Murray, and Sutley requested to be recorded as voting no.

46785 There being no objection, Chairman Bannister adjourned the Meeting at 12:09 p.m. in memory of former employee Arnold Kirk Dimmitt, who was a great asset to Metropolitan during negotiations on California's Colorado River water rights.

HELEN Z. HANSEN
SECRETARY

WES BANNISTER
CHAIRMAN