

MINUTES

REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

DECEMBER 11, 2007

47305 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, December 11, 2007.

Chairman Brick called the Meeting to order at 12:04 p.m.

47306 The Meeting was opened with an invocation by Director David De Jesus.

47307 The Pledge of Allegiance to the Flag was given, led by Director Steve Anderson.

47308 Board Secretary Abdo called the roll. Those answering present were: Directors Abdo, Anderson, Apodaca, Ballin, Barrett, Bond, Brick, Brown, De Jesus, Dick, J. Edwards, M. Edwards, Fellow, Foley, Grandsen, Griset, Grunfeld, Hansen, Koopman, Little, Morris, J. Murray, W. Murray, Mylne, Pace, Parker, Peterson, Quiñonez, Record, Rez, Sutley, Wright, and Wunderlich.

Those not answering were: Directors Bakall, Blake, Hall, and Pocklington.

Chairman Brick declared a quorum present.

47309 At 12:06 p.m., Chairman Brick called a public hearing to receive comments on the proposed standby charge for Calleguas Annexation No. 88 to Calleguas Municipal Water District.

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 12:08 p.m.

47310 Chairman Brick invited members of the public to address the Board on matters within the Board's jurisdiction. No members of the public responded.

47311 Director W. Murray announced that the West Basin Water Recycling facility was renamed in honor of Director Edward C. Little.

47312 There being no objection, Chairman Brick ordered the reading of the Minutes of the Meetings for November 13 and 20, 2007, dispensed with, copies having been mailed to each Director.

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

47313 A written report of meetings attended by Directors at Metropolitan expense during the month of November was distributed.

Director Record stated he attended the ACWA fall conference November 27-30, 2007, at Indian Wells, California, but at the expense of his district.

Director Peterson noted he attended the ACWA fall conference November 27-30, 2007.

Director Quiñonez noted he was not able to attend the ACWA fall conference.

47314 Chairman Brick stated there were no new committee assignments.

47315 Chairman Brick reported on events in which he participated, as follows:

- November 27-28 - Attended the ACWA conference in Indian Wells, California, as well as the dinner with Metropolitan Directors and staff and Coachella Valley Water District directors and guests at the Living Garden & Zoo in Palm Desert, California.
- December 6 - Was the guest speaker at West Basin Municipal Water District's 60th Anniversary Celebration and Facility Renaming Ceremony honoring Director Edward C. Little, in El Segundo, California.
- December 6 - Along with Vice Chairman Fellow, attended the WaterReuse Association board dinner at the Hilton Checkers, Los Angeles, California.
- December 8 - Along with Directors Morris and Wright, attended the memorial service for former LADWP employee-engineer Le Val Lund, Jr., at Caltech Athenaeum in Pasadena, California.
- December 10 - Along with Directors and staff, attended Metropolitan's Board of Directors Recognition Dinner held at Metropolitan's Headquarters.

Chairman Brick announced that Director Foley would host Metropolitan's meeting and dinner with members from the Palo Verde Irrigation District in Las Vegas, Nevada, on December 12, 2007, during the Colorado River Water Users Association conference.

Chairman Brick commented on the accomplishments achieved during this year, as follows:

- Beginning with the Board's governance, the restructuring of the committees has been very effective.
- The first Board retreat in several years was held in order to focus and set an agenda for the year's activities.
- In Human Resources management, the recruitment of the Director of Human Resources was completed and a place was established to address Metropolitan's human capital needs, an important step forward in building the organization for the future.

- The Apprenticeship Program saw its first graduate class this year.
- In water resource management, Metropolitan and staff have taken the lead in terms of establishing Southern California's needs and priorities in regard to the Bay-Delta Act Plan; and although all the requirements were not achieved this year, progress was made in approaching it and the Board is more resolute than ever in order to get it done.
- A new General Counsel was hired who has done a good job in terms of ordering and directing the activities of the legal staff, a very significant accomplishment.
- In financial management, Metropolitan achieved a triple A bond rating.
- Metropolitan also implemented the sustainability initiative to proactively respond to our needs to be environmentally responsible for the future, as well as to deal with challenges like climate change. For example, Metropolitan is now participating in the Climate Registry and utilizing sustainability as an overarching principle; and as part of that, Metropolitan has initiated a carbon footprint assessment of itself and dealing with energy planning and other things relating to that.
- In public outreach, Metropolitan has established a proactive outreach program for our conservation message and have undertaken a conservation program that was initiated by the Board and has been very successful in spreading the message of how dry the conditions have been and the actions that are needed in order to deal responsibly with providing water reliability for the future. Metropolitan has also participated in ACWA's very successful conservation advertising program.
- In business outreach, Metropolitan's award winning Business Outreach Program held a number of events including the second annual Cal-Con Expo in August with over 2,000 participants, and where the Governor's newly appointed Secretary of Business, Transportation and Housing was the keynote speaker who praised Metropolitan for being proactive in reaching out to the construction community and to help rebuild California's infrastructure.

- Another key thing that Metropolitan has done is to mobilize the support of the business community in terms of the long-term water reliability needs of Southern California, and significant progress was made in working with various chambers of commerce, the Southern California Leadership Council, and other organizations.

Chairman Brick remarked that 2007 was a very successful year and that in 2008 there would be a lot of challenges that Metropolitan would be ready to meet. Chairman Brick thanked the Board and staff for the help and support during 2007.

47316 Director Foley reported that he spoke with Director Blake, who is now in the rehabilitation program at St. Jude's Medical Center.

On behalf of the Board, AGM/Chief Administrative Officer Ivey thanked the staff who worked on the Directors Recognition Dinner; namely:

Geraldine Walters
Isabel Aldrete
Brian Tubbs
Rosalind Wakiro
Margie Wheeler
Beverly Jackson
Ronald Wheeler
Judy Holland and the Facilities staff

47317 Regarding Colorado River, Bay-Delta, and CALFED matters, General Manager Kightlinger referred to the activity report for November dated November 30, 2007, which was distributed earlier.

General Manager Kightlinger stated that at each Director's desk was a copy of the Annual Financial Report, which summarizes all the financial programs and the status of Metropolitan. Mr. Kightlinger reported that he has asked the External Affairs staff to again prepare an Annual Report, which is expected to be finalized next year, the last one being published in 1998.

General Manager Kightlinger announced that the Colorado River Water Users Association conference would begin

tomorrow (December 12) and commented on the Colorado River agreements that were discussed at the Water Planning and Stewardship Committee meeting. He reported that since the committee meeting, Imperial Irrigation District had voted to approve all three agreements and with Metropolitan's Board acting on those agreements today, there should be a successful Colorado River water conference, with the Secretary of the Interior signing the Record of Decision on Thursday morning.

General Manager Kightlinger stated that it was a successful year by staff on construction activities: the expansion of the Skinner plant which was completed on time and on budget; the tremendous pick up on the Inland Feeder; the addition of fluoridation throughout all the systems; the record number of shutdowns at all five treatment plants for updating the system. General Manager Kightlinger remarked that staff has had a challenging 2007 and expect that 2008 will even be more challenging, with 2008 being Metropolitan's 80th anniversary.

47318 Regarding Legal Department activities, General Counsel Tachiki referred to the General Counsel's activity report for November dated December 3, 2007, which was distributed earlier.

General Counsel Tachiki reported on Judge Wanger's decision in the case of the challenge to the biological opinion on the Delta smelt. Ms. Tachiki stated that it is expected that the judge would make available a draft of his findings and conclusions of law to the parties involved either today or tomorrow, and then he would accept oral comments on his proposed order in a Friday morning conference call. The judge is expected to finalize his ruling the next week. The Board would be notified via e-mail of the judge's order once staff has received and analyzed it.

General Counsel Tachiki announced that Assistant General Counsel Henry Barbosa has decided to leave Metropolitan, and she acknowledged Mr. Barbosa's contribution to the Legal Department. Mr. Barbosa is currently on vacation and after his return at the beginning of next year, he will be available to help through some transition issues.

General Counsel Tachiki reminded the Board of the member agency legal counsel dinner being jointly sponsored by

the Ethics and Legal Departments on January 7, 2008, which will focus on ethics issues.

47319 General Auditor Riss presented a report of the Audit Department's activities for the month of November, dated November 30, 2007. He stated that one Audit Report on Camp Dresser & McKee, Inc., MWH Americas, Inc., and Lee & Ro, Inc. was issued during the month with a generally satisfactory opinion. Mr. Riss stated that there were some minor invoice processing discrepancies, which management resolved promptly.

47320 Ethics Officer Elliott referred to the activity report for November dated November 30, 2007, which was distributed earlier.

Ethics Officer Elliott announced that the Ethics and Leadership Seminar, which was to be held at Metropolitan on December 17 and 18 had been cancelled due to low numbers. The Markulla Center for Ethics, which operates the Ethics and Leadership Seminars for public officials is located in Northern California and will be offering this seminar again in January. Dr. Elliott stated that this seminar would be a good opportunity for member agencies that are beginning to develop an ethics program to attend.

Ethics Officer Elliott reported that the Ethics Office is moving forward in its design for on-line training modules for employees, and that the topics chosen for instruction were based on the patterns of questions that have been received in the office. The first two modules will be on gifts, nepotism and work relationships, and outside employment. The first on-line course offering will be available by spring.

Director W. Murray withdrew from the Meeting at 12:25 p.m.

Director Morris moved, seconded by Director Pace and carried, and the Board approved the Consent Calendar Items, **M.I. 47321** through **M.I. 47323**, as follows:

47321 Adopted the CEQA determination and revised resolution (**Resolution 9053**) granting Eastern Municipal Water District's request for approval of the 82nd 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, as set forth in the letter signed by the General Manager on November 20, 2007, said resolution entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO EASTERN MUNICIPAL WATER DISTRICT'S 82ND FRINGE AREA ANNEXATION AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Director Record requested to be recorded as abstaining.

47322 Adopted the CEQA determination and authorized the increased dues in a total amount not to exceed \$604,700 as listed in the letter signed by the General Manager on November 20, 2007 (California Municipal Utilities Association, \$79,400; Western Electricity Coordinating Council, \$36,000; and American Water Works Association Research Foundation, \$489,000).

47323 Adopted the CEQA determination and approved the proposed changes to the Administrative Code amending Metropolitan's employee savings and deferred compensation plans, as set forth in Attachment 2 to the letter signed by the General Manager on November 20, 2007.

Director Ballin requested to be recorded as abstaining.

47324 Business and Finance Committee Chairman Bond moved, seconded by Director Grunfeld and carried, and the Board adopted the CEQA determination and authorized payments up to a total of \$591 million to the Department of Water Resources for calendar year 2008 charges for water from the State Water Project, as set forth in the letter signed by Assistant General Manager/Chief Operating Officer Man for the General Manager on November 29, 2007.

47325 Engineering and Capital Programs Committee Chairman Koopman moved, seconded by Director Morris and carried, and the Board adopted the CEQA determination and (a) appropriated

\$2.6 million (Appropriation No. 15297, No. 4, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) Phase III electromagnetic inspections of 110 miles of prestressed concrete cylinder pipelines; (c) agreement with Pressure Pipe Inspection Company in an amount not to exceed \$1.68 million to perform electromagnetic inspections; and (d) 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 that fall within this program, as set forth in the letter signed by Assistant General Manager/Chief Operating Officer Man for the General Manager on November 29, 2007.

47326 Engineering and Capital Programs Committee Chairman Koopman moved, seconded by Director Morris and carried, and the Board adopted the CEQA determinations and (a) appropriated \$5.5 million in budgeted funds (Appropriation No. 15369, No. 24, for \$5,370,000; and Appropriation No. 15440, No. 2, for \$130,000, both from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) final design of the Weymouth Filter Outlet Conduit Repairs; (c) final design of the Weymouth Inlet Valves Refurbishment; (d) final design of the Weymouth Basin Inlet Conduit Relocation; (e) additions to final design of the Weymouth Electrical Upgrades; (f) final design of the Weymouth Fire and Domestic Water System Upgrades; (g) an increase of \$2.9 million to the existing agreement with Carollo Engineers, for a new not-to-exceed total of \$10.9 million; and (h) an increase of \$110,000 to the existing agreement with Tetra Design, for a new not-to-exceed total of \$2,458,000, as set forth in the letter signed by Assistant General Manager/Chief Operating Officer Man for the General Manager on November 29, 2007.

47327 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 agreements substantially in conformance with (a) the Forbearance Agreement with the parties listed in the board letter; (b) the Delivery Agreement with the Secretary of the Interior; (c) the California "Intentionally Created Surplus" Agreement with Palo Verde Irrigation District, Imperial Irrigation District, Coachella Valley Water District, and the City of Needles; and (d) the Memorandum of Agreement with the

San Diego County Water Authority, all in a form approved by the General Counsel, and as described in the letter signed by the General Manager on December 4, 2007.

Directors Barrett, Bond, and Parker requested to be recorded as abstaining.

47328 Water Planning and Stewardship Committee Chair Sutley moved, seconded by Director Quiñonez and carried, and the Board adopted the CEQA determination and authorized \$25 million increase in Honeywell International's contract to accomplish the Commercial/Industrial/Institutional Conservation and Public Sector Programs, as set forth in the letter signed by Assistant General Manager/Chief Operating Officer Man for the General Manager on November 27, 2007.

47329 Chairman Brick announced that approval of the Legislative Strategy for 2008 would be considered at the next meeting.

47330 Legal and Human Resources Committee Chairman Quiñonez moved, seconded by Director J. Murray and carried, and the Board adopted the CEQA determination and authorized the initiation of litigation to recover approximately \$1,200,000 in damages done to Metropolitan's Rialto Pipeline, as set forth in the confidential letter signed by Assistant General Counsel Bennion for the General Counsel on November 29, 2007.

Director Koopman requested to be recorded as abstaining.

47331 Engineering and Capital Programs Committee Chairman Koopman moved, seconded by Director Morris and carried, and the Board adopted the CEQA determination and (a) appropriated \$2.65 million (Appropriation No. 15450 from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized agreement with the Alameda Corridor-East Construction Authority for relocation of a section of the Orange

County Feeder located in Brea Canyon Road in the City of Industry, as set forth in the confidential letter signed by the General Manager on November 29, 2007.

Directors Anderson and J. Edwards requested to be recorded as voting no.

47332 The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through October 2007, signed by the General Manager on November 27, 2007.
- b. Results of the Integrated Area Study planning process, signed by Assistant General Manager/Chief Operating Officer for the General Manager on November 29, 2007.
- c. Action plan for updating the Integrated Resources Plan, signed by the General Manager on December 4, 2007.
- d. Review regional groundwater storage objectives based on Metropolitan's final Groundwater Assessment Study, signed by Assistant General Manager/Chief Operating Officer Man for the General Manager on November 27, 2007.

47333 In reference to Agenda Item 9-2, Results of the Integrated Area Study planning process, Director Foley stated that although the process is a comprehensive way of looking at our needs, in particular the needs of the member agencies, he believed there should be more recognition given to not just supplying future populations but to look at the risks associated to those that are being served now. Director Foley asked that in the process of carrying out these innovative studies that weight and consideration be given to those that we serve now and not on the seven-day required storage. He referred to a major interruption of long-term supply that could seriously affect our present customers who are paying the bills.

General Manager Kightlinger noted that in the past year one of the things he tried to do was to form processes

where we are working very closely with the member agencies to bring issues up for the Board's consideration; and that was done with the restructuring of the Local Resources Program this year where we worked very cooperatively with all the members to come up with a number of reforms on how to move projects quicker, such as the Integrated Area Studies and the Supply Allocation Plan. Mr. Kightlinger stated that a point of the Integrated Area Studies was trying to get a broad degree of consensus among all the members and then to bring it up for debate and decision by the Board.

47334 Director Mylne commented on the accomplishments of the newly elected president of ACWA Glen Peterson.

47335 Director Pace announced that today's meeting was his last on Metropolitan's Board and thanked the Board and staff for their participation in all that has been done for Metropolitan during his 13-year tenure. On behalf of the Board, Chairman Brick thanked Director Pace for his long and dedicated service to Metropolitan.

47336 There being no objection, at 12:41 p.m., the Chairman adjourned the Meeting in memory of Le Val Lund, former civil engineer with the Los Angeles Department of Water and Power who helped with the design, construction, and operation of many projects for the LADWP to include the Second Los Angeles Aqueduct and numerous dams, filtration plants, reservoirs, water tanks, and pumping stations.

JUDY ABDO
SECRETARY

TIMOTHY F. BRICK
CHAIRMAN