

MINUTES

REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

JULY 10, 2007

47144 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, July 10, 2007.

Chairman Brick called the Meeting to order at 12:05 p.m.

47145 The Meeting was opened with an invocation by Miriam Hutchinson, Principal Administrative Analyst, Environmental, Health & Safety Section, Water System Operations Group; President of the Association of Confidential Employees.

47146 The Pledge of Allegiance to the Flag was given, led by Director Helen Z. Hansen.

47147 Board Secretary Abdo called the roll. Those answering present were: Directors Abdo, Anderson, Apodaca, Bakall, Bond, Brick, Brown, De Jesus, Dick, J. Edwards, M. Edwards, Foley, Grandson, Griset, Grunfeld, Hansen, Koopman, Little, Morris, J. Murray, W. Murray, Mylne, Pace, Peterson, Pocklington, Quiñonez, Record, Rez, Sutley, Wright, and Wunderlich.

Those not answering were: Directors Barrett, Blake Fellow, Hall, Parker, and Veres.

Chairman Brick declared a quorum present.

47148 At 12:10 p.m., Chairman Brick called a public hearing to receive comments on the proposed standby charge for Calleguas Annexation No. 91 to Calleguas 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, the Chair closed the public hearing at 12:11 p.m.

47149 Chairman Brick invited members of the public to address the Board on matters within the Board's jurisdiction. No members of the public responded.

Assistant General Manager Patterson reported that the Palo Verde Valley Community Improvement Fund (PVVCIF), a nonprofit organization, was formed as a result of Metropolitan's Palo Verde Irrigation District Land Fallowing and Water Transfer Program, in which Metropolitan provided the Palo Verde Valley \$6 million for improvements of economic conditions. Mr. Patterson stated that PVVCIF has now obtained the requirements for its operation and has now executed a funding agreement with Metropolitan, and Metropolitan will now transfer the first installment of the \$6 million to PVVCIF. Mr. Patterson then asked Geraldine Butler, chair of PVVCIF, to comment on the organization and its work. She thanked the Metropolitan Board for its support, and then introduced some members of PVVCIF: Robert Smith, Floie Barrow, Quenton Hansen, Max Schoenrock, George Thomas, Jack Sieler, Charles Grotke, and Millie Rodriguez. Board Chairman Brick then presented certificates of recognition for outstanding service to the group.

On behalf of the Board, Chairman Brick presented a plaque to Stuart Krasner, Principal Environmental Specialist of the Water Quality Section, Water System Operations Group, in recognition of Mr. Krasner receiving the A. P. Black Research Award for research contributions to water science from the American Water Works Association, one of its highest honors.

47150 There being no objection, Chairman Brick ordered the reading of the Minutes of the Meeting of June 12, 2007, dispensed with, a copy having been mailed to each Director.

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

47151 A written report of meetings attended by Directors at Metropolitan expense during the month of June was distributed. Director Pocklington stated he attended the City Makeover event in Poway on June 26.

47152 The General Counsel's letter signed July 5, 2007, was presented, transmitting the credentials evidencing the appointment by the City of Beverly Hills of Robert Wunderlich as its representative on Metropolitan's Board for a term commencing on July 6, 2007 and expiring on August 31, 2011, replacing Betty H. Harris.

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

The Chair ordered the credentials, together with the General Counsel's letter, received and filed. Following an introduction by David D. Gustavson, Director of Public Works & Transportation, City of Beverly Hills, Director Wunderlich took his seat as a Metropolitan Director representing the City of Beverly Hills.

47153 Chairman Brick presented to Director Ergun Bakall a pin for his five years of service on Metropolitan's Board, representing Municipal Water District of Orange County.

47154 Chairman Brick presented to Gerald C. Riss, General Auditor, a pin for his five years of employment with Metropolitan.

47155 Chairman Brick reported on events in which he participated, as follows:

- June 14 - Participated in the Water Quality and Operations Committee inspection trip of the uranium mill tailings site near Moab, Utah. The Department of Energy staff conducted the tour and discussed with the Directors the progress of the remediation efforts.

- June 20 - Met with Phyllis Currie, General Manager of Pasadena Water and Power, and staff to discuss the Perchlorate EIR on Raymond Basin Storage Program.
- June 22 - Attended the American Water Works Research Foundation reception in Toronto, Ontario, Canada.
- June 23 - Participated in a Strategic Planning workshop of the American Alliance for Water Efficiency in Toronto, Ontario, Canada.
- June 25-26 - Attended the Global Water Efficiency Strategies Summit in London, England, where he was one of the guest speakers.
- July 2 - Attended a congressional hearing in Vallejo, California, called by Congressman George Miller on the Bay-Delta crisis. The congressional panel is investigating the causes of the Bay-Delta ecosystem collapse and the disappearing native fish populations of the Bay-Delta, and the responsibility of federal agencies to prevent species extinction and properly managing California's water for homes, businesses and farms.
- July 9 - Attended a farewell reception for former Deputy General Manager Tim Quinn in honor of his 22 years of service at Metropolitan and to wish him well in his new position as Executive Director for the Association of California Water Agencies (ACWA).

Chairman Brick announced the change in times of meetings on Tuesday, July 24, as follows:

9-11 a.m.	Bay-Delta Workshop
11-12 noon	Executive Committee

47156 Regarding Colorado River, Bay-Delta, and CALFED matters, General Manager Kightlinger referred to the activity report for June dated June 30, 2007, which was distributed earlier.

General Manager Kightlinger reported that staff has obtained a couple of grants from the state under Proposition 50: \$2 million for water efficiency grants, and \$60 million for ozone retrofit programs.

General Manager Kightlinger announced that Skinner Module 7 is now in operation, which would add 110 million-gallons-a-day treatment at the Skinner plant. This was a remarkable achievement by staff to get this done in a record amount of time in terms of design and bringing it on-line. He stated that what normally would be a three-month process was done in a matter of three weeks to make it operational for the peak summer months.

General Manager Kightlinger commented on the Quagga mussel problem, in which the mussels have traveled further into the Colorado River system and that staff is now chlorinating the water on a daily basis and preparing for a second shutdown of the aqueduct this year, which has never been done before in the same year. The shutdown would probably take place at the end of July and because of the lack of Colorado River water at this time, there is the ability to schedule some shutdowns and dry out the system.

Regarding the Delta smelt issues, General Manager Kightlinger stated that today there were filings in the federal court, with counter-filings on July 23. There is also a hearing before Judge Wanger on August 21, with a ruling expected some weeks after that. The result of that hearing would be a temporary operating plan and how the system is operated, which would probably last all of next year due to the smelt season beginning in early December through spring. Mr. Kightlinger commented that it was unlikely that a new biological opinion would be completed by then so Metropolitan is expecting to receive those instructions regarding operations, which would limit our pumping. Mr. Kightlinger stated that Metropolitan would continue to monitor this matter and to make sure that the Department of Water Resources (DWR) and the Bureau of Reclamation do whatever is required to work the system efficiently as possible while protecting the smelt.

47157 Regarding Legal Department activities, General Counsel Tachiki referred to the General Counsel's activity report for June dated June 29, 2007, which was distributed earlier.

Following up on the General Manager's report on Delta issues, including the federal litigation, General Counsel Tachiki reported that both the Legal and General Manager's

staffs are working very closely with the State Water Contractors and will comment on the filings by DWR and the federal government on July 23. Ms. Tachiki stated that Metropolitan is analyzing very closely the water supply impacts to the State Water Project, and in turn to Metropolitan.

General Counsel Tachiki mentioned the *Watershed Enforcers II* case, where the plaintiffs filed in state court to try and compel the Department of Fish and Game to make a determination with regard to DWR's consistency request. DWR had withdrawn that consistency request since the biological opinion upon which it was to be based had been ruled invalid by the federal court. Ms. Tachiki continued that the plaintiffs in the state court tried to force Fish and Game to act on that petition even though DWR had withdrawn it. Metropolitan and some of the State Water Contractors intervened in that litigation, and the court agreed with our analysis and held that Fish and Game did not have to move forward in making a determination, and that DWR had the power to withdraw its request for a consistency determination.

47158 General Auditor Riss presented a report of the Audit Department's activities for the month of June, dated June 30, 2007. He stated that two Audit Reports were issued during the month. Specifically he noted that the Supervisory Control and Data Acquisition Application Audit Report and ORSA Consulting Engineers Agreement Audit Report were issued during the month; He added that these reports were issued with generally satisfactory opinions. Mr. Riss then conducted a brief discussion of these reports.

Next, General Auditor Riss reported on the Audit Department Quality Assurance Review and described the activities involved in this review and the independent evaluation performed by the Institute of Internal Auditors. Mr. Riss reported that the overall evaluation found that the Audit Department is in general conformance with the standards, which he stated is the highest ranking awarded.

47159 Ethics Officer Elliott referred to the activity report for June dated June 30, 2007, which was distributed earlier.

Ethics Officer Elliott reported on a staff matter pending before the Inquiry and Review Committee, which oversees the investigation of matters that cannot be resolved informally. This was a situation that involved allegations of supervisor misconduct. The committee will meet again on July 24 to review the external investigator preliminary report. Dr Elliott stated that prior to that meeting, she would be involved in conversation with the Legal Department and the General Manager's office regarding a managerial response.

Ethics Officer Elliott stated that Ethics Educator Cable attended the Ethics Leadership camp for public officials at the end of last month. This camp was held in Santa Clara, and it attracts a national group of folks who work in the area of ethics and public office. Dr. Elliott remarked that Metropolitan's Ethics Web site was highlighted in the presentation of outstanding resources material, and our other educational material was highlighted as milestones for other agencies.

Director Morris moved, seconded by Director J. Edwards and carried, and the Board approved the Consent Calendar Items, **M.I. 47160** through **M.I. 47161**, as follows:

47160 Adopted the California Environmental Quality Act (CEQA) determination and authorized the General Auditor to enter into a contract for external audit services with the firm of KPMG LLP for the annual and quarterly audits for fiscal year 2006/07, in an amount not to exceed \$311,375, as set forth in the letter signed by the General Auditor on June 5, 2007.

47161 Adopted the CEQA determination and (a) **Resolution 9035** authorizing Metropolitan's funding agreement with the California Department of Health Services for Proposition 50, Chapter 4(b) Safe Drinking Water grant funding; and (b) authorized an agreement with Yuba City Unified School District in an amount not to exceed \$2 million for labor compliance program administration, as set forth in the letter signed by Assistant General Manager/Chief Operating Officer Man on June 20, 2007, said resolution entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA AUTHORIZING SIGNATURE OF A FUNDING AGREEMENT AND RELATED DOCUMENTS FOR FUNDING UNDER THE WATER SECURITY, CLEAN DRINKING WATER, COASTAL AND BEACH PROTECTION ACT OF 2002 (PROPOSITION 50) FOR THE DIEMER, SKINNER, AND WEYMOUTH TREATMENT PLANTS' OXIDATION RETROFIT PROGRAMS

47162 Engineering and Capital Programs Committee Chairman Koopman moved, seconded by Director Anderson and carried, and the Board adopted the CEQA determination and awarded a \$39,250,000 contract to W. A. Rasic Construction Co. to construct the North Reach of the Perris Valley Pipeline, as set forth in the letter signed by the General Manager on June 27, 2007.

47163 Engineering and Capital Programs Committee Chairman Koopman moved, seconded by Director Bakall and carried, and the Board adopted the CEQA determination and (a) appropriated \$5 million for the Minor Capital Projects Program for fiscal year 2007/08 for projects costing less than \$250,000 (Appropriation No. 15448 from the Revenue Bonds, Replacement and Refurbishment or General Funds); (b) authorized the General Manager to initiate capital projects costing less than \$250,000 and perform all work including the preparation of necessary environmental documentation; and (c) designated the General Manager as the decision-making body for purposes of reviewing, approving, and certifying any environmental documentation that may be required for such projects, as set forth in the letter signed by Assistant General Manager/Chief Operating Officer Man on June 20, 2007.

47164 Water Quality and Operations Committee Chairman Brown moved, seconded by Director Wright and carried, and the Board adopted the CEQA determination and authorized (a) a new master agreement with Johnson Controls, Inc. for a not-to-exceed amount of \$7.8 million to design, procure, and install physical security systems for projects in Metropolitan's Capital Investment Plan; and (b) an increase of \$1.56 million to Agreement No. 72671 with Johnson Controls, Inc. for a new not-to-exceed total of \$2,703,344 for routine maintenance of physical security systems during the current five-year term, as

set forth in the letter signed by Assistant General Manager/Chief Operating Officer Man on June 21, 2007.

47165 Water Planning and Stewardship Committee Chair Sutley moved, seconded by Director Grunfeld and carried, and the Board adopted the CEQA determination and authorized (a) the Regional Residential Device Incentive Program; (b) five new incentives for new construction and retrofits; (c) flat rate device incentives; and (d) improvements to Metropolitan's Measured Water Savings Program, as set forth in the letter signed by Assistant General Manager/Chief Operating Officer Man on June 21, 2007. Committee Chair Sutley noted that on page 1 of the board letter, last sentence under **Annual Update Process**, it should read, "The incentives are limited to the purchase of the conservation device or 100 percent of the project cost for pay-for-performance programs."

47166 Water Planning and Stewardship Committee Chair Sutley moved, seconded by Director J. Murray and carried, and the Board adopted the CEQA determination and authorized the General Manager to enter into (a) a new three-year program agreement of the Municipal Water Quality Investigation Program with the Department of Water Resources; and (b) State Water Project Contractors Authority agreements with participating State Water Contractors, as set forth in the letter signed by Assistant General Manager/Chief Operating Officer Man on June 21, 2007.

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

47167 Water Planning and Stewardship Committee Chair Sutley moved, seconded by Director J. Murray and unanimously carried, and the Board adopted the CEQA determination and authorized the General Manager to make payments of \$540,544 to the Six Agency Fund and \$13,472 to the Colorado River Association (or its successor entity the Colorado River Joint Powers Authority) for a total of \$554,016 for fiscal year 2007/08, as set forth in the letter signed by Assistant General Manager/Chief Operating Officer Man on June 20, 2007.

47168 Legal and Human Resources Committee Chairman Quiñonez moved, seconded by Director J. Murray and carried, and the Board adopted the CEQA determination and authorized increase of

\$250,000 for a total of \$350,000 in maximum amount payable under the contract with Weston, Benshoof, Rochefort, Rubalcava & MacCuish, LLP for legal services to defend Metropolitan in *Victor Alan Gordon v. Metropolitan, et al.*, LASC Case No. BC353932, as set forth in the confidential letter signed by the General Counsel on June 26, 2007.

47169 The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through May 2007 signed by Assistant General Manager/Chief Operating Officer Man on June 20, 2007.
- b. Metropolitan's Response to Notice of Preparation for Perris Dam Remediation Project, signed by the General Manager on July 3, 2007.
- c. Cost of power for the California and the Colorado River Aqueducts, signed by the General Manager on July 3, 2007.
- d. Overview of Report to Legislature on Salton Sea Restoration, signed by the General Manager on June 27, 2007.
- e. Proposed Public Sector Water Conservation Partnership Demonstration Program, signed by the General Manager on July 3, 2007.

47170 Engineering and Capital Programs Committee Chairman Koopman announced the annual inspection trip of Metropolitan's facilities would take place on September 6 and 7, 2007.

Director Peterson withdrew from the Meeting at 1:08 p.m.

With the water situation on both the Colorado River and the State Water Project at a low point, Director Foley commented on the fact that Metropolitan needs to generate a new water supply and should be looking seriously at desalination and not just depend on conservation.

Water Planning and Stewardship Committee Chair Sutley stated that at its meeting yesterday, the committee heard a report on the status of desalination projects Metropolitan is helping to fund and that it was appropriate for the committee to have a more thorough discussion of the role of Metropolitan in desalination. Committee Chair Sutley requested that this matter be considered at a future meeting.

Chairman Brick stated that these comments are not in the nature of instructions to a committee to undertake a further investigation of this item rather than a full discussion of the item, and this matter will be referred to the Water Planning and Stewardship Committee.

47171 Chairman Brick reported that in closed session the Executive Committee evaluated the performance of the General Manager, General Counsel, General Auditor, and Ethics Officer and their direct reports, and recommended that the Board approve the actions stated in the board letter jointly signed by Board Chairman Brick and Legal and Human Resources Committee Chairman Quiñonez on July 10, 2007.

Director J. Edwards asked why the Cost of Living Adjustment (COLA) increase was not given to the Ethics Officer. There was a short discussion wherein it was stated that the COLA applied only to full-time employees and the Ethics Officer works on a part-time schedule.

Director J. Edwards then moved, seconded by Director Hansen, that the COLA increase also be awarded to the Ethics Officer.

The Chair called for the vote on the motion to award the COLA increase to the Ethics Officer.

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

Ayes: Beverly Hills (Dir. Wunderlich, 1,664 votes), Burbank (Dir. Brown, 1,545 votes), Central Basin Municipal Water District (Dirs. Apodaca and Pace, 9,753 votes), Eastern Municipal Water District (Dir. Record, 5,751 votes), Foothill Municipal Water District (Dir. J. Edwards, 1,104 votes), Glendale (Dir. Rez, 1,961 votes), Long Beach (Dir. Hansen, 3,354

votes), Municipal Water District of Orange County (Dirs. Anderson, Bakall, and Dick, 23,126.25 votes), San Marino (Dir. Morris, 351 votes), Three Valleys Municipal Water District (Dir. De Jesus, 4,431 votes), Torrance (Dir. Wright, 1,913 votes), West Basin Municipal Water District (Dir. Little, 5,877 votes), Western Municipal Water District of Riverside County (Dir. Mylne, 7,191 votes). Total 68,021.25 votes.

Noes: Anaheim (Dir. M. Edwards, 3,228 votes), Calleguas Municipal Water District (Dir. Grandsen, 7,344 votes), Inland Empire Utilities Agency (Dir. Koopman, 7,036 votes), Los Angeles (Dirs. Grunfeld, J. Murray, Quiñonez, and Sutley, 34,201 votes), Municipal Water District of Orange County (Dir. Foley, 7,708.75 votes), Pasadena (Dir. Brick, 1,693 votes), San Diego County Water Authority (Noes: Dirs. Bond and Pocklington. Absent: Dirs. Barrett and Parker. 33,476 votes), Santa Ana (Dir. Griset, 1,932 votes), Santa Monica (Dir. Abdo, 1,962 votes), West Basin Municipal Water District (Dir. W. Murray, 5,877 votes). Total 104,457.75 votes.

Absent: Compton (Dir. Hall, 299 votes), Fullerton (Dir. Blake, 1,316 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,682 votes), San Fernando (Dir. Veres, 132 votes), Upper San Gabriel Valley Municipal Water District (Dir. Fellow, 6,344 votes). Total 9,773 votes.

The Chair declared the motion failed by a vote of 68,021.25 ayes, 104,457.75 noes, and 9,773 absent.

Director J. Murray then moved, seconded by Director Sutley and carried, that the Board adopt the CEQA determination and approve the following compensation recommendation of the Executive Committee for the General Manager, General Counsel, and General Auditor, effective July 1, 2007, as set forth in the letter jointly signed by Board Chairman Brick and Legal and Human Resources Committee Chairman Quiñonez on July 10, 2007:

General Manager:	New annual salary of \$267,020
General Counsel:	New annual salary of \$221,832
General Auditor:	New annual salary of \$169,455

47172 There being no objection, the Chairman adjourned the Meeting at 1:20 p.m.

JUDY ABDO
SECRETARY

TIMOTHY F. BRICK
CHAIRMAN