

MINUTES

REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

APRIL 8, 2008

47433 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, April 8, 2008.

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

47434 The Meeting was opened with an invocation by Assistant General Manager/Chief Administrative Officer Gilbert Ivey.

47435 The Pledge of Allegiance to the Flag was given, led by Director Phillip D. Hawkins.

47436 Board Secretary Abdo called the roll. Those answering present were: Directors Abdo, Apodaca, Bakall, Ballin, Barrett, Blake, Bond, Brick, Brown, De Jesus, Dick, J. Edwards, M. Edwards, Fellow, Foley, Grunfeld, Hansen, Hawkins, Koopman, Little, Lopez, Morris, J. Murray, W. Murray, Parker, Peterson, Pocklington, Quiñonez, Record, Sutley, Wright, and Wunderlich.

Those not answering were: Directors Grandsen, Griset (entered 12:50 p.m.), Hall, and Rez.

Chairman Brick declared a quorum present.

47437 Chairman Brick invited members of the public to address the Board on matters within the Board's jurisdiction. No members of the public responded.

Jill Klein-Rone, producer of the International Water Tasting Competition at Berkeley Springs, West Virginia, presented to Chairman Brick the first place award for the best tasting water in the United States at the competition held in February.

Chairman Brick commented on the buttons at each Director's desk celebrating the first place award, and a card that states "Each Metropolitan Director and employee contributed toward this award in some way. Your efforts are sincerely valued and appreciated."

Chairman Brick acknowledged Rob Hallwachs and Rossana Escuadro-Dailey, employees in External Affairs, for their work on this program, and especially Mr. Hallwachs who played a key role (this year and in past years) to ensure that Metropolitan participated in the Berkeley Springs competition.

The Chairman also recognized two facilities and groups of employees for their contributions to this award – the Joseph Jensen Water Treatment Plant and the Water Quality Laboratory. Certificates of Appreciation were presented to the Jensen employees, accepted by David Dean, plant manager; and to the Water Quality Laboratory employees, accepted by Melissa Dale, Team Manager VI.

Chairman Brick commented on Metropolitan's introduction of the Water Profile Analysis into the Water Industry 30 years ago. An important aspect of Metropolitan winning so many awards at the Berkeley Springs competition over the past ten years has been the Flavor Profile Analysis Panel of taste-testers.

Roy DesRocher of GEI Consultants of Boston, Massachusetts, presented Metropolitan an award for leading the water industry with flavor profile analysis.

Director Ballin withdrew from the Meeting at 12:11 p.m.

47438 There being no objection, Chairman Brick ordered the reading of the Minutes of the Meeting for March 11, 2008, dispensed with, a copy having been mailed to each Director.

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

47439 A written report of meetings attended by Directors at Metropolitan expense during the month of March was distributed.

Chairman Brick stated that Directors J. Edwards and Fellow also attended the Community Leaders Breakfast Briefing in La Verne on March 28, 2008.

Director Peterson noted he attended the ACWA board meeting on March 28, 2008 in Sacramento.

47440 The General Counsel's letter signed April 4, 2008, was presented, transmitting the credentials evidencing the appointment by Municipal Water District of Orange County of Linda Ackerman as one of its representatives on Metropolitan's Board for an indefinite term, replacing the late Steve Anderson.

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 Mrs. Ackerman by State Senator Dick Ackerman. The Chair ordered the Oath of Office received and filed.

Following an introduction by Director Blake, Mrs. Ackerman took her seat as a Metropolitan Director representing Municipal Water District of Orange County.

Director Ballin returned to the Meeting at 12:30 p.m.

47441 Director Blake moved, seconded by Director Grunfeld and carried, approving the Chair's appointments of Director Hawkins to the Business and Finance Committee and the Water Planning and Stewardship Committee; and Director Ackerman to the Communications and Legislation Committee and the Water Quality and Operations Committee.

47442 Chairman Brick stated that from discussions at the Board Retreat, new committees would be formed; the first being the reestablishment of the Audit Committee to provide oversight and audit the organizational functions of Metropolitan; and the second is the formation of a Governance and Leadership Committee.

Director Blake moved, seconded by Director J. Edwards and carried, approving the establishment of the Audit Committee and the Governance and Leadership Committee.

Chairman Brick continued with the announcement of new committees. Director Quiñonez moved, seconded by Director J. Murray and carried, approving the establishment of an Integrated Resources Plan (IRP) Steering Committee and a Hoover Contract Issues Committee.

Chairman Brick stated that memberships on the new committees would not be confirmed at this time since he had not yet spoken with all the individual Directors involved, but would be finalized at the next meeting of the Executive Committee. The Chair also stated that these committees are special committees reporting directly to the Board.

Because of the current *Cadiz* litigation, Chairman Brick appointed a Cadiz Advisory Committee made up of Directors Wunderlich, J. Edwards, and Grandsen.

47443 Chairman Brick reported on events in which he participated, as follows:

- March 12-15 - Attended the Alliance for Water Efficiency conference in San Antonio, Texas.
- March 18 - Along with staff, participated in a meeting with Thomas L. Martinez, director, IBEW/NECA/LMCC, Business Development, in Pasadena, California.

- March 20 - Attended a board meeting of the Water Resources Center Archives in Richmond, California.
- March 26 - Attended the Green Institute for Village Empowerment symposium at the Krikorian Theater in Corona, California, where he was the guest speaker.
- March 27 - Along with staff, participated in a meeting with former Congressman Richard Gephardt on conservation issues.
- March 29 - Attended Metropolitan's Board Retreat at the Peter F. Drucker & Masatoshi Ito Graduate School at Claremont Graduate University, Claremont, California.
- April 1 - Attended the second day of Metropolitan's Board Retreat held at Metropolitan's Headquarters, Los Angeles.
- April 3 - Along with Directors Ballin and J. Murray, attended the Central City Association 14th Annual Treasures of Los Angeles awards luncheon at the Westin Bonaventure Hotel in Los Angeles.
- April 4 - Attended a breakfast meeting with AGM/CAO Ivey at the offices of the Los Angeles Chamber of Commerce on the Chamber's water initiative on the November 2008 ballot.

47444 Chairman Brick reported on the Board Retreat that was held on March 29 at the Peter F. Drucker and Masatoshi Ito Graduate School of Management at Claremont Graduate University in Claremont, and on April 1, 2008, at Metropolitan's Headquarters. The Chair thanked the Directors who participated in the retreat and for the very positive way everyone approached it and took on the challenges of providing leadership in a very difficult time for Metropolitan and Southern California. The Board reviewed the governance structure with regard to Metropolitan and the Board, and looked at the Mission Statement, which was generally accepted as a good basic statement. The Board spent time in taking a strategic look forward and discussed future challenges, such as how does the Board position itself to be most effective so it can work with staff in order to achieve what Southern California needs for the future. Some of the challenges discussed were water reliability, Bay-Delta improvements, Colorado River negotiations, water quality, other issues with regard to balancing growth and sustainability, managing energy costs, how to reach customers, and building coalitions.

The Chair stated the Board also had discussions on workforce development issues and cultural changes within the

organization. And in assessing the best practices with regard to the Board's operation, there was a clear need to establish an independent audit committee and the development of a governance committee. There was also consistent support for the development of a comprehensive orientation program for new Directors and a mentoring program for Directors.

Chairman Brick announced that there would be a follow-up meeting later this month with the folks from the Drucker Institute, who provided effective guidance for the Board in terms of how to develop, and that he would like to explore an ongoing relationship and direction from the Drucker Institute.

Director Bakall withdrew from the Meeting at 12:46 p.m.

47445 Regarding Colorado River, Bay-Delta, and CALFED matters, General Manager Kightlinger referred to the activity report for March dated March 31, 2008, which was distributed earlier.

General Manager Kightlinger announced that all the Directors and employees were given a button advertising that Metropolitan Water District won first place in the International Water Tasting contest for the best tasting water in the United States. Mr. Kightlinger thanked all the employees who made sure that Metropolitan is capable and able to deliver high quality water.

General Manager Kightlinger reported that March has turned out to be an exceedingly dry month, the fifth driest March in the State of California. It appeared at the end of February that Metropolitan would receive about 50 percent of its State Water Project (SWP) allocation, but now will only be receiving 35 percent. Putting that into perspective, Mr. Kightlinger stated that in 1991 Metropolitan had a 35 percent SWP allocation, a full Colorado River Aqueduct, which there is not today, 4 million less people, and much less demands for water then. That was the year when Metropolitan instituted a 30 percent water supply cut to its customers, which was then moved up to 50 percent by the end of March. Mr. Kightlinger then stated that it is a tremendously difficult job to meet all demands and it is really due to the great investments that the Board has made over the years. Since the start of January, Metropolitan has drawn over 110,000 acre-feet out of the groundwater programs, which

have turned out to be exceedingly valuable. Without the investment in Diamond Valley Lake, there would have been rationing starting two years ago due to cutbacks on the Colorado River and the problems we are facing on the SWP.

General Manager Kightlinger commented on the emergency preparedness and training program that Metropolitan has in place. Besides participating in a large number of exercises, staff is working with the State of California on what is called the "Golden Guardian", a statewide earthquake preparedness program that is scheduled to take place in November.

General Manager Kightlinger reported on the completion of the Colorado River Aqueduct 10-day shutdown in March. There was a thorough inspection for Quagga mussels and the maintenance to remove them. Mr. Kightlinger advised the Board of a tour of Metropolitan's facilities with staff from Senator Feinstein's office so they could work with Metropolitan on legislation for federal funding for research and grants to help in controlling the Quaggas in the Colorado River system.

47446 Regarding Legal Department activities, General Counsel Tachiki referred to the General Counsel's activity report for March dated March 31, 2008, which was distributed earlier.

General Counsel Tachiki advised the Board that the mandatory settlement conference in the *Cadiz* litigation will take place on April 30, rather than next week, which gives staff additional time to prepare for that case.

Regarding the Hyatt-Thermalito case on how the State allocates the power revenues on the State Water Project, General Counsel Tachiki reported that cross motions for summary judgment were to have been argued yesterday but the judge postponed that hearing until the end of the month.

General Counsel Tachiki informed the Board of the new lawsuit filed against Metropolitan by several environmental groups regarding the CEQA action for the Diemer North Access Road.

Director Griset took his seat at 12:50 p.m.

47447 General Auditor Riss presented a report of the Audit Department's activities for the month of March, dated March 31, 2008. He stated that four reports were issued during the month. Specifically, he noted that the reports issued were MWH Americas and Richard Brady & Associates Audit Report with a generally satisfactory rating; CALFED Category III Audit Report with a generally satisfactory rating; Fuel Supply Follow-up Audit Report; and Official Statement for the Water Revenue Refunding Bonds, 2008 Series A1/A2. General Auditor Riss gave a brief description of the audit reports.

With the pending formation of the Audit Committee, General Auditor Riss remarked that he was looking forward to working with the committee and to making their efforts most efficient and effective.

47448 Ethics Officer Elliott referred to the activity report for March dated March 31, 2008, which was distributed earlier.

Ethics Officer Elliott reported that a matter was referred to the Inquiry and Review Committee for a formal investigation and action, which matter concerned Business Outreach and is still under review.

Director Morris moved, seconded by Director Blake and carried, and the Board approved the Consent Calendar Items, **M.I. 47449** through **M.I. 47451**, as follows:

47449 Adopted the CEQA determination and (a) **Resolution 9067** granting Western Municipal Water District's request for approval of 43rd Fringe Area Annexation, concurrently to Metropolitan and Western, conditioned upon approval by the Riverside Local Agency Formation Commission, and establishing Metropolitan's terms and conditions for the annexation; and (b) **Resolution 9068** to impose water standby charge at a rate of \$9.23 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 March 19, 2008, said resolutions entitled:

Resolution 9067 RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO WESTERN MUNICIPAL WATER DISTRICT'S 43RD FRINGE AREA ANNEXATION AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Resolution 9068 RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING WATER STANDBY CHARGE CONTINGENT UPON WESTERN MUNICIPAL WATER DISTRICT'S 43RD FRINGE AREA ANNEXATION

Director Lopez requested to be recorded as abstaining.

47450 Adopted the CEQA determination and (a) appropriated \$980,000 in budgeted funds (Appropriation No. 15371, No. 12, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) design and construction of the Jensen Chemical Tank Conversion project; and (c) an increase of \$310,000 in the General Manager's change order authority for the Jensen Chemical System Upgrades contract, as set forth in the letter signed by the General Manager on March 24, 2008.

47451 Adopted the CEQA determination and expressed support for S. 1087 (Hutchison, R-Texas), the Weather Mitigation Research and Development Policy Authorization Act of 2007, and H.R. 3445 (Udall, D-Colorado), the Weather Mitigation Research and Technology Transfer Authorization Act of 2007, as set forth in the letter signed by the General Manager on March 19, 2008.

47452 Business and Finance Committee Chairman Bond moved, seconded by Director Grunfeld and carried, that the Board adopt the CEQA determination and **Resolution 9069** to continue the Water Standby Charge for fiscal year 2008/09, as set forth in the letter signed by the General Manager on March 24, 2008, said resolution entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONTINUING WATER STANDBY CHARGES FOR FISCAL YEAR 2008/09

47453 Engineering and Capital Programs Committee Chairman Koopman moved, seconded by Director Morris and carried, that the Board adopt the CEQA determinations and (a) appropriate \$2.87 million in budgeted funds (Appropriation No. 15373, No. 12, for \$2,070,000; and Appropriation No. 15438, No. 2, for \$800,000, both from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized six Colorado River Aqueduct (CRA) reliability projects:

- Final design for rehabilitation of the Gene Wash Dam and Copper Basin Dam sluiceways and reservoir outlet structures;
- Preliminary design for replacement of equipment storage buildings at Gene pumping plant;
- Preliminary design for upgrades to the Mile 12 flow and chlorine monitoring station;
- Preliminary design for upgrades to the sand traps at Iron Mountain, Eagle Mountain, and Hinds pumping plants;
- Preliminary design for replacement of emergency generators at all five CRA pumping plants; and
- A study of alignments to relocate the Intake pumping plant power and communications line;

as set forth in the letter signed by the General Manager on March 24, 2008.

Director Apodaca withdrew from the Meeting at 12:58 p.m.

47454 Water Planning and Stewardship Committee Chair Sutley moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and authorize \$40 million expenditure from Water Stewardship Funds and five-year agreement with Electric and Gas Industries Association to administer the Region-wide Residential Water Conservation Program, as set forth in the letter signed by the General Manager on March 25, 2008, and include the following amendments:

1. Staff to coordinate vendor marketing with member agencies;
2. Staff to implement an adequate field verification program of retrofit installations and review results with member agencies, including first year results;
3. Member agencies may continue to run their own programs using Metropolitan incentives and partially participate in the regional program;

4. Staff to provide status reports for member agencies' and sub-units' service areas; and
5. Qualified member-program customers to be issued rebate checks by Metropolitan vendor in transition to regional program.

Director Dick withdrew from the Meeting at 1:00 p.m.

47455 Water Planning and Stewardship Committee Chair Sutley moved, seconded by Director Wright and carried, that the Board adopt the CEQA determination and (a) authorize the General Manager to enter into a funding agreement with the Bureau of Reclamation to reimburse Southern Nevada Water Authority for a portion of the Drop 2 Reservoir and secure 100,000 acre-feet of additional water supply; and (b) appropriate and authorize the use of \$28.7 million of capital funds in the Replacement and Refurbishment account during fiscal year 2007/08 to fund Metropolitan's share of the Drop 2 Reservoir, as set forth in the letter signed by the General Manager on March 20, 2008.

Director J. Murray withdrew from the Meeting at 1:03 p.m.

47456 Water Planning and Stewardship Committee Chair Sutley moved, seconded by Director Blake and carried, that the Board adopt the CEQA determinations and authorize executing one-year water transfer agreements with Richvale Irrigation District, Western Canal Water District, South Feather Water and Power Agency, and South Sutter Water District for up to 67,275 acre-feet on terms consistent with the term sheet attached to the board letter signed by the General Manager on March 27, 2008.

Director Wright withdrew from the Meeting at 1:04 p.m.

Director Dick returned to the Meeting at 1:04 p.m.

47457 Legal and Human Resources Committee Chairman Quiñonez moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and authorize the General Manager to execute Amendment No. 3 to the funding agreement among the State Water Contractors regarding the Sacramento Regional County Sanitation District's planned expansion of its Sacramento Regional Wastewater Treatment Plant increasing Metropolitan's contribution by \$256,643 with Metropolitan's total agreement

costs not to exceed \$706,643, as set forth in the letter signed by the General Manager on March 25, 2008.

47458 Communications and Legislation Committee Chairman Fellow moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and oppose Proposition 98, the California Property Owners and Farmland Protection Act; and support Proposition 99, the Homeowners and Private Property Protection Act, as set forth in the letter signed jointly by the General Counsel and the General Manager on March 27, 2008.

Directors Dick and Hawkins requested to be recorded as voting no.

47459 Communications and Legislation Committee Chairman Fellow moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and express support, if amended, for Assembly Bill 2219 (Parra, D-Hanford) - Subdivisions: water supply, as set forth in the letter signed by the General Manager on March 28, 2008.

Directors J. Murray and Wright returned to the Meeting at 1:06 p.m.

47460 Communications and Legislation Committee Chairman Fellow moved, seconded by Director Sutley, that the Board adopt the CEQA determination and (a) express support, if amended, for Assembly Bill 2723 (De La Torre, D-South Gate) - dual piping; and (b) express support for Senate Bill 1258 (Lowenthal, D-Long Beach) - Graywater standards, as set forth in the letter signed by the General Manager on April 1, 2008.

Director Pocklington reported that there was not a unanimous vote on SB 1258 in committee, and asked that this bill be voted upon by a separate motion.

Chairman Brick then called for a vote on the motion to express support, if amended, for AB 2723 on dual piping, which carried.

Director Morris expressed concern on the stipulation in the legislation that graywater has no more restrictive regulations than recycled water from a municipal recycled water

system. He stated that graywater is untreated and undisinfected, and he would be concerned from a public health perspective.

Director Morris then moved a substitute motion to oppose SB 1258, unless amended, regarding graywater standards. The substitute motion was seconded by Director Little.

Director Peterson remarked that he would prefer that more discussion on SB 1258 be taken up in committee, and moved to table SB 1258 until next month. Director Abdo seconded the motion to table SB 1258.

The Chair called for the motion to table SB 1258, which carried.

Director Hansen requested to be recorded as abstaining.

Director W. Murray requested to be recorded as voting no.

47461 Communications and Legislation Committee Chairman Fellow moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and (a) express support for Assembly Bill 2404 (Salas, D-Chula Vista) - Energy Efficiency: water efficiency programs; and (b) authorize staff to seek amendments as discussed in the letter signed by the General Manager on April 1, 2008.

Director Quiñonez withdrew from the Meeting at 1:10 p.m.

47462 Communications and Legislation Committee Chairman Fellow moved, seconded by Director Sutley and carried, that the Board adopt the CEQA determination and authorize the General Manager to express Metropolitan's support, if amended, for Assembly Bill 2882 (Wolk, D-Davis) - Allocation-based conservation water pricing, as described in the letter signed by the General Manager on April 1, 2008.

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

47463 The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through February 2008, signed by the General Manager on March 19, 2008.
- b. Report on fiscal year 2007/08 Enhanced Conservation Program Grant Recipients, signed by the General Manager on March 25, 2008.
- c. Report on wheeling arrangements with the San Diego County Water Authority and the Department of Water Resources, signed by the General Manager on March 25, 2008.

47464 Referring to the Draft Consultant Report on Diamond Valley Lake Visitor Center that was distributed to the Board, Director Peterson asked if a report on the draft report would be heard at some time.

Chairman Brick replied that the Board took action in February 2007 and authorized bringing on a consultant to look at potential uses for the facility occupied by The Center for Water Education, referred to now as the Diamond Valley Lake Visitor Center. The Chair stated that this matter would be reviewed again at a joint meeting of the Business and Finance and Communications and Legislation Committees.

47465 There being no objection, the Chairman adjourned the Meeting at 1:15 p.m.

JUDY ABDO

SECRETARY

TIMOTHY F. BRICK

CHAIRMAN