

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

46818 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 (with participation via teleconference from 4065 Wyoming Street, St. Louis, MO), on Tuesday, October 10, 2006.

Chairman Bannister called the Meeting to order at 11:32 a.m.

46819 The Meeting was opened with an invocation by Don Lang, member of the Water Advisory Committee of Orange County, past president of Orange County Chamber of Commerce, and past chairman of the Strawberry Festival.

46820 The Pledge of Allegiance to the Flag was given, led by Vice Chairman Ted Grandsen.

46821 Board Secretary Hansen called the roll. Those answering present were: Directors Abdo, Apodaca, Bannister, Blake, Brick, Brown, De Jesus, Dick, J. Edwards, M. Edwards (participated via telephone), Fellow, Foley, Grandsen, Griset, Grunfeld, Hall, Hansen, Harris, Koopman, Kwan, Lewis, Loveland, Morris, J. Murray, W. Murray, Mylne, Pace, Parker, Peterson, Pocklington, Quiñonez, Record, Rez, Sutley, Veres, and Wright.

Those not answering were: Director Bakall.

Chairman Bannister declared a quorum present.

46822 At 11:37 a.m., the Chair called a public hearing to receive comments on the proposed standby charge for Annexation No. 87 to Calleguas Municipal Water District, and 94th, 96th, and 97th Fringe Area Annexations to Eastern Municipal Water District.

No members of the public responded; and after tabulation of the ballots was completed, and with no protests received from the majority owners (except for one owner with four parcels in the 96th Fringe Area Annexation, who withdrew his protest), the Chair closed the public hearing at 11:38 a.m.

46823 Chairman Bannister invited members of the public to address the Board on matters within the Board's jurisdiction. No members of the public responded.

Awards were presented to Metropolitan on its accomplishment in attaining excellent water treatment plant performance that has resulted in consistent, high-quality water for Southern California from the Partnership for Safe Water and the American Water Works Association Research Foundation. Present from the two organizations were:

Dr. Robert Cheng, Program Effectiveness Assessment
Committee Chairperson for the Partnership for Safe Water
and Deputy General Manager of Operations for the Long Beach
Water Department

Jack Hoffbuhr, Executive Director of American Water Works
Association

Steven John, Director of Region 9 of the United States
Environmental Protection Agency

Robert Renner, Executive Director of the American Water
Works Research Foundation

General Manager Kightlinger acknowledged staff's efforts in achieving these awards:

Eddie Rigdon, Group Manager, Water System Operations
Mic Stewart, Water Quality Section Manager
Brad Coffey, Water Treatment Section Manager
David Dean, Manager, Jensen treatment plant

Trudi Loy, Manager, Diemer treatment plant
Jim Kostelecky, Manager, Weymouth treatment plant
Gary Syfers, Manager, Mills treatment plant
John Luttringer, Manager, Skinner treatment plant

46824 There being no objection, Chairman Bannister ordered the reading of the Minutes of the Meeting of September 12, 2006, dispensed with, a copy having been mailed to each Director.

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

46825 A written report of meetings attended by Directors at Metropolitan expense during the month of September was distributed. Director Peterson reported on his attendance at the ACWA Executive/Personnel meeting in Sacramento, California, on October 5, 2006.

46826 Board Secretary Hansen reported the candidates for the Office of Board Secretary were Directors J. Edwards and M. Edwards. Following the announcement, Director Abdo requested that her name be added to the list.

46827 Chairman Bannister presented to Director George Loveland a pin for his five years of service on Metropolitan's Board representing San Diego County Water Authority.

46828 Chairman Bannister reported there were no new committee assignments.

46829 Director J. Edwards moved, seconded by Board Secretary Hansen and carried, that the Board adopt the CEQA determination and (a) reaffirm Dr. Deni Elliott as the Ethics Officer; and (b) approve the terms of her employment as set forth in the letter signed by the Board Chairman on October 9, 2006, as follows:

- An initial lump sum payment of \$13,000 and thereafter a base salary of \$100,000 per annum
- Classified as a recurrent employee with the same benefits made available to Metropolitan's recurrent employees
- The same deferred compensation and performance evaluation process as provided to the other Department Heads
- One (1) year compensation for involuntary severance

46830 Chairman Bannister reported on events in which he participated since the last Board Meeting, as follows:

- September 26 - Met with PriceWaterhouseCoopers, external auditors
- October 2-5 - Guest speaker at the 2006 CA-NV AWWA Conference held in Long Beach

46831 Chairman Bannister announced the nominees for the Board Chairmanship for the two-year term commencing January 1, 2007, as follows: Directors Timothy Brick, Gene Koopman, and Randy Record. Director Koopman then withdrew his candidacy.

Chairman Bannister called for other nominations from the floor. Hearing none, the nominations were closed.

Director Fellow then nominated Director Brick for the Board Chairmanship effective January 1, 2007; and Director Peterson nominated Director Record for the same position.

Chairman Bannister outlined the election process, with voting to be done by wireless keypads with staff recording the votes of telephone participants on their wireless keypads. The Chair stated that the nominee receiving more than fifty percent of the vote will be elected Chairman.

At 11:56 a.m., the Chair called for a break for distribution of the wireless keypads.

At 12:02 p.m., the Chair resumed the Meeting.

Board Secretary Hansen described the voting process and opened the voting. Following the vote on the first ballot, Chairman Bannister announced the tabulation of the votes; with Director Brick receiving 55.46% and Director Record, 44.54%.

Chairman Bannister thereupon requested that it be recorded that Director Brick was elected to the Office of the Chairman of the Board for the two-year term beginning January 1, 2007.

46832 Regarding Colorado River, Bay-Delta, and CALFED matters, General Manager Kightlinger referred to the activity report for September dated September 30, 2006, which was distributed earlier.

General Manager Kightlinger reported that Metropolitan priced about \$47 million worth of bonds that refunded outstanding bonds for a net present value savings of \$2 million.

General Manager Kightlinger informed the Board of a bill currently going through Congress on the Lower Colorado River Multi-Species Conservation Program. He stated that Metropolitan is working with the rest of the California agencies, along with the Lower Basin states, in support of that legislation; and that a field hearing would take place in October on that bill.

General Manager Kightlinger announced the following upcoming events: On October 19 at its annual meeting, the Southern California Water Committee will be honoring Dennis Underwood, past General Manager/CEO of Metropolitan, with a lifetime achievement in water. On October 19-21 there will be a tour of the Friant Water Users system, in which we will learn about Friant's proposed settlement with the Natural Resources Defense Council for the re-watering of portions of the San Joaquin River. He invited Directors to participate in these two events.

General Manager Kightlinger commented on the American Society of Civil Engineers (ASCE) California Infrastructure Report Card, which was handed out to each Director courtesy of Director Morris. The General Manager noted that water was given a C+ rating, which was not the best grade, but looking at it overall California's infrastructure was a C- grade. Metropolitan's service area scored a B+ but concerns with the rest of California pulled it down to a C+ rating.

General Manager Kightlinger announced that the Water Education Foundation would be hosting a Delta Vision workshop on November 8 at Metropolitan's Headquarters. Discussions will be on the Delta Vision process and the Governor's Executive Order on moving forward with the Delta, and Mr. Kightlinger encouraged Directors to attend the workshop.

General Manager Kightlinger mentioned the movie titled "Eaton's Water" that was made for grade-school children, which premier was held on Saturday, October 7, at the Art Center College of Design in Pasadena. He stated that anyone interested in seeing the film can contact Linda Waade, Deputy General Manager of External Affairs.

46833 Regarding Legal Department activities, Interim General Counsel Bennion referred to the General Counsel's activity report for September dated September 29, 2006, which was distributed earlier.

Interim General Counsel Bennion reported on the *Alameda County Flood Control & Water Conservation District, Zone 7, et al. v. California Department of Water Resources (Hyatt-Thermalito)* case, in which Metropolitan filed a motion as intervenors, along with the DWR, to bifurcate the case so the contract issues could be heard first and then the damage issues later. Ms. Bennion stated that the court indicated it was inclined to grant the bifurcation motion but would issue its final ruling after a hearing, which was scheduled in a few days.

In the matter of *Bay-Delta Programmatic Environmental Impact Report Coordinated Proceedings*, Interim General Counsel Bennion stated that Metropolitan has completed its brief for the California Supreme Court.

Interim General Counsel Bennion also reported that the California Sportsfishing Alliance has filed its complaint against DWR alleging a taking of fish without a permit under the California Endangered Species Act, and that Metropolitan is participating in that litigation through the State Water Contractors.

46834 General Auditor Riss presented a report of the Audit Department's activities for the month of September, dated September 30, 2006. He stated that two Audit Reports were issued during the month. Specifically he noted that Interim Agricultural Water and Replenishment Service Programs Audit Report and Information Technology Quarterly Report Audit Report were issued during the month.

Mr. Riss then conducted a brief discussion of these reports. He noted that the Interim Agricultural Water and

Replenishment Service Programs Audit Report was issued with a generally satisfactory opinion. Mr. Riss stated that the audit on the Information Technology Quarterly Report resulted in a satisfactory opinion.

General Auditor Riss also remarked that his monthly report includes information relating to Continuous Audit Activities and Audits in Progress. He then noted that the Continuous Audit Activities include work done on the Inland Feeder Project and The Center for Water Education that is done on a monthly basis. He then added that a review of Property Leases and an audit of the PeopleSoft system are currently in progress and should be completed this month.

46835 Ethics Officer Elliott thanked the Board for her change of employment status. Dr. Elliott then referred to the activity report for September dated September 29, 2006, which was distributed earlier.

Dr. Elliott reminded the Directors who have completed all three workshops in compliance with AB 1234 training to file their certificates with their member agencies. For those Directors who have not completed all three workshops, the self-study series will be provided to them at the next Board Meeting, with completion to be done by the end of the calendar year. Dr. Elliott requested that certificates of completion be filed with the Ethics Office from those Directors who have completed the series of workshops elsewhere. Dr. Elliott remarked that the requirements for AB 1234 for this year have been complied with by 16 of the 37 board members and all 31 designated officers.

Ethics Officer Elliott commented on the Ethics Office dinner-discussion held on October 9, with Robert O'Brien, U.S. Alternative Representative for the 60th session of the United Nations General Assembly, as the guest speaker. Mr. O'Brien spoke on the plight for accountability—transparency and ethics in the United Nations.

46836 The following Agenda Items were requested to be added to the Consent Calendar: Director Koopman, Item 8-2; Director Mylne, Items 8-3 and 8-4; Director De Jesus, Items 8-7 and 8-8; Director Pace, Item 8-1; Director Brown, Item 8-6.

Director J. Edwards moved, seconded by Director Blake and carried, and the Board approved the Consent Calendar Items, **M.I. 46837** through **M.I. 46846**, as follows:

46837 Adopted the California Environmental Quality Act (CEQA) determination and approved the recommended Community Partnering Program sponsorships for 2006/07 as listed in Attachment 1 to the letter signed by the General Manager on September 26, 2006.

46838 Adopted the CEQA determination and approved amendments to the Administrative Code to conform to current laws and practices and make corrections as set forth in Attachment 2 to the letter jointly signed by the Interim General Counsel and the General Manager on September 26, 2006.

46839 Adopted the CEQA determination and authorized the General Manager to execute the proposed long-term parking and ground lease (RL 2208) on approximately 1.78 acres designated as a portion of MWD Parcel No. 1609-2-8 in Riverside County along the Box Springs Feeder right-of-way with Wal-Mart Stores, Inc., substantially in the form of Attachment 3 to the confidential letter signed by the General Manager on September 19, 2006.

Director Abdo requested to be recorded as voting no.

46840 Adopted the CEQA determination and (a) appropriated \$4.44 million (Appropriation No. 15411, No. 4, from the General Fund), and authorized (b) an agreement with CBH Consultants, Inc., in an amount not to exceed \$1.757 million for consulting services to install, configure and implement an Integrated Budget Management System; and (c) purchase of the Cognos software suite in an amount not to exceed \$1.175 million, as set forth in the letter signed by the General Manager on September 26, 2006.

46841 Adopted the CEQA determination and (a) appropriated \$2.16 million in budgeted funds (Appropriation No. 15378, No. 4, from the General Fund); and (b) authorized Phase 2 of the Information Security Assessment Remediation initiative, as set forth in the letter signed by Assistant General Manager Man for the General Manager on September 27, 2006.

46842 Adopted the CEQA determination and (a) restructured the Perris Valley Pipeline Program as a Metropolitan-led project to be executed with the design-bid-build method; and authorized (b) amendment of the existing reimbursement agreement with Eastern and Western Municipal Water Districts to reflect the revised project plan; (c) right-of-way acquisition for the South Reach by Metropolitan; (d) final design by Black & Veatch using an existing professional services agreement; and (e) the award of a procurement contract for up to \$17.5 million with Northwest Pipe Company, as set forth in the letter signed by Assistant General Manager Man for the General Manager on September 27, 2006.

46843 Adopted the CEQA determination and authorized the General Manager to execute the Planning Agreement for the Bay-Delta Conservation Plan, as set forth in the letter signed by the General Manager on September 26, 2006.

46844 Adopted the CEQA determination and authorized the General Counsel to increase the maximum amount payable under the existing agreement with Jeffer, Mangels, Butler & Marmaro by \$300,000 for a total of \$870,000 to defend Metropolitan in *Lollett Jones-Boyce v. Metropolitan, et al.*, LASC Case No. BC310915, as set forth in the confidential letter signed by the Interim General Counsel on October 3, 2006.

46845 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 represent Metropolitan in CalPERS proceedings 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.

46846 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 October 3, 2006.

46847 Director J. Edwards moved, seconded by Director Blake and carried unanimously, and the Board adopted the CEQA determination and the Resolution of the Board of Directors **(Resolution 9009)** giving notice of potential discontinuance of service of Interim Agricultural Water Program water in 2007, as set forth in the letter signed by the General Manager on September 26, 2007, said resolution entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA DIRECTING THE GIVING OF NOTICE OF POTENTIAL DISCONTINUANCE OF INTERIM AGRICULTURAL SERVICE OF SURPLUS WATER IN 2007

46848 The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through August 2006 signed by the General Manager on September 26, 2006.
- b. Report on fiscal year 2006/07 Enhanced Conservation Program Grant Recipients, signed by the General Manager on September 26, 2006.
- c. Transmittal of 2006 Integrated Water Resources Plan Implementation Report, signed by the General Manager on October 2, 2006.
- d. Proposed Action Plan regarding review of Metropolitan's water supply and delivery capability, signed by Assistant General Manager Patterson for the General Manager on September 28, 2006.
- e. Report on Settlement Agreement between Friant Water Users Authority and the Natural Resources Defense Council regarding San Joaquin River water management, signed by the General Manager on September 26, 2006.
- f. Update on the Draft Bay-Delta Conservation Plan Cooperative Cost-Sharing Agreement, signed by the General Manager on October 2, 2006.

46849 There being no objection, Chairman Bannister adjourned the Meeting at 12:25 p.m.

HELEN Z. HANSEN

SECRETARY

WES BANNISTER

CHAIRMAN