

**MINUTES**

**REGULAR MEETING OF THE**

**BOARD OF DIRECTORS**

**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

**FEBRUARY 13, 2007**

**46958** 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 13, 2007.

Chairman Brick called the Meeting to order at 12:03 p.m.

**46959** The Meeting was opened with an invocation by Gene Hale, president of G & C Equipment Corporation; chairman of the Greater Los Angeles African American Chamber of Commerce; and chairman of the City of Los Angeles Small Local Business Advisory Board; among others.

**46960** The Pledge of Allegiance to the Flag was given, led by Director James M. Barrett.

**46961** Board Secretary Abdo called the roll. Those answering present were: Directors Abdo, Apodaca, Bakall, Barrett, Blake, Bond, Brick, Brown, De Jesus, Dick, J. Edwards, M. Edwards, Fellow, Griset, Hall, Hansen, Harris, Koopman, Kwan, Morris, J. Murray, W. Murray, Mylne, Pace, Parker, Pocklington, Record, Sutley, Veres, and Wright.

Those not answering were: Directors Anderson, Foley, Grandsen, Grunfeld (entered 12:09 p.m.), Peterson (participated via telephone at 12:21 p.m.), Quiñonez, and Rez.

Chairman Brick declared a quorum present.

**46962** Chairman Brick invited members of the public to address the Board on matters within the Board's jurisdiction.

David Czamanske from the Sierra Club expressed support for Agenda Item 7-6, membership in the California Climate Action Registry.

Director Grunfeld took his seat at 12:09 p.m.

**46963** There being no objection, Chairman Brick ordered the reading of the Minutes of the Meeting of January 9, 2007, dispensed with, a copy having been mailed to each Director.

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

Director Blake requested to be recorded as abstaining.

**46964** A written report of meetings attended by Directors at Metropolitan expense during the month of January was distributed. Director Abdo stated she attended the New Partners for Smart Growth Conference on February 8 and 9, 2007 at the Bonaventure Hotel, Los Angeles.

**46965** The Interim General Counsel's letter signed January 23, 2007, was presented, transmitting the credentials evidencing the appointment by Municipal Water District of Orange County of Steve Anderson as one of its representatives on Metropolitan's Board for an indefinite term.

General Counsel Tachiki reported the credentials had been examined and found legally sufficient, and that the Oath of Office had been administered to Director Anderson on February 6, 2007.

The Chair ordered the credentials, together with the Interim General Counsel's letter, received and filed. The Chair reported that Director Anderson was not present at today's Board Meeting due to vacation plans that were made before his appointment to Metropolitan's Board.

**46966** Chairman Brick presented to Director Gene Koopman a pin for his five years of service on Metropolitan's Board, representing Inland Empire Utilities Agency.

**46967** Vice Chair Fellow presented to Kathy Cole, Executive Legislative Representative in the Sacramento office, a pin for her 15 years of employment with Metropolitan.

**46968** The General Counsel's letter signed February 5, 2007, was presented, transmitting the credentials evidencing the reappointment by the City of Los Angeles of Aaron Grunfeld and John W. Murray, Jr. as representatives on Metropolitan's Board for terms ending December 31, 2010.

General Counsel Tachiki reported the credentials had been examined and found legally sufficient, and that the Oaths of Office had been administered to Directors Grunfeld and Murray on February 12, 2007.

The Chair ordered the credentials, together with the General Counsel's letter, received and filed.

**46969** 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.

Director Peterson joined the Meeting via telephone participation at 12:21 p.m.

**46970** Chairman Brick reported on events in which he participated, as follows:

- January 12 - Along with Chief Administrative Officer Ivey, attended services for former Director Jim Turner at Eternal Hills Memorial Park in Oceanside.
- January 22 - Attended a global task force meeting on water and sanitation at United Nations, New York.
- January 25 - Attended the Los Angeles Chamber of Commerce Annual Inaugural Dinner at the Beverly Hilton Hotel accompanied by Vice Chair Fellow and CAO Ivey.
- January 29-30 - Along with General Manager Kightlinger, attended the National Water Utility Climate Change Summit in San Francisco.
- February 5 - Attended the AGWA Conference on "Legislative and Scientific Issues Influencing Future Groundwater Management Options in Southern California" held in Ontario, California, where he was the keynote speaker.

- February 6 - Met with officials from the Los Angeles Community College District regarding their sustainability program.

Chairman Brick commented on February being Black History month and that much of the credit for this event belonged to Harvard scholar Dr. Carter G. Woodson, who was determined to bring Black History into the mainstream public arena. Chairman Brick introduced Ken Ashford, president of Metropolitan's Black Employees Association, who provided an overview of the activities the association planned during the month.

**46971** Chairman Brick announced the formation of a work group to review medical benefits, consisting of Directors J. Murray (Chair), Foley, and Mylne.

**46972** Regarding the termination of The Center for Water Education (Center) ground lease and appropriation of funds to pay debts of the Center and complete construction of the education center, Director M. Edwards reported that the Center for Water Education Work Group reviewed and discussed this matter. Director M. Edwards then moved, seconded by Director J. Murray, that this matter be placed on the floor for discussion of the CWE Work Group recommendation pursuant to the board letter signed by the Chair of the CWE Work Group and the Board Chairman on February 7, 2007.

Senior Deputy General Counsel Clairday gave a detailed description of the three options listed in the board letter. A discussion followed on the assets of the Center; the solar panels, a major asset of the Center; the termination of the lease; the liens filed against the Center; debts and obligations the Center is liable for; the grant funds sought by the Center; the timeline for Metropolitan's takeover of the Center; and possible legal actions.

Director Veres withdrew from the Meeting at 12:55 p.m.

Chairman Brick thanked Director Pace, the Chair of The Center for Water Education, and the Center's board members for all their efforts in the formation of the Center and stated that although there has been a series of unforeseen circumstances that led to the current action, Metropolitan would like a positive and smooth transition in this matter.

Chairman Brick stated that the matter of The Center for Water Education was discussed at the Executive Committee meeting on January 23, 2007, and the committee approved Option #1. He then called for a vote on the motion to approve Option #1 in the board letter, as follows:

Adopt the CEQA determination and

- a. Authorize the General Manager to terminate the Center for Water Education ground lease in accordance with Metropolitan's letter of December 22, 2006;
- b. Appropriate \$4.67 million from the sale of surplus residences near Diamond Valley Lake to pay off existing debts and liens of The Center for Water Education (as determined by the General Counsel and General Auditor to be reasonable and appropriate for payment), to complete construction of the Center facility, and to provide temporary maintenance and upkeep of the facility;
- c. Direct the General Manager to close the Visitors' Center and to relocate staff as appropriate;
- d. Direct the General Manager to work with the Communications and Legislation Committee to prepare a Request for Proposals seeking ideas from other educational entities that may wish to partner with Metropolitan to develop a self-sustaining Center that would not place extensive financial burdens on Metropolitan and its rate payers; and
- e. Direct the General Counsel to review current and contingent legal issues and options in order to minimize any impediments that may prevent an orderly transition of the facility to other management.

The motion was voted upon and carried.

Directors Barrett, Bond, Harris, Parker, and Pocklington requested to be recorded as voting no.

Directors Brick and Hansen requested to be recorded as abstaining.

**46973** Regarding Colorado River, Bay-Delta, and CALFED matters, General Manager Kightlinger referred to the activity report for January dated January 31, 2007, which was distributed earlier.

Director Veres returned to the Meeting at 1:00 p.m.

General Manager Kightlinger announced that Metropolitan would be hosting a briefing by two of the authors from the Public Policy Institute of California on "Envisioning Futures for the Sacramento-San Joaquin Delta" on February 20, 2007, in the Board Room. He invited the Directors to attend this briefing.

General Manager Kightlinger stated that the Governor has appointed a Delta Vision Blue Ribbon Task Force with Phillip Isenberg, former state Assemblyman, as the chair of the task force. The Governor's office has also formed a stakeholders' committee made up of a number of water agency managers, of which Mr. Kightlinger will be Metropolitan's representative.

General Manager Kightlinger commented on the dedication of the staff while working on the Foothill Feeder shutdown in inclement conditions of snow flurries at three in the morning. The General Manager also thanked the staff of the member agencies involved.

General Manager Kightlinger informed the Board of two tours being sponsored by the Water Education Foundation: the first one to commence March 7, 2007, touring the Mexican Delta; and the second tour, the Lower Colorado River on March 28, 2007. Mr. Kightlinger stated the Mexican Delta issues are important to Metropolitan especially with the issues surrounding the All-American Canal lining and some of the Colorado River issues.

The General Manager reported that he was requested to be a panel speaker at the American Water Resources Association in Washington, D.C. in the latter part of January; and while he was there, he took the opportunity to meet with congressional representatives and Senators Boxer and Feinstein. He also attended the climate change summit in San Francisco at the end of January. General Manager Kightlinger informed the Board of the untimely death of two of the Department of Water Resources divers who were looking for quagga mussels in the state system, and asked that the Board Meeting be adjourned in their memory.

**46974** Regarding Legal Department activities, General Counsel Tachiki referred to the General Counsel's activity report for January dated January 31, 2007, which was distributed earlier.

General Counsel Tachiki stated that one of the more important items for the Board to consider is the *Cargill* matter, which will be considered in closed session at a later point in today's agenda.

**46975** General Auditor Riss presented a report of the Audit Department's activities for the month of January, dated January 31, 2007. He stated that one Audit Report on Software License Tracking and Compliance was issued during the month with a generally satisfactory opinion. Mr. Riss conducted a brief discussion of this report.

General Auditor Riss commented on the many meetings held with Chief Financial Officer Thomas and staff of PriceWaterhouseCoopers regarding the State Water Contract accounting, and with Senior Deputy General Counsel Clairday on The Center for Water Education.

General Auditor Riss remarked that his monthly report included information relating to Continuous Audit Activities on the Inland Feeder Project and The Center for Water Education.

**46976** Ethics Officer Elliott referred to the activity report for January dated January 31, 2007, which was distributed earlier.

Ethics Officer Elliott gave an update on the progress of the Employee Ethics Manual, which is now in the final stages of completion and will be reviewed by the ten-member employee outreach committee shortly. A final version will be ready for vetting by a committee of directors and officers within a couple of weeks, with the goal of having the manual in the hands of the employees by the end of April.

Ethics Officer Elliott reminded the Board of the upcoming Ethics dinner-discussion on Monday, April 9, 2007, with Kirk O. Hanson, Executive Director of the Markkula Center for Applied Ethics at Santa Clara University, as the guest speaker. She stated that the invitations would be sent out in March to the Board and the member agencies.

**46977** Director Bakall requested that Agenda Item 7-1, amendment of the Administrative Code to reflect new committee structure, be taken off the Consent Calendar for separate

discussion. Director Brown requested that Agenda Item 8-9 on the purchase of operating equipment for the Quagga Mussel Control Program be added to the Consent Calendar. Chairman Brick again stated that the series "8" items on the Board agenda should be taken up separately.

Director Morris moved, seconded by Director Pocklington and carried, and the Board approved the Consent Calendar Items, **M.I. 46978** through **M.I. 46982**, as follows:

**46978** Adopted the California Environmental Quality Act (CEQA) determination and (a) granted conditional approval for the 98th Fringe Area Annexation concurrently to Eastern Municipal Water District and Metropolitan, conditioned upon receipt in full of annexation fee of \$15,936.80 to Metropolitan if completed by December 31, 2007, 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 **Resolution 9021**, the resolution of intention to impose water standby charge within the proposed annexation territory, substantially in the form of Attachment 3 to the letter signed by the General Manager on January 29, 2007, 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-98TH FRINGE AREA**

**46979** Adopted the CEQA determination and (a) appropriated \$620,000 in budgeted funds (Appropriation No. 15441, No. 2, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized final design of replacement slide gates for the San Gabriel Tower and Puddingstone Radial Gate, as set forth in the letter signed by the General Manager on January 29, 2007.

**46980** Adopted the CEQA determination and the resolutions to accept \$4.4 million in state grants for the Lake Perris Pollution Prevention and Source Water Protection Program, as set forth in Attachments 1 and 2 to the letter signed by the General Manager on January 29, 2007, said resolutions entitled:



**Resolution 9022** RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA ACCEPTING FUNDING PURSUANT TO THE NONPOINT SOURCE POLLUTION CONTROL PROGRAM OF THE SAFE DRINKING WATER, CLEAN WATER, WATERSHED PROTECTION AND FLOOD PROTECTION ACT (PROPOSITION 13, CHAPTER 7, ARTICLE 2) FOR LAKE PERRIS POLLUTION PREVENTION AND SOURCE WATER PROTECTION PROJECT

**Resolution 9023** RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA ACCEPTING FUNDING PURSUANT TO THE CALFED SAFE DRINKING WATER QUALITY PROGRAM OF THE SAFE DRINKING WATER, CLEAN WATER, WATERSHED PROTECTION AND FLOOD PROTECTION (PROPOSITION 13, CHAPTER 4, ARTICLE 3) FOR LAKE PERRIS DISSOLVED OXYGEN ENHANCEMENT PROJECT

**46981** Adopted the CEQA determination and authorized the General Manager to enter into a contract with the U.S. Bureau of Reclamation and City of Needles for delivery of water from the Lower Colorado Water Supply Project, as set forth in the letter signed by the General Manager on January 31, 2007.

**46982** Adopted the CEQA determination and authorized \$10,000 registration fees to join the California Climate Action Registry, as set forth in the letter signed by the General Manager on January 29, 2007.

**46983** Director Bakall commented on the process and procedure used to change the committee structure before amending the Administrative Code. Following a discussion on the manner in which the Administrative Code is changed, Director Hall moved, seconded by Director J. Edwards and carried, and the Board adopted the CEQA determination and approved the changes to the Administrative Code to reflect the new structure of the Board's committees as set forth in Attachment 1 to the letter signed by the Interim General Counsel on January 17, 2007.

**46984** Business and Finance Committee Chairman Bond reported that the committee discussed the three options in the board letter; the first being the staff's recommendation of an intended rate increase of 6.9 percent; the second, the option proposed by the member agency managers of a 5.8 percent increase; and the third, a 10 percent increase. He stated the committee's decision was to recommend Option #2.

Business and Finance Committee Chairman Bond then moved Option #2 - proposed \$30 per acre-foot increase, seconded by Director Grunfeld, as set forth in the letter signed by the General Manager on February 7, 2007, as follows:

Adopt the CEQA determination and

a. Determine that revenues required from rates and charges during fiscal year 2007/08 should not be less than \$1.088 billion, and use this determination in establishing rates and charges to be effective January 1, 2008.

b. Set a time for a public hearing of the Business and Finance Committee at which interested parties may present their views regarding the General Manager's recommendation for rates and charges to be effective January 1, 2008:

	Effective January 1, 2007	Option 2 January 1, 2008
Tier 1 Supply Rate (\$/AF)	\$73	\$73
Tier 2 Supply Rate (\$/AF)	\$169	\$171
System Access Rate (\$/AF)	\$143	\$143
Water Stewardship Rate (\$/AF)	\$25	\$25
System Power Rate (\$/AF)	\$90	\$110
Full Service Untreated Volumetric Cost (\$/AF)		
Tier 1	\$331	\$351
Tier 2	\$427	\$449
Replenishment Water Rate Untreated (\$/AF)	\$238	\$258
Interim Agricultural Water Program Untreated (\$/AF)	\$241	\$261
Treatment Surcharge (\$/AF)	\$147	\$157
Full Service Treated Volumetric Cost (\$/AF)		
Tier 1	\$478	\$508
Tier 2	\$574	\$606
Treated Replenishment Water Rate (\$/AF)	\$360	\$390
Treated Interim Agricultural Water Program (\$/AF)	\$364	\$394
Readiness-to-Serve Charge (\$M)	\$80	\$82
Capacity Charge (\$/cfs)	\$6,800	\$6,800

c. Revise the Replacement and Refurbishment (R&R) funding policy for FY 2007/08 to reduce the amount of R&R funding from rates to \$85 million.

d. Adopt the following resolutions:

1. Resolution of intention (**Resolution 9024**) to impose the Readiness-to-Serve (RTS) Charge in the form shown in Attachment 1 to the foregoing letter, declaring the Board's intention (i) at its April 10, 2007 meeting to consider and act upon the General Manager's recommendation to impose a Readiness to Serve Charge, and (ii) at its May 8, 2007 meeting to consider and act upon the General Manager'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 2007/08**

2. Resolution of intention (**Resolution 9025**) to impose a Capacity Charge in the form shown in Attachment 1 to the foregoing letter, declaring the Board's intention, at its April 10, 2007 meeting to consider and act upon the General Manager'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, 2008**

General Manager Kightlinger stated that during consideration of the various scenarios, what became clear throughout the process was that there is a strong desire on the part of the Board and member agency managers to start taking a look at the Long Range Finance Plan, which is a lengthy process, and staff would like to start on it immediately.

Director Mylne commented on the committee's recommendation and emphasized the risks that Metropolitan is currently facing, as follows:

1. Potential of lower water sales of about \$29 million in cost to the District
2. Higher State Water Project power costs of about \$28 million potential cost to the District above what has been budgeted
3. Cargill lawsuit at \$1 million to \$4 million
4. OPEB funding of up to \$20 million
5. Hyatt Thermalito litigation, \$20 to \$50 million
6. Zebra/Quagga Mussels, up to \$4 million
7. Bay Delta conveyance improvements, unknown costs
8. Perris Dam and State Water Project improvements, unknown costs

Director Mylne stated that the above-listed items are imminent and could realistically cost the District significant amounts of money.

Director Mylne then moved a substitute motion to approve Option #1 - Base Case, seconded by Director W. Murray, as set forth in the letter signed by the General Manager on February 7, 2007, as follows:

Adopt the CEQA determination and

a. Determine that revenues required from rates and charges during fiscal year 2007/08 should not be less than \$1.098 billion, and use this determination in establishing water rates and charges to be effective January 1, 2008.

b. Set a time for a public hearing of the Business and Finance Committee at which interested parties may present their views regarding the General Manager's recommendation for rates and charges to be effective January 1, 2008:

c. Adopt the following resolutions:

1. Resolution of intention (**Resolution 9024**) to impose the Readiness-to-Serve (RTS) Charge in the form shown in Attachment 1 to the foregoing letter, declaring the Board's intention (i) at its April 10, 2007 meeting to consider and act upon the General Manager's recommendation to impose a Readiness to Serve Charge, and (ii) at its May 8, 2007 meeting to consider and act upon the General Manager'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 2007/08**

2. Resolution of intention (**Resolution 9025**) to impose a Capacity Charge in the form shown in Attachment 1 to the foregoing letter, declaring the Board's intention, at its April 10, 2007 meeting to consider and act upon the General Manager'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, 2008**

A discussion ensued regarding the shift of monies, the Long Range Finance Plan, the shift from the Colorado River as a base load supply to the State Water Project, development of a budget process that involves the entire Board, water sales, fiscal responsibility of the organization, and looking ahead at future years.

Director Veres withdrew from the Meeting at 1:43 p.m.

Director Hall called for the question. Director W. Murray seconded the motion. Chairman Brick called for a vote on the motion to close the debate, which carried.

The Chair called for a vote on the substitute motion to approve Option #1 in the board letter.

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

Ayes: Burbank (Dir. Brown, 1,545 votes), Central Basin Municipal Water District (Dirs. Apodaca and Pace, 9,753 votes), Foothill Municipal Water District (Dir. J. Edwards, 1,104 votes), Fullerton (Dir. Blake, 1,193 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,682 votes), Municipal Water District of Orange County (Ayes: Dirs. Bakall and Dick.

Absent: Dirs. Anderson and Foley. 30,835 votes), San Marino (Dir. Morris, 351 votes), Santa Ana (Dir. Griset, 1,932 votes), Santa Monica (Dir. Abdo, 1,962 votes), Torrance (Dir. Wright, 1,913 votes), West Basin Municipal Water District (Dirs. Kwan and W. Murray, 11,754 votes), Western Municipal Water District of Riverside County (Dir. Mylne, 7,191 votes). Total 71,338 votes.

Noes: Anaheim (Dir. M. Edwards, 3,228 votes), Compton (Dir. Hall, 299 votes), Eastern Municipal Water District (Dir. Record, 5,751 votes), Inland Empire Utilities Agency (Dir. Koopman, 7,036 votes), Long Beach (Dir. Hansen, 3,354 votes), Los Angeles (Noes: Dirs. Grunfeld, J. Murray, and Sutley. Absent: Dir. Quiñonez. 34,201 votes), San Diego County Water Authority (Dirs. Barrett, Bond, Parker, and Pocklington, 33,476 votes), Three Valleys Municipal Water District (Dir. De Jesus, 4,431 votes), Upper San Gabriel Valley Municipal Water District (Dir. Fellow, 6,344 votes). Total 98,120 votes.

Abstain: Beverly Hills (Dir. Harris, 1,664 votes), Pasadena (Dir. Brick, 1,693 votes). Total 3,357 votes.

Absent: Calleguas Municipal Water District (Dir. Grandsen, 7,344 votes), Glendale (Dir. Rez, 1,961 votes), San Fernando (Dir. Veres, 132 votes). Total 9,437 votes.

The Chair declared the substitute motion failed by a vote of 71,338 ayes, 98,120 noes, 3,357 abstain, and 9,437 absent.

Director Grunfeld offered a friendly amendment to the main motion (Option #2) indicating that revenues from sales above 2.23 million acre-feet in fiscal year 2007/08 be placed in the Replacement and Refurbishment Fund. The friendly amendment was accepted.

The Chair called for a vote on Option #2, to include the friendly amendment, in the board letter signed by the General Manager on February 7, 2007. The motion carried.

Directors Blake, Brown, J. Edwards, Morris, Mylne, and Peterson requested to be recorded as voting no.

Directors Abdo and Bakall withdrew from the Meeting at 1:58 p.m.

**46985** Engineering and Capital Programs Committee Chairman Koopman moved, seconded by Director Pocklington and carried, and the Board adopted the CEQA determinations and (a) appropriated \$11.4 million in budgeted funds (Appropriation No. 15365, No. 13, for \$2.03 million; Appropriation No. 15388, No. 8, for \$4.54 million; Appropriation No. 15410, No. 7, for \$3.88 million; and Appropriation No. 15435, No. 2, for \$0.95 million, all from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) final design of the Skinner Electrical Buildings Upgrade and Ground Fault Protection Upgrade projects; (c) final design, procurement and installation of the Skinner Plant No. 2 Filter Surface Wash Valve and Actuator Replacement, and the Plant No. 1 Filter Drain Gate Stem Replacement projects; (d) final design and construction of the Skinner Incoming Electrical Service; and (e) additional funds for rock excavation for the Skinner Expansion No. 4 Program, as set forth in the letter signed by the General Manager on January 29, 2007.

**46986** The Chair announced that Agenda Item 8-3, Phase II of the Human Resources Improvement project, was deferred to March.

Director Pocklington withdrew from the Meeting at 1:59 p.m.

**46987** Director J. Murray moved, seconded by Director Blake and carried, and the Board adopted the CEQA determination and approved the proposed settlement as recommended in the confidential board letter signed by the Interim General Counsel on January 30, 2007, in *Frank Roach v. Metropolitan*, WCAB Case No. MON0291228.

**46988** Director J. Murray moved, seconded by Director Blake and carried, and the Board adopted the CEQA determination and authorized the General Counsel to increase the maximum amount payable under the existing agreement with Meserve, Mumper & Hughes by \$175,000 for a total of \$275,000 to continue Metropolitan's defense in *Steven Slack v. Metropolitan*, LASC Case No. BC349404, as set forth in the confidential letter signed by the Interim General Counsel on February 2, 2007.

Director Hall withdrew from the Meeting at 2:00 p.m.

**46989** Director J. Murray moved, seconded by Director Blake and carried, and the Board adopted the CEQA determination and approved amendment of contracts for (1) legal services with Bingham McCutchen LLP to increase the maximum amount payable by a revised amount of \$2,500,000, from \$1,100,000 to \$3,600,000; and (2) litigation support with DocuTech Services LLP to increase maximum amount payable from \$100,000 to \$300,000, as set forth in the confidential letter signed by the Interim General Counsel on January 30, 2007, in *Alameda County Flood Control & Water Conservation District Zone 7, et al. v. California Department of Water Resources*, Sac. Sup. Court Case No. 05AS01775.

**46990** Director J. Murray moved, seconded by Director Blake and carried, and the Board adopted the CEQA determination and authorized amendment of the contracts with (1) Jones Day by \$500,000 to a maximum of \$600,000 for legal services to represent Metropolitan; and (2) Navigant Consulting, Inc. by \$225,000 to a maximum of \$475,000 for expert forensic claims analysis for ongoing litigation in *L. H. Woods & Sons, Inc. v. Metropolitan Water District of Southern California, et al.*, San Bernardino Superior Court Case No. SCVSS 131976, as set forth in the confidential letter signed by the Interim General Counsel on January 30, 2007.

**46991** Water Quality and Operations Committee Chairman Brown moved, seconded by Director Morris and carried, and the Board adopted the CEQA determination and authorized \$180,000 to purchase operating equipment for immediate quagga mussel detection, surveillance, and mitigation strategies in the Colorado River Aqueduct system and reservoirs, as set forth in the letter signed by Assistant General Manager Man for the General Manager on February 1, 2007.

**46992** The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through December 2006 signed by the General Manager on January 29, 2007.
- b. Review of Colorado River Aqueduct Supply and Policies, signed by the General Manager on January 29, 2007.



- c. Staff analysis of SB 59 (Cogdill, R-Modesto) regarding the Reliable Water Supply Bond Act of 2008, signed by the General Manager on January 29, 2007.
- d. Staff analysis of SB 27 (Simitian, D-Palo Alto) regarding Delta Conveyance, signed by the General Manager on February 1, 2007.

Director Pocklington returned to the Meeting at 2:02 p.m.

**46993** Business and Finance Committee Chairman Bond reported that the committee took action on Agenda Item 9-5 and moved that the Board approve staff's recommended course of action to maintain Metropolitan's historical accounting for the State Water Project, retain the services of KPMG to complete the 2005/06 audit if PriceWaterhouseCoopers resigns, and proceed with an RFP for External Auditors for the 2006/07 financial audit, as reported in the letter signed by the General Manager on February 7, 2007. Director J. Murray seconded the motion.

Chairman Brick called for a vote on the motion, which carried.

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

Director Pace withdrew from the Meeting at 2:04 p.m.

**46994** At 2:04 p.m., pursuant to Government Code Section 54956.9(a), Chairman Brick called the Meeting into closed session to hear a report on *Dewayne Cargill, et al. v. Metropolitan*, LASC Case No. BC191881 (consolidated with LASC Case Nos. BC 194444 and BS052318).

Director Grunfeld withdrew from the Meeting at 2:05 p.m.

Director Sutley withdrew from the Meeting at 2:13 p.m.

Director M. Edwards withdrew from the Meeting at 2:18 p.m.

Director Wright withdrew from the Meeting at 2:38 p.m.

At 2:39 p.m., Chairman Brick called the Meeting into open session.

Chairman Brick announced that in closed session the Board instructed the General Manager and General Counsel to enter into negotiations on settlement of the CalPERS issues.

Director Blake moved, seconded by Director Morris, that the Board adopt the CEQA determination and authorized the General Counsel to increase the maximum payable under the existing agreement with Burke, Williams & Sorensen by \$250,000 for a total of \$850,000 to continue Metropolitan's representation in the CalPERS penalty litigation, as set forth in the confidential letter signed by the General Counsel on February 5, 2007.

**46995** There being no objection, at 2:40 p.m., Chairman Brick adjourned the Meeting in memory of Tim Crawford and Martin Alvarado, two California Department of Water Resources divers who died February 7, 2007, while inspecting the State Water Project for invasive quagga mussels near Los Baños.

**JUDY ABDO**  
\_\_\_\_\_  
**SECRETARY**

**TIMOTHY F. BRICK**  
\_\_\_\_\_  
**CHAIRMAN**