

MINUTES
REGULAR MEETING OF THE
BOARD OF DIRECTORS
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
SEPTEMBER 12, 2006

46786 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, September 12, 2006.

Chairman Bannister called the Meeting to order at 11:20 a.m.

46787 The Meeting was opened with an invocation by Doris Davis, former Mayor of the City of Compton.

46788 The Pledge of Allegiance to the Flag was given, led by Director Isadore Hall, III.

46789 Chairman Bannister welcomed State Senator Kevin Murray, Chair of the Appropriations Committee, who was introduced by his father and former fellow legislator, Director Willard Murray, Jr.

Senator Murray said that the legislative session had seen fewer water fights than usual, save for a debate over water storage where both sides, in his opinion, took strongly held positions without knowing why they were doing so. Senator Murray also spoke of the upcoming state bond election, the growing role of solar power, and other issues.

46790 At 11:45 a.m., Chairman Bannister called a lunch recess.

46791 Chairman Bannister called the Meeting to order at 12:36 p.m.

46792 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, Hall, Hansen, Harris, Koopman, Lewis, Loveland, J. Murray, W. Murray, Mylne, Pace, Parker, Peterson, Pocklington, Quiñonez, Record, Rez, Sutley, and Wright.

Those not answering were: Directors Kwan, Morris, and Veres.

Chairman Bannister declared a quorum present.

46793 Chairman Bannister invited members of the public to address the Board on matters within the Board's jurisdiction. No members of the public responded.

46794 There being no objection, Chairman Bannister ordered the reading of the Minutes of the Meetings of August 8 and 15, 2006, dispensed with, copies having been mailed to each Director.

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

46795 A written report of meetings attended by Directors at Metropolitan expense during the month of August was distributed.

46796 The Board heard remarks from three candidates for Board Chairman: Directors Timothy Brick (Pasadena), Randy Record (Eastern Municipal Water District), and Gene Koopman (Inland Empire Utilities Agency). Among the topics discussed were Metropolitan's role in the Bay-Delta and water conservation, along with possible refinements to the Board committee system.

46797 Chairman Bannister reported there were no new committee assignments.

46798 Chairman Bannister commented on the construction forum held at the Weymouth plant a year ago to hear the concerns of contractors and consulting agencies on how Metropolitan conducted its business. The Chair reported in response to those concerns staff began planning an Outreach event targeting the construction industry. On August 17 public agencies from all over Southern California converged at the Los Angeles Convention Center to showcase their various construction projects estimated to be worth well over \$100 billion. The Expo attracted a crowd of more than 2,000 in attendance, which was hosted by Metropolitan, the Los Angeles Community College District, and the Los Angeles Unified School District. Directors Kwan and Mylne provided opening remarks and participated in the ribbon cutting ceremony. Directors Mylne and Morris also joined members of Metropolitan's staff at a VIP event with other construction industry leaders.

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

- August 23 - Hosted a one-day trip to Diamond Valley Lake
- August 25 - Chief Administrative Officer Ivey appeared on the Chair's behalf at the Carlsbad Chamber of Commerce meeting where Director Bud Lewis gave his State of the City address
- August 27-29 - Attended the 13th Annual Urban Water Conference held at the Hyatt Regency in San Diego
- September 8 - In the accompaniment of CAO Ivey, attended a Title 16 meeting on recycled water at the offices of Inland Empire Utilities Agency

Director Lewis withdrew from the Meeting at 1:32 p.m.

46799 Budget, Finance, Investment and Insurance Committee Chairman Koopman reported on the letter from the General Manager signed August 23, 2006, submitting a preliminary report on list of certified assessed valuations for fiscal year 2006/07 and tabulation of assessed valuations, percentage participation, and vote entitlement of member public agencies as of August 15, 2006, and that the original Certificates of the County Auditors for the six counties in which areas of the District lie are on file in the Office of the Controller, certifying the fiscal year 2006/07 assessed valuations of all property used for calculating Metropolitan's tax. There being no objection, Chairman Bannister ordered the tabulations transmitted with the foregoing letter from the General Manager setting forth the preliminary assessed valuations, percentage participation, and vote entitlement of member public agencies of The Metropolitan Water District of Southern California, as of August 15, 2006, based on certificates of assessed valuation of property taxable by Metropolitan for fiscal year 2006/07, as submitted by the various County Auditors, be filed, reported in the Minutes, and that the Executive Secretary be directed to send a copy to each member public agency.

Preliminary Assessed Valuations, Percentage Participation,
and Vote Entitlement of Member Public Agencies of
The Metropolitan Water District of Southern California
as of August 15, 2006

Assessed Valuation

<u>Member Agency</u>	<u>Amount Certified</u>	<u>Percent of Total</u>	<u>Vote Entitlement</u>
Anaheim	\$ 32,282,004,276	1.77	3,228
Beverly Hills	16,638,018,026	0.91	1,664
Burbank	15,454,104,891	0.85	1,545
Calleguas MWD	73,436,909,859	4.03	7,344
Central Basin MWD	97,532,753,278	5.35	9,753
Compton	2,987,336,448	0.16	299
Eastern MWD	57,513,669,408	3.16	5,751
Foothill MWD	11,035,376,617	0.60	1,104
Fullerton	13,157,603,648	0.72	1,316
Glendale	19,605,305,473	1.08	1,961
Inland Empire Utilities Agency	70,359,756,158	3.86	7,036
Las Virgenes MWD	16,823,850,654	0.92	1,682
Long Beach	33,544,881,639	1.84	3,354
Los Angeles	342,013,582,941	18.77	34,201
MWD of Orange County	308,354,996,125	16.92	30,835
Pasadena	16,927,406,785	0.93	1,693
San Diego County Water Authority	334,755,097,718	18.37	33,476
San Fernando	1,324,721,035	0.07	132
San Marino	3,511,759,272	0.19	351
Santa Ana	19,320,528,113	1.06	1,932
Santa Monica	19,620,862,428	1.08	1,962
Three Valleys MWD	44,306,628,433	2.43	4,431
Torrance	19,133,699,327	1.05	1,913
Upper San Gabriel Valley MWD	63,437,252,888	3.48	6,344
West Basin MWD	117,540,207,072	6.45	11,754
Western MWD	71,910,533,217	3.95	7,191
TOTAL ASSESSED VALUATIONS WITHIN METROPOLITAN	<u>\$1,822,528,845,729</u>	<u>100.00</u>	<u>182,252</u>

The above valuations include only those which have been certified by the County Auditors, in accordance with Section 305 of the Metropolitan Water District Act, Statutes of 1969, as amended. The certified valuations have been reduced to reflect Homeowners' Property Exemptions and do not include areas excluded from Metropolitan.

46800 Regarding Colorado River, Bay-Delta, and CALFED matters, General Manager Kightlinger referred to the activity report for August dated August 31, 2006, which was distributed earlier.

General Manager Kightlinger reported that in the next few weeks the Finance Department will be offering a bond refunding in the \$50 to \$60 million range; and if successful, would save Metropolitan approximately \$100,000 a year.

General Manager Kightlinger informed the Board of Assistant General Manager/Chief Operations Officer Man's formation of an energy management team to review the solar opportunities that Senator Kevin Murray referred to in light of current legislation. The team will also be reviewing the Capital Investment Program to see where changes and improvements can be made and perhaps accelerating certain projects.

General Manager Kightlinger announced that a State Water Project seminar will be held on December 5, in conjunction with the ACWA conference, sponsored by the State Water Contractors and the Department of Water Resources. Mr. Kightlinger encouraged Directors to attend as past seminars have provided very good briefings on the State Water Project, its challenges, finances, and operations, and especially now in light of the Delta discussions.

General Manager Kightlinger reminded the Board of the employees' appreciation day, the annual picnic scheduled for October 28 at Knotts Berry Farm, the same place as last year's, due to the very high attendance there of any of the picnics held. He stated that future picnics would be held on a rotating basis at different places as done in the past, and even at Diamond Valley Lake.

46801 Regarding Legal Department activities, Interim General Counsel Bennion referred to the General Counsel's activity report for August dated August 31, 2006, which was distributed earlier.

Interim General Counsel Bennion further commented on the upcoming bond refunding sale and that the Legal Department prepared Appendix A, which describes Metropolitan to potential

bond investors. Ms. Bennion stated that the Appendix A would be distributed to the Board and asked for their comments.

Interim General Counsel Bennion reported on the tragic accidental death of Melanie Lomax, an attorney who had addressed the Board in the past in connection with ongoing litigation, and recognized the many contributions she made to the community.

46802 General Auditor Riss presented a report of the Audit Department's activities for the month of August, dated August 31, 2006. He stated that two Audit Reports were issued during the month. Specifically he noted that Lake Skinner Lease with County of Riverside Audit Report and Contract 1588 with Kiewit Pacific Company Audit Report were issued during the month. Mr. Riss stated that both reports had very minor issues that were addressed by management immediately, and therefore were given generally satisfactory opinions.

General Auditor Riss then commented that the Audit Department continued to work with PriceWaterhouseCoopers, the external auditing firm, on the annual exam.

46803 Ethics Officer Elliott referred to the activity report for August dated August 31, 2006, which was distributed earlier.

Dr. Elliott stated that the third and final ethics workshop to comply with AB 1234 will take place on Tuesday, September 26. Dr. Elliott reminded those Directors who have missed any of the workshops this year that there would be self-study CD series available in October for their compliance of the conditions in AB 1234.

Dr. Elliott announced that the first Ethics dinner-discussion will take place on Monday, October 9. Robert O'Brien will discuss creating ethics policy at the United Nations, which involved 192 different nations and about that many different cultures and views on ethics.

46804 The following Agenda Items were requested to be added to the Consent Calendar: Director Mylne, Items 8-1 through 8-3; Director De Jesus, Items 8-4 through 8-6.

Director J. Edwards moved, seconded by Director Blake and carried, and the Board approved the Consent Calendar Items, **M.I. 46805** through **M.I. 46814**, as follows:

46805 Adopted the California Environmental Quality Act (CEQA) determinations and (a) appropriated \$750,000 (Appropriation No. 15369, No. 17, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) design and installation of the Weymouth Basin Inlet Gate project; (c) study and inspection for the Weymouth Reservoir Gates Repair project; (d) preliminary design of the Weymouth Filter Rehabilitation project; and (e) final design of the Weymouth Raw Water Bypass project, as set forth in the letter signed by the General Manager on August 23, 2006.

46806 Adopted the CEQA determination and (a) appropriated \$160,000 in budgeted funds (Appropriation No. 15322, No. 3, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized final design of the Diemer West Washwater Tank Seismic Upgrades, as set forth in the letter signed by the General Manager on August 23, 2006.

46807 Adopted the CEQA determinations and (a) appropriated \$1.11 million in budgeted funds (Appropriation No. 15385, No. 4, for \$763,000; and Appropriation No. 15438 for \$347,000, both from the Revenue Bonds, Replacement and Refurbishment or General Funds); (b) awarded a \$541,000 construction contract to Denboer Engineering & Construction, Inc. for the Intake Pumping Plant Secondary Containment Structures; and authorized (c) preliminary design of the Fault Current Protection project and the 230 kV and 69 kV Disconnect Switch Replacement project; and (d) an increase of \$82,474 in the General Manager's change order authority, up to a total of \$624,884, for the Colorado River Aqueduct Repairs and Instrumentation project, as set forth in the letter signed by the General Manager on August 23, 2006.

46808 Adopted the CEQA determination and approved amendment of contract for legal services with Davis Wright Tremaine LLP to increase maximum amount payable from \$240,000 to \$400,000 for legal services related to Federal Energy Regulatory Commission relicensing of the Oroville facilities, as set forth in the letter signed by the Interim General Counsel on August 23, 2006.

46809 Adopted the CEQA determinations and (a) appropriated \$3.31 million in budgeted funds (Appropriation No. 15369, No. 18, from the Revenue Bonds, Replacement and Refurbishment or General Funds), (b) awarded a \$2,648,710 contract to Pima Corporation dba Advanced Construction to construct Phase I of the Weymouth Perimeter Improvements; and (c) authorized an increase of \$28,000 to the existing agreement with Tetra Design for a new not-to-exceed total of \$2.228 million, as set forth in the letter signed by the General Manager on August 23, 2006.

46810 Adopted the CEQA determinations and (a) appropriated \$4.45 million in budgeted funds (Appropriation No. 15377, No. 18, for \$3,500,000; and Appropriation No. 15441 for \$950,000, both from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) awarded a \$1.841 million construction contract to Mladen Buntich Construction Co., Inc. for the Foothill Pipeline Replacement project; (c) awarded a \$2,755,555 construction contract to Sema Construction, Inc. for the San Diego Canal Lining Repairs project; and (d) authorized repair of one prestressed concrete cylinder pipeline segment on the Rialto Feeder; and (e) authorized final design of the St. Johns Canyon Erosion Mitigation project, as set forth in the letter signed by the General Manager on August 24, 2006.

46811 Adopted the CEQA determination and (a) appropriated \$2.4 million in budgeted funds (Appropriation No. 15417, No. 3, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized final design of a replacement floating cover for Skinner Finished Water Reservoir and Palos Verdes Reservoir, as set forth in the letter signed by the General Manager on August 23, 2006.

46812 Adopted the CEQA determination and authorized amendment of the contract for legal services with Hunt, Ortmann, Blasco, Palffy & Rossell to increase the maximum payable by \$100,000 for a total of \$250,000 in *Shank/Balfour Beatty, a Joint Venture vs. Metropolitan Water District of Southern California*, LASC Case No. BC283438 (consolidated with BC283439, Court of Appeal Case No. B184987), as set forth in the confidential letter signed by the Interim General Counsel on August 25, 2006.

Director Abdo requested to be recorded as abstaining.

46813 Adopted the CEQA determination and authorized the General Counsel to increase the maximum amount payable under the agreement with Burke, Williams & Sorensen by \$300,000 for a total of \$400,000 to defend Metropolitan in related lawsuits challenging the employment status and benefits of temporary workers in *Dewayne Cargill, et al. v. Metropolitan*, LASC Case No. BC191881 (consolidated with LASC Case Nos. BC194444 and BS052318), as set forth in the confidential letter signed by the Interim General Counsel on September 5, 2006.

46814 Adopted the CEQA determination and authorized amendment of the contract for legal services with Cox, Castle & Nicholson to increase the maximum payable by \$100,000 for a total of \$450,000 in *Metropolitan Water District of Southern California vs. Campus Crusade for Christ*, SBSC Case No. SCV 35498, Supreme Court Case No. S141148, as set forth in the confidential letter signed by the Interim General Counsel on August 25, 2006.

46815 The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through July 2006 signed by the General Manager on August 23, 2006.
- b. Annual report of payment of claims for lost bonds or coupons, signed by the General Manager on August 23, 2006.
- c. Preliminary analysis of State Water Project calendar year 2007 Statement of Charges, signed by the General Manager on August 23, 2006.
- d. Review of DWR's Report regarding "Progress on Incorporating Climate Change into Management of California's Water Resources", signed by the General Manager on August 25, 2006.
- e. Report on Water Resource Development Policies, signed by the General Manager on September 6, 2006.

46816 Special Committee on Human Resources Chairman Loveland reported that the committee had discussed the performance of the four department heads and their direct reports, which were submitted to the Board.

Director Bakall moved, seconded by Vice Chairman Dick and carried, and the Board approved the following compensation recommendation for the department heads as set forth in the letter signed by Board Chairman Bannister on September 12, 2006:

General Manager: Salary - status quo. The Board will reevaluate the performance of the General Manager on February 12, 2007, his one-year anniversary date.

Interim General Counsel: Salary - status quo. Action deferred until hiring of new General Counsel.

Ethics Officer: Salary - status quo. Conclusion of contract/employment issue deferred until further consideration by the Special Committee on Human Resources and confirming action by the Board.

General Auditor: Salary - Increased to new flat rate of \$165,000, effective September 10, 2006.

46817 There being no objection, Chairman Bannister adjourned the Meeting at 1:46 p.m. in memory of Yung-Chun Kwan, mother of Director Carol Kwan.

HELEN Z. HANSEN
SECRETARY

WES BANNISTER
CHAIRMAN