

MINUTES

REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

JANUARY 8, 2008

47337 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, January 8, 2008.

Chairman Brick called the Meeting to order at 12:08 p.m.

47338 The Meeting was opened with an invocation by Assistant General Manager/Chief Administrative Officer Gilbert F. Ivey.

47339 The Pledge of Allegiance to the Flag was given, led by Director Robert Apodaca.

47340 Board Secretary Abdo called the roll. Those answering present were: Directors Abdo, Anderson, Apodaca, Bakall, Ballin, Barrett, Bond, Brick, Brown, De Jesus, Dick, J. Edwards, M. Edwards, Foley, Grandsen, Griset, Koopman, Little, Morris, J. Murray, W. Murray, Parker, Peterson, Pocklington, Quiñonez, Record, Rez, Sutley, Wright, and Wunderlich.

Those not answering were: Directors Blake, Fellow, Grunfeld, Hall, and Hansen.

Chairman Brick declared a quorum present.

47341 The General Counsel's letter signed January 7, 2008, was presented, transmitting the credentials evidencing the appointment by Central Basin Municipal Water District of Phillip D. Hawkins as one of its representatives on Metropolitan's Board for an indefinite term, replacing Phillip J. Pace.

General Counsel Tachiki reported the credentials had been examined and found legally sufficient.

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

The Oath of Office as a Director of Metropolitan was administered to Mr. Hawkins by Los Angeles County Supervisor Don Knabe. The Chair ordered the Oath of Office received and filed.

Following an introduction by Supervisor Knabe, Mr. Hawkins took his seat as a Metropolitan Director representing Central Basin Municipal Water District.

47342 The General Counsel's letter signed January 7, 2008, was presented, transmitting the credentials evidencing the appointment by Western Municipal Water District of Riverside County of S.R. "Al" Lopez as its representative on Metropolitan's Board for an indefinite term, replacing John M. Mylne, III.

General Counsel Tachiki reported the credentials had been examined and found legally sufficient.

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

The Oath of Office as a Director of Metropolitan was administered to Mr. Lopez by Susan Kuwaye, Notary Public. The Chair ordered the Oath of Office received and filed.

Following an introduction by Western Municipal Water District's General Manager John Rossi, Mr. Lopez took his seat as a Metropolitan Director representing Western Municipal Water District of Riverside County.

47343 At 12:23 p.m., Chairman Brick called a public hearing to receive comments on the proposed standby charge for Calleguas Annexation No. 89 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 12:24 p.m.

47344 Chairman Brick invited members of the public to address the Board on matters within the Board's jurisdiction. No members of the public responded.

47345 There being no objection, Chairman Brick ordered the reading of the Minutes of the Meeting for December 11, 2007, dispensed with, a copy having been mailed to each Director.

Director W. Murray moved, seconded by Director Ballin and carried, approving the foregoing Minutes as mailed.

47346 A written report of meetings attended by Directors at Metropolitan expense during the month of December was distributed.

Director Foley stated that last week he and Director Dick attended the Water Advisory Committee meeting of Orange County at no expense to Metropolitan. At that meeting he had the privilege of receiving a plaque for Metropolitan from the Fire Chief of Orange County, thanking Metropolitan's staff who participated in fighting the Santiago Canyon fire to ensure that there was an adequate water supply to fight those fires.

Chairman Brick also thanked the staff for their efforts in serving the public interest and stated that he also received good reports from San Diego County for Metropolitan's participation in the fire fighting efforts.

47347 Chairman Brick presented to Director Randy Record a pin for his five years of service on Metropolitan's Board, representing Eastern Municipal Water District.

47348 Chairman Brick announced that Secretary Abdo had been reappointed to Metropolitan's Board by the City of Santa Monica. Chairman Brick then presented to Secretary Abdo a plaque for her service as Board Secretary.

47349 Secretary Abdo moved, seconded by Director Dick and carried, approving the Chair's appointment of Director Lopez to the Business and Finance Committee and the Engineering and Capital Programs Committee; and Director Anderson as Vice Chair of the Board.

The Chair stated that committee assignments for Director Hawkins have been deferred pending a meeting with him.

47350 Chairman Brick reported on events in which he participated, as follows:

- December 13 - Attended the ceremony at the Colorado River Water Users Association meeting in Las Vegas, Nevada, where Secretary of the Interior Kempthorne signed the Record of Decision to implement new agreements to manage the waters of the Colorado River.
- December 20 - Was interviewed on the issue of the drought in Southern California for the "News Extra" program at KNBC Studios in Burbank.

47351 Regarding Colorado River, Bay-Delta, and CALFED matters, General Manager Kightlinger referred to the activity report for December dated December 31, 2007, which was distributed earlier.

General Manager Kightlinger reported on the event that occurred at the Colorado River Water Users Association meeting on December 13, 2008, in Las Vegas, Nevada, where Secretary Kempthorne signed the Record of Decision to put into place the operating criteria that will govern how the Colorado River is managed through 2026 and how Extraordinary Conservation Intentionally Created Surplus water can be delivered through 2035. Mr. Kightlinger stated that this was a remarkable achievement and something of which staff is very proud. Metropolitan's staff played a key role in putting the agreements together, which will protect California's priority, and give Metropolitan and California the right to store up to one and

one-half million acre feet of water. Mr. Kightlinger said that this was a project on which Metropolitan has worked since 1931 when Metropolitan entered into the Seven-Party Agreement.

General Manager Kightlinger stated that the operating criteria extended the Interim Surplus Guidelines for ten years, the surplus water soft landing for which Dennis Underwood had worked so hard, which have not been used because of the tremendous drought. Mr. Kightlinger said that he and the Commissioner of Reclamation, Bob Johnson, were talking before the Secretary signed the Record of Decision. He noted the irony of signing the Interim Surplus Guidelines Record of Decision following a time when surplus water was projected to be available, only to experience the worst Colorado River drought in recorded history beginning in 2000. With the signature of the Record of Decision forthcoming on how to implement shortages, ten feet of snow falls in Colorado. Metropolitan started the supply allocation planning process, and Southern California experiences rain in the last few weeks. Mr. Kightlinger said that this is a very good process and with the Interim Surplus Guidelines extended through 2026, Metropolitan has a reasonable chance to obtain surplus water in the foreseeable future once the river recovers from this drought.

General Manager Kightlinger thanked Roger Patterson, Bill Hasencamp, and a host of other people who worked on this effort behind the scenes – Jan Matusak who put his heart and soul into these documents, the people from the Legal Department, Karen Tachiki and her staff, – Joe Vanderhorst and Peter Von Haam. Completion of this effort followed on the footwork of Dennis Underwood who started this process when he was here.

On the recent rainfall and flash flood warnings, General Manager Kightlinger announced that Metropolitan was fully prepared to protect the aqueduct. However, most of the severe rainfall was in Northern California, and Metropolitan got through without incident.

General Manager Kightlinger stated that Metropolitan is entering into a challenging climate this year and commented on the supply allocation planning process. Staff is looking forward to working with the Board in putting together some

comprehensive guidelines that will help govern how this is done in a systematic and collaborative manner. Mr. Kightlinger mentioned that staff has formulated rate forecasts and proposals for the Board's consideration, and is also looking forward to working with the Board on the budget.

General Manager Kightlinger announced the passing of David Kennedy, former Assistant General Manager and long-time employee at Metropolitan, and the longest running Director of the Department of Water Resources. Mr. Kightlinger asked the Board to authorize a memorial resolution in Mr. Kennedy's honor.

47352 Regarding Legal Department activities, General Counsel Tachiki referred to the General Counsel's activity report for December dated December 28, 2007, which was distributed earlier.

General Counsel Tachiki reported on the member agency general counsel dinner held in conjunction with the Ethics Department last evening, in which there was a live theater group that gave a presentation about ethics. The lawyers attending this event were able to get an hour of MCLE credit.

47353 General Auditor Riss presented a report of the Audit Department's activities for the month of December, dated December 31, 2007. He stated that two Audit Reports were issued during the month. Specifically, he noted that the reports issued were Water Rate Stabilization and Revenue Remainder Funds Audit Report with a satisfactory rating; and the Richard Brady & Associates and RBF Consulting Audit Report with a generally satisfactory rating. Mr. Riss then conducted a brief discussion of these reports.

47354 Ethics Officer Elliott referred to the activity report for December dated December 31, 2007, which was distributed earlier.

Ethics Officer Elliott reported that her department continued to work on the development of on-line ethics courses. The first module on gifts and discounts should be available sometime this spring, with a Director's version being posted on the Directors' Web site and a version for the employees. Dr. Elliott stated that each of these modules would be

comprehensive and will be designed for easy access for each particular topic.

Director Morris moved, seconded by Director Wright and carried, and the Board approved the Consent Calendar Items, **M.I. 47355** through **M.I. 47360**, as follows:

47355 Adopted the CEQA determination and (a) granted conditional approval for the Calleguas Annexation No. 93 concurrently to Calleguas and to Metropolitan, conditioned upon receipt in full of annexation fee of approximately \$10,800.18 to Metropolitan if completed by December 31, 2008, or if completed later, at the then-current annexation charge rate; (b) approved Calleguas' Statement of Compliance with the current Water Use Efficiency Guidelines; and (c) adopted the resolution of intention (**Resolution 9054**) 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 December 17, 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—CALLEGUAS ANNEXATION NO. 93**

Director Grandsen requested to be recorded as abstaining.

47356 Adopted the CEQA determination and (a) awarded a \$511,500 contract to Lightning Fence Co. for Diamond Valley Lake Security and Wildlife Protection Fencing; and (b) authorized expenditure of \$774,000 in previously appropriated funds, as set forth in the letter signed by the General Manager on December 17, 2007.

47357 Adopted the CEQA determination and (a) appropriated \$1.95 million (Appropriation No. 15377, No. 23, for \$1,061,000; and Appropriation No. 15441, No. 5, for \$889,000; both from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized seven distribution system rehabilitation projects:

- Construction to repair erosion damage to St. John's Canyon Channel;
- Final design and procurement of the valve replacement at Magazine Canyon shaft for the San Fernando Tunnel;
- Final design for upgrade of the San Diego Canal bisulfite system;
- Final design for rehabilitation of the Garvey Reservoir seepage data collection system;
- Final design for modification of the Palos Verdes Reservoir energy dissipation structure;
- Final design of road improvements at Service Connection OC-44; and
- Preliminary design for the Santiago Control tower access road improvement;

as set forth in the letter signed by the General Manager on December 17, 2007.

47358 Adopted the CEQA determination and reopened Appropriation No. 15414 for \$1,200,000 from the Revenue Bonds, Replacement and Refurbishment or General Funds to fund completion of the Fluoridation Program, as set forth in the letter signed by Assistant General Manager/Chief Financial Officer Thomas for the General Manager on December 26, 2007.

47359 Adopted the CEQA determination and authorized the General Counsel to amend the existing agreement with the Resources Law Group for assistance on California Endangered Species Act and federal Endangered Species Act issues, including development of the Bay-Delta Conservation Plan, to increase the maximum amount payable by \$350,000 to \$650,000, as set forth in the letter signed by the General Counsel on December 17, 2007.

47360 Adopted the CEQA determination and authorized the amendment of the contract with Akerman Senterfitt to increase the maximum payable by \$200,000 for a total of \$300,000 to assist with implementation of an electronic discovery litigation readiness program, as set forth in the letter signed by the General Counsel dated December 18, 2007.

47361 Regarding the water rates for 2009, Business and Finance Committee Chairman Bond stated that staff offered three recommendations to the Board, but that a fourth recommendation may be given from the Board. He stated that the Board would make the decision on March 11, 2008, in which the increases will be established for the year 2009.

With that clarification, Business and Finance Committee Chairman Bond then moved, seconded by Director Pocklington and carried, and the Board adopted the CEQA determination and:

a. Determined that revenues required from rates and charges during FY 2008/09 should not be less than \$1.32 billion, and to use this determination in establishing water rates and charges to be effective January 1, 2009;

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, 2009; and

c. Adopted the following resolutions:

1. Resolution of intention (**Resolution 9055**) to impose the Readiness-to-Serve Charge (RTS) in the form shown as Attachment 2 to the board letter signed by the General Manager on December 27, 2007, declaring the Board's intention (i) at its March 11, 2008 meeting to consider and act upon the General Manager's recommendation to impose a Readiness-to-Serve Charge, and (ii) at its May 13, 2008 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 2008/09**

2. Resolution of intention (**Resolution 9056**) to impose a Capacity Charge in the form shown as Attachment 3 to the board letter signed by the General Manager on December 27, 2007, declaring the Board's intention at its March 11, 2008 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, 2009

Director Bakall withdrew from the Meeting at 12:43 p.m.

47362 Communications and Legislation Committee Vice Chairman Anderson moved, seconded by Director J. Edwards and carried, and the Board adopted the CEQA determination and approved the 2008 Legislative Strategy, as set forth in the letter signed by the General Manager on December 26, 2007, with an amendment to emphasize the importance of conveyance in the Delta.

47363 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 \$200,000 for a total of \$550,000 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 December 17, 2007.

47364 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 \$1.3 million for a total of \$1.4 million in maximum amount payable under contract with Fulbright & Jaworski to defend Metropolitan in *Cadiz, Inc., etc. v. Metropolitan*, LASC Case No. BC343232, as set forth in the confidential letter signed by the General Counsel on December 20, 2007.

47365 The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through November 2007, signed by the General Manager on December 17, 2007.
- b. Transmit proposed 2008/09 fiscal year budget, signed by the General Manager on December 27, 2007.

47366 Chairman Brick announced that one of the things that was effective during this year in terms of focusing and directing the Board was the Retreat. Therefore, another Board Retreat is being scheduled for March 27-29, 2008, to discuss governance and how best to approach the Integrated Resources Plan process, among other things. The Chair asked Directors to submit topics that they would like to discuss at the Retreat. (The Retreat dates were subsequently changed due to conflicts.)

47367 There being no objection, at 12:52 p.m., the Chairman adjourned the Meeting in memory of Marvin Peterson, father of Director Glen Peterson; and David N. Kennedy, former Assistant General Manager of Metropolitan Water District.

JUDY ABDO
SECRETARY

TIMOTHY F. BRICK
CHAIRMAN