

MINUTES

ADJOURNED REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

AUGUST 21, 2007

47174 The Board of Directors of The Metropolitan Water District of Southern California met in Adjourned Regular Meeting in the Board Room located in the building at 700 North Alameda Street in the City of Los Angeles, State of California, on Tuesday, August 21, 2007.

Chairman Brick called the Meeting to order at 12:01 p.m.

47175 The Meeting was opened with an invocation by Rick Gervais, Team Manager, Fleet Services, Water System Operations Group.

47176 The Pledge of Allegiance to the Flag was given, led by Director Steven Veres.

47177 Board Secretary Abdo called the roll. Those answering present were: Directors Abdo, Anderson, Apodaca, Bakall, Barrett, Bond, Brick, Brown, De Jesus, J. Edwards, M. Edwards, Fellow, Griset, Hall, Hansen, Little, Morris, J. Murray, Mylne, Pace, Parker, Peterson, Pocklington, Quiñonez, Record, Sutley, Veres, Wright, and Wunderlich.

Those not answering were: Directors Blake, Dick, Foley, Grandsen, Grunfeld, Koopman, W. Murray (entered 12:10 p.m.), and Rez.

Chairman Brick declared a quorum present.

47178 At 12:06 p.m., Chairman Brick called a public hearing to receive comments on the proposed standby charge for Calleguas Annexation No. 90 to Calleguas Municipal Water District, Citrus Heights Annexation to San Diego County Water Authority, and 43rd Fringe Area Annexation to Western Municipal Water District of Riverside County.

No members of the public responded; and after tabulation of the ballots was completed, and with no majority protests received from the owners, the Chair closed the public hearing at 12:07 p.m.

47179 Chairman Brick invited members of the public to address the Board on matters within the Board's jurisdiction. No members of the public responded.

Senior Government and Regional Affairs Representative Poggenpohl introduced Bob Duistermars, president of Central County United Way, who thanked Metropolitan and its staff for their support of the docents at Diamond Valley Lake. Mr. Duistermars and Sandy Foreman, executive director of the United Way/Retired Senior Volunteer Program, presented a plaque to Chairman Brick.

Director W. Murray took his seat at 12:10 p.m.

On behalf of the Board, Chairman Brick presented plaques to employee Oscar Yanez in appreciation for his tour of duty in Iraq and service to his country; and to Dorothy Green, president emeritus of the Los Angeles and San Gabriel Rivers Watershed Council, for her dedication and commitment to environmentally sustainable water policy for the region, the state of California, and the nation.

47180 There being no objection, Chairman Brick ordered the reading of the Minutes of the Meeting of July 10, 2007, dispensed with, a copy having been mailed to each Director.

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

47181 A written report of meetings attended by Directors at Metropolitan expense during the month of July was distributed.

47182 Chairman Brick presented to Director Helen Hansen a pin for her ten years of service on Metropolitan's Board, representing the City of Long Beach.

47183 Director Bakall moved, seconded by Director Anderson and carried, approving a 30-day leave of absence for Director John Foley, commencing August 18, 2007.

47184 Director Hall moved, seconded by Director Pace and carried, approving a 45-day leave of absence for Director James Blake, commencing July 24, 2007.

47185 Director Pocklington moved, seconded by Director Wright and carried, approving the recommendations of the Chairman to:

(1) Establish the Special Committee on Bay-Delta, formed in July, with the following members:

Timothy Brick, Chairman
James Barrett
Marcie Edwards
John Foley
Gene Koopman
Glen Peterson
Nancy Sutley

(2) Assign Director Wunderlich to the Business and Finance Committee and the Water Quality and Operations Committee.

47186 Chairman Brick reported on events in which he participated, as follows:

- July 16 - Participated in the City Makeover Grand Opening Event at the Barnsdall Art Park Great Lawn in Los Angeles, where he was the guest speaker.
- July 17 - Attended a reception at Los Angeles City Hall to honor speakers, sponsors and participants for the Los Angeles Business Council's first annual Sustainability Summit to be held at UCLA.
- July 18 - Attended the Los Angeles Business Council's first annual Sustainability Summit at UCLA, where he was the guest speaker.

- August 2 - Taped a segment for KABC-TV Channel 7's weekend public affairs show, "Newsmakers". The topic for the week's program was current water supplies, water issues around the state, and conditions in Southern California.
- August 3 - Along with Metropolitan staff, Directors Record, Grunfeld, and Fellow, met with Riverside County Supervisor Marion Ashley at the Weymouth facility to discuss updates on Metropolitan.
- August 17 - Attended the Valley-Wide Recreation and Park District's Diamond Valley Lake Community Park Phase 2 groundbreaking ceremony in Hemet.

Chairman Brick noted that August 18 was the 45th anniversary of the dedication of San Luis Reservoir and of President John F. Kennedy's visit to California to salute the development of the State Water Project and the significance of what went on with San Luis Reservoir. The comments of President Kennedy at that time were relevant to the discussion of today in regards to the Bay-Delta system and the State Water Project. A video was shown of President Kennedy's remarks delivered at the dedication.

47187 A letter from the General Manager signed August 16, 2007 was presented, reporting 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 2007/08 assessed valuations of all property used for calculating Metropolitan's tax levy. There being no objection, Chairman Brick ordered the tabulations transmitted with the foregoing letter from the General Manager setting forth the assessed valuations, percentage participation, and vote entitlement of member public agencies of The Metropolitan Water District of Southern California, as of August 21, 2007, based on certificates of assessed valuation of property taxable by Metropolitan for fiscal year 2007/08, as submitted by the various County Auditors, be filed, reported in the Minutes, and that the Board Executive Secretary be directed to send a copy to each absent Director and to each member public agency.

Assessed Valuations, Percentage Participation, and Vote
Entitlement of Member Public Agencies of
The Metropolitan Water District of Southern California
as of August 21, 2007

Assessed Valuation

<u>Member Agency</u>	<u>Amount Certified</u>	<u>Percent of Total</u>	<u>Vote Entitlement</u>
Anaheim	\$ 33,517,588,480	1.68	3,352
Beverly Hills	18,174,437,579	0.91	1,817
Burbank	16,787,524,471	0.84	1,679
Calleguas MWD	79,497,230,500	3.98	7,950
Central Basin MWD	105,947,452,090	5.30	10,595
Compton	3,375,378,985	0.17	338
Eastern MWD	67,881,427,392	3.40	6,788
Foothill MWD	11,974,727,875	0.60	1,197
Fullerton	14,084,980,530	0.70	1,408
Glendale	21,057,934,004	1.05	2,106
Inland Empire Utilities Agency	79,821,862,484	3.99	7,982
Las Virgenes MWD	18,592,657,035	0.93	1,859
Long Beach	36,700,097,412	1.84	3,670
Los Angeles	375,389,395,292	18.79	37,539
MWD of Orange County	335,887,566,115	16.81	33,589
Pasadena	18,456,204,496	0.92	1,846
San Diego County Water Authority	366,055,699,973	18.32	36,606
San Fernando	1,443,615,144	0.07	144
San Marino	3,737,889,717	0.19	374
Santa Ana	20,943,369,603	1.05	2,094
Santa Monica	21,033,417,466	1.05	2,103
Three Valleys MWD	47,708,996,625	2.39	4,771
Torrance	20,532,775,114	1.03	2,053
Upper San Gabriel Valley MWD	68,401,033,162	3.42	6,840
West Basin MWD	127,595,139,782	6.39	12,760
Western MWD	83,661,631,087	4.19	8,366
TOTAL ASSESSED VALUATIONS WITHIN METROPOLITAN	<u>\$1,998,260,031,413</u>	<u>100.00</u>	<u>199,826</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.

47188 Business and Finance Committee Chairman Bond moved, seconded by Director Little, that the Board adopt the California Environmental Quality Act determination and **Resolution 9036** which fixes the District's secured property tax rate for District purposes for fiscal year 2007/08 at .0045 percent of assessed valuations and an unsecured property tax rate of .0047 percent, together with various tax rates for annexation charges due Metropolitan, thereby producing a total levy of \$107.1 million. After allowing for estimated delinquencies, allocations for redevelopment agencies and adjustments for supplemental tax collections and prior years' tax collections, this results in projected net tax revenues of \$92 million, as set forth in the General Manager's letter signed August 16, 2007; said Resolution entitled:

A RESOLUTION LEVYING TAXES FOR THE FISCAL YEAR COMMENCING JULY 1, 2007 AND ENDING JUNE 30, 2008 FOR THE PURPOSES OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

The Chair called for a vote on the motion.

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

Ayes: Anaheim (Dir. M. Edwards, 3,352 votes), Beverly Hills (Dir. Wunderlich, 1,817 votes), Burbank (Dir. Brown, 1,679 votes), Central Basin Municipal Water District (Dirs. Apodaca and Pace, 10,595 votes), Compton (Dir. Hall, 338 votes), Eastern Municipal Water District (Dir. Record, 6,788 votes), Foothill Municipal Water District (Dir. J. Edwards, 1,197 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,859 votes), Long Beach (Dir. Hansen, 3,670 votes), Los Angeles (Ayes: Dirs. J. Murray, Quiñonez, and Sutley. Absent: Dir. Grunfeld. 37,539 votes), Municipal Water District of Orange County (Ayes: Dirs. Anderson and Bakall. Absent: Dirs. Dick and Foley. 33,589 votes), Pasadena (Dir. Brick, 1,846 votes), San Diego County Water Authority (Dirs. Barrett, Bond, Parker, and Pocklington, 36,606 votes), San Fernando (Dir. Veres, 144 votes), San Marino (Dir. Morris, 374 votes), Santa Ana (Dir. Griset, 2,094 votes), Santa Monica (Dir. Abdo, 2,103 votes), Three Valleys Municipal Water District (Dir. De Jesus, 4,771 votes), Torrance (Dir. Wright, 2,053 votes), Upper San Gabriel Valley Municipal Water District (Dir. Fellow, 6,840 votes), West Basin Municipal Water District (Dirs. Little and W. Murray,

12,760 votes), Western Municipal Water District of Riverside County (Dir. Mylne, 8,366 votes). Total 180,380 votes.

Noes: None.

Abstain: None.

Absent: Calleguas Municipal Water District (Dir. Grandson, 7,950 votes), Fullerton (Dir. Blake, 1,408 votes), Glendale (Dir. Rez, 2,106 votes), Inland Empire Utilities Agency (Dir. Koopman, 7,982 votes). Total 19,446 votes.

The Chair declared **Resolution 9036** adopted by a vote of 180,380 ayes and 19,446 absent, representing more than the required two-thirds vote.

47189 Regarding Colorado River, Bay-Delta, and CALFED matters, Assistant General Manager/Chief Operating Officer Man referred to the activity report for July dated July 31, 2007, which was distributed earlier. Ms. Man thanked the Chairman for his showing of the video on the San Luis Reservoir dedication, which event showed many of the same issues and challenges on the State Water Project that we faced in the 1960s and are now still with us in 2007.

In the absence of General Manager Kightlinger, Assistant General Manager/COO Man reported that in the *Kemphorne* case, on July 9 both state and federal agencies submitted their proposals for interim operations of the State Water Project to Judge Wanger in response to his request for proposed operations while the biological opinion is being considered and developed. Following that, the plaintiffs would also submit their proposals; and the judge decided to proceed with the hearings, which commenced today. Ms. Man stated the Board would be kept apprised as soon as there is a decision from the hearing.

Assistant General Manager/COO Man commented on the emerging challenges to Metropolitan with the Quagga mussels and the spread of the mussels in the District's Colorado River water supply. The Quagga mussels have now reached Lake Mead, Lake Havasu, Lake Skinner, the inlet to Lake Mathews, and possibly the San Jacinto reservoir and San Diego County. Ms. Man

reported that Metropolitan would be working with the various interests – federal, state, regulatory, and water providers – to monitor this problem and try to contain the Quagga mussels. Ms. Man stated that at the urging of the Chairman, a coalition will be formed with the Southern Nevada Water agencies and Arizona Department of Water Resources who are also facing serious problems of having the Quagga mussels in their facilities.

With all the challenges on the State Water Project and the Colorado River, Assistant General Manager/COO Man reported that Metropolitan has maintained 90 percent of storage in Diamond Valley Lake and 98 to 93 percent in Lake Mathews and Lake Skinner. She stated that maintaining the storage supplies is key to Metropolitan being able to respond to uncertainties in the State project and the Colorado system. Metropolitan is already taking steps to look at conservation, local resources, and transfers to position itself for 2008 dependent on the outcome of the potential decisions on the biological opinion.

Assistant General Manager/COO Man also reported on the second annual California Construction Expo, which was held on August 16 at the Los Angeles Convention Center, with Metropolitan being one of the hosts. Directors John Murray and Gene Koopman participated in this successful business outreach event.

47190 Regarding Legal Department activities, General Counsel Tachiki referred to the General Counsel's activity report for July dated July 31, 2007, which was distributed earlier.

In the *Natural Resources Defense Council v. Secretary of the Interior Kempthorne* hearing, General Counsel Tachiki referred to it as essentially a trial with a great deal of work done during the month between the Legal Department, the General Manager's staff, and many technical experts required by the attorneys to prepare the case. As soon as any results from the hearing are available, the Board will be notified.

General Counsel Tachiki commented on the fluoridation matter heard at the Water Quality and Operations Committee meeting on August 20. She stated that some of the Directors or their member agencies may have received a document entitled

Actual Notice or Constructive Notice from one of the anti-fluoridation groups. Metropolitan has received that document and the Legal Department will be preparing a response on behalf of Metropolitan and will make it available to the member agencies.

47191 General Auditor Riss reported on management's response to the Audit Department Quality Assurance Review and described the activities involved in this review. He stated that a more detailed report of the Audit Department Quality Assurance Review would be given at the next Executive Committee meeting on August 28, 2007.

Next, General Auditor Riss presented a report of the Audit Department's activities for the month of July, dated July 31, 2007. He stated that three Audit Reports were issued during the month. Specifically he noted that the Local Resources Program Groundwater Recovery Projects Audit Report, the Lower Colorado River Multi-Species Conservation Program Audit Report, and the Major Construction Projects-Brutoco Contract Audit Report were issued during the month. He added that the first report was issued with a generally satisfactory opinion, while the other two reports received satisfactory opinions. Mr. Riss then conducted a brief discussion of these reports.

Director Bond withdrew from the Meeting at 12:49 p.m.

47192 Ethics Officer Elliott referred to the activity report for July dated July 31, 2007, which was distributed earlier.

Ethics Officer Elliott stated that at each Director's desk should be a copy of the Employee Ethics Manual, which would complete the series of three manuals – the Directors' manual and the manual on ethics and contracting.

Dr. Elliott reminded the Board of the next Ethics Dinner-Discussion to be held on September 10, 2007, with former Los Angeles County District Attorney Gil Garcetti as the featured speaker. She stated that Mr. Garcetti has just completed his fifth photography book entitled "*Water is Key*" and bears witness to the struggles and successes of delivering and maintaining safe water supplies in Africa.

Director Morris moved, seconded by Director Pace and carried, and the Board approved the Consent Calendar Items, **M.I. 47193** through **M.I. 47196**, as follows:

47193 Adopted the California Environmental Quality Act (CEQA) determination and (a) granted conditional approval for the 100th Fringe Area Annexation concurrently to Eastern Municipal Water District and Metropolitan, conditioned upon receipt in full of annexation fee of \$64,093.44 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 the resolution of intention (**Resolution 9037**) 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 August 6, 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 - 100TH FRINGE AREA

47194 Adopted the CEQA determination and (a) **Resolution 9038** granting Eastern Municipal Water District's request for approval of the 98th Fringe Area Annexation, concurrently to Metropolitan and Eastern, conditioned upon approval by the Riverside Local Agency Formation Commission, and establishing Metropolitan's terms and conditions for the annexation; and (b) **Resolution 9039** to impose water standby charge at a rate of \$6.94 per acre or per parcel of less than one acre within the proposed annexation area, as set forth in the letter signed by the General Manager on August 6, 2007, said resolutions entitled:

Resolution 9038 RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO EASTERN MUNICIPAL WATER DISTRICT'S 98TH FRINGE AREA ANNEXATION AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Resolution 9039 RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING WATER STANDBY CHARGE CONTINGENT UPON EASTERN MUNICIPAL WATER DISTRICT'S 98TH FRINGE AREA ANNEXATION

47195 Adopted the CEQA determination and (a) appropriated \$790,000 in budgeted funds (Appropriation No. 15365, No. 14, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) final design of the Skinner Modules Nos. 5 and 6 Surface Wash and Foam Abatement Pipe Replacement project; and (c) final design of the Skinner Solids Equipment Replacement project, as set forth in the letter signed by the General Manager on August 6, 2007.

47196 Adopted the CEQA determination and (a) appropriated \$1,235,000 in budgeted funds (Appropriation No. 15411, No. 7, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized an agreement with ClearOrbit in an amount not to exceed \$720,000 to acquire and implement ClearOrbit's inventory bar-coding system in eight Metropolitan warehouses, as set forth in the letter signed by the General Manager on August 6, 2007.

47197 Engineering and Capital Programs Committee Vice Chairman Morris moved, seconded by Director Wright and carried, and the Board adopted the CEQA determination and authorized increase in change order authority for the Skinner Chemical Systems Modifications construction contract, as set forth in the confidential letter signed by the General Manager on August 3, 2007.

47198 Engineering and Capital Programs Committee Vice Chairman Morris moved, seconded by Director M. Edwards and carried, and the Board adopted the CEQA determination and appropriated \$1,053,000 to fund settlement agreement for the Jensen Oxidation Retrofit Program construction contract (Appropriation No. 15173, No. 12, from the Revenue Bonds, Replacement and Refurbishment or General Funds), as set forth in the confidential letter signed by the General Manager on August 3, 2007.

47199 Legal and Human Resources Committee Chairman Quiñonez moved, seconded by Director J. Edwards and carried, and the Board adopted the CEQA determination and authorized increase of \$55,000 for a total of \$255,000 in maximum amount payable under contract with Graham, Vaage & Cisneros for legal services to defend Metropolitan in *Holy Hill Community Church v. Kim, et al.*, LASC Case No. BC321267, as set forth in the confidential letter signed by the General Counsel on July 31, 2007.

47200 Legal and Human Resources Committee Chairman Quiñonez moved, seconded by Director Morris and carried, and the Board adopted the CEQA determination and authorized increase of \$750,000 for a total of \$1,800,000 in maximum amount payable under contract with Miller Barondess LLP to defend Metropolitan in *Cadiz, Inc., etc. v. Metropolitan*, LASC Case No. BC343232, and provided direction to staff, as set forth in the confidential letter signed by the General Counsel on August 2, 2007 and discussed at the committee meeting.

47201 Communications and Legislation Committee Chairman Hall moved, seconded by Director Sutley and carried, and the Board adopted the CEQA determination and authorized support for SCA 12 (Torlakson, D-Antioch) regarding Stormwater and Urban Runoff Fees, as set forth in the letter signed by the General Manager on August 8, 2007.

47202 Communications and Legislation Committee Chairman Hall moved, seconded by Director Sutley and carried, and the Board adopted the CEQA determination and authorized the General Manager to express Metropolitan's support for AB 1489 (Huffman, D-San Rafael) - Resource bond funds: Integrated Regional Water Management Planning Act, as amended July 5, 2007, and as proposed to be amended, if it is further amended as described in

the board letter signed by the General Manager on August 15, 2007, and as proposed by the San Diego County Water Authority at the committee meeting.

47203 Communications and Legislation Committee Chairman Hall moved, seconded by Director Sutley and carried, and the Board adopted the CEQA determination and authorized the General Manager to express Metropolitan's support for AB 162 (Wolk, D-Davis) - Land use: water supply, as amended July 17, 2007, as set forth in the letter signed by the General Manager on August 9, 2007.

47204 Legal and Human Resources Committee Chairman Quiñonez moved, seconded by Director J. Edwards and carried, and the Board adopted the CEQA determination and authorized increase of \$35,000 for a total of \$320,000 in maximum amount payable under contract with Hunt Ortman Palffy Nieves Lubka Darling & Mah for legal services to represent Metropolitan in *Shank/Balfour Beatty, a Joint Venture v. 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 General Counsel on July 31, 2007.

Director Abdo requested to be recorded as abstaining.

47205 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 Public Sector Water Efficiency Partnership Demonstration program including audits for large public water users, enhanced device incentives program, the pay-for-performance water use reduction incentives, and immediate hookup of recycled water use customers, as set forth in the revised letter signed by the General Manager on August 20, 2007.

Director Peterson requested to be recorded as voting no.

47206 Water Planning and Stewardship Committee Chair Sutley moved, seconded by Director Wright and carried, and the Board adopted the CEQA determination and authorized the General Manager to enter into an amendment to the Coordinated Operating

Agreement with San Bernardino Valley Municipal Water District to purchase 200,000 acre-feet of previously stored State Water Project water based on the contractual principles of the board letter and in a form approved by the General Counsel, as set forth in the letter signed by the General Manager on August 15, 2007.

47207 The following communication was submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through June 2007 signed by the General Manager on August 6, 2007.

47208 Director Veres informed the Board that today would be his last meeting as the representative from the City of San Fernando. He introduced Sylvia Ballin who would be replacing him in September. Chairman Brick thanked Director Veres for his leadership and service to Metropolitan.

Assistant General Manager/Chief Administrative Officer Ivey announced that the Inland Feeder Arrowhead tunnel will be featured on the Discovery Channel at 10:00 p.m. tonight and at 2:00 a.m. on Wednesday, August 22.

47209 There being no objection, the Chairman adjourned the Meeting at 1:03 p.m.

JUDY ABDO

SECRETARY

TIMOTHY F. BRICK

CHAIRMAN