

MINUTES

ADJOURNED REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

AUGUST 19, 2008

47572 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 19, 2008.

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

47573 The Meeting was opened with an invocation by Carolyn Flowers, Chief Operations Officer of the Los Angeles County Metropolitan Transit Authority.

47574 The Pledge of Allegiance to the Flag was given, led by Director James T. Edwards.

47575 In the absence of Board Secretary Abdo, Chairman Brick designated Director James M. Rez as Secretary Pro Tem.

47576 Secretary Pro Tem Rez called the roll. Those answering present were: Directors Ackerman, Apodaca, Bakall, Ballin, Barrett, Blake, Bond, Brick, Brown, De Jesus, J. Edwards, M. Edwards, Fellow, Foley, Grandsen, Griset, Grunfeld, Hawkins, Koopman, Little, Lopez, Lowenthal, Morris, J. Murray, W. Murray, Peterson, Pocklington, Quiñonez, Record, Rez, Sutley, Wright, and Wunderlich.

Those not answering were: Directors Abdo, Dick, Hall, and Parker.

Chairman Brick declared a quorum present.

47577 At 12:09 p.m., the Chair called a public hearing to receive comments on the proposed standby charge for San Diego County Water Authority Erreca Annexation.

No members of the public responded; and after tabulation of the ballots was completed, and with no protests received from the majority owners, the Chair closed the public hearing at 12:10 p.m.

47578 Chairman Brick invited members of the public to address the Board on matters within the Board's jurisdiction. No members of the public responded.

Lester Snow, Director of the California Department of Water Resources, updated the Board on California's Water Supply and Drought Actions, including sustainability and climate change, and the proposed opening of a State Drought Bank. Mr. Snow discussed the importance of supporting Governor Schwarzenegger's and Senator Feinstein's proposed water bond and said that maintaining the Delta status quo is not an option.

47579 There being no objection, Chairman Brick ordered the reading of the Minutes of the Meeting for July 8, 2008, dispensed with, copies having been mailed to each Director.

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

47580 A written report of meetings attended by Directors at Metropolitan expense during the month of July was distributed.

Director J. Murray noted that he and Directors Grunfeld, Quiñonez, and Sutley participated in the Bay-Delta trip on July 20-21, 2008.

47581 Chairman Brick presented to Director Blake a pin for his 20 years of service on Metropolitan's Board, representing the City of Fullerton.

47582 Chairman Brick presented to Director Rez a pin for his 20 years of service on Metropolitan's Board, representing the City of Glendale.

47583 Chairman Brick reported there were no new committee assignments.

47584 Chairman Brick reported on events in which he participated, as follows:

- July 10 - Met with Diana Ho and Larry Eisenberg, from the Los Angeles Community College District.
- July 17 - Met with Australian Consul-General Willox and Doug Partington, government official from Western Australia.
- July 23 - Along with members of Metropolitan's staff, met with John Koeller and Steve Lehtonen of Green Plumbers.
- August 13-15 - Attended the 2008 Urban Water Institute Annual Conference at Hilton Mission Bay Resort, San Diego.
- August 15 - Participated in the ceremony to celebrate the Soboba settlement at the Country Club of Soboba Springs in San Jacinto.

Director Brown withdrew from the Meeting at 1:20 p.m.

Director Barrett withdrew from the Meeting at 1:24 p.m.

47585 A letter from the General Manager, signed by Assistant General Manager/Chief Operating Officer Man on August 15, 2008 was presented, submitting a preliminary report on list of certified assessed valuations for fiscal year 2008/09, stating that as of August 13, 2008, Metropolitan had not received all the final certified assessed valuations from the six counties, and that the final report will be published when all certifications are received.

47586 Business and Finance Committee Chairman Bond moved, seconded by Director Blake, that the Board adopt the California Environmental Quality Act determination and **Resolution 9076** which fixes the District's secured property tax rate for District purposes for fiscal year 2008/09 at .0043 percent of assessed valuations and an unsecured property tax rate of .0045 percent, together with various tax rates for annexation charges due Metropolitan, thereby producing a total levy of \$109.8 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 15, 2008 by Assistant General Manager/Chief Operations Officer Man; said Resolution entitled:

A RESOLUTION LEVYING TAXES FOR THE FISCAL YEAR COMMENCING JULY 1, 2008 AND ENDING JUNE 30, 2009 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), Calleguas Municipal Water District (Dir. Grandsen, 7,950 votes), Central Basin Municipal Water District (Dirs. Apodaca and Hawkins, 10,595 votes), Eastern Municipal Water District (Dir. Record, 6,788 votes), Foothill Municipal Water District (Dir. J. Edwards, 1,197 votes), Fullerton (Dir. Blake, 1,408 votes), Glendale (Dir. Rez, 2,106 votes), Inland Empire Utilities Agency (Dir. Koopman, 7,982 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,859 votes), Long Beach (Dir. Lowenthal, 3,670 votes), Los Angeles (Dirs. Grunfeld, J. Murray, Quiñonez, and Sutley, 37,539 votes), Municipal Water District of Orange County (Ayes: Dirs. Ackerman, Bakall, and Foley. Absent: Dir. Dick. 33,589 votes), San Diego County Water Authority (Ayes: Dirs. Bond and Pocklington. Absent: Dirs. Barrett and Parker. 36,606 votes), San Fernando (Dir. Ballin, 144 votes), San Marino (Dir. Morris, 374 votes), Santa Ana (Dir. Griset, 2,094 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. Lopez, 8,366 votes). Total 193,860 votes.

Noes: None.

Not Participating: Pasadena (Dir. Brick, 1,846 votes). Total 1,846 votes.

Absent: Burbank (Dir. Brown, 1,679 votes), Compton (Dir. Hall, 259 votes), Santa Monica (Dir. Abdo, 1,802 votes). Total 4,120 votes.

The Chair declared **Resolution 9076** adopted by a vote of 193,860 ayes, 1,846 not participating, and 4,120 absent, representing more than the required two-thirds vote.

Director Barrett returned to the Meeting at 1:28 p.m.

47587 Regarding Colorado River, Bay-Delta, and CALFED matters, General Manager Kightlinger referred to the activity report for July dated July 31, 2008, which was distributed earlier.

General Manager Kightlinger commented on the recent 5.4 earthquake, which was first reported as a 5.8 temblor and which caused the shifting of Metropolitan's emergency operations to the Eagle Rock Center. Mr. Kightlinger reported there was slight damage to a pipe in Orange County, but there was no real large damage to the system.

General Manager Kightlinger reported on his attendance at the signing ceremony for the Soboba settlement, along with the Board Chairman and other staff. This settlement arose from the dispute over Metropolitan's tunneling in San Jacinto, which began in 1931. This matter was settled about three or four years ago, but it took Congresswoman Bono that amount of time to get congressional approval.

General Manager Kightlinger informed the Board of his first live "State of the Met" address to the employees, using the latest technology where the employees could participate via computers, or in person. There was a positive response.

General Manager Kightlinger reminded the Board of the Inland Feeder Arrowhead West Tunnel hole-through scheduled to take place tomorrow. Mr. Kightlinger stated this project has been in progress a long time, and thanked staff, present and past, for their diligent work in getting this portion of the project completed.

General Manager Kightlinger stated that the Huntington Library, Water Education Foundation, and the University of Southern California are putting together a program on the Colorado River and its history in Southern California, which is scheduled for October 31 and November 1 at the Huntington

Library. A reception will be held for Metropolitan and other Colorado River contractors on October 31.

Director J. Edwards withdrew from the Meeting at 1:33 p.m.

47588 Regarding Legal Department activities, General Counsel Tachiki referred to the General Counsel's activity report for July dated August 8, 2008, which was distributed earlier.

General Counsel Tachiki reported on the *Solano County Water Agency v. Department of Water Resources* lawsuit recently filed for area of origin rights under the State Water Project. Ms. Tachiki said that this matter will be brought back to the Board next month, indicating Metropolitan's intention to intervene in the lawsuit. Currently staff is working to identify other export contractors who might share similar interests and will share in some of the costs for the litigation.

General Counsel Tachiki advised the Board that the Legal Primer has been updated and is posted on the Directors' Web site.

47589 General Auditor Riss presented a report of the Audit Department's activities for the month of July, dated July 31, 2008. He stated that four reports and one comfort letter were issued during the month. Specifically, he noted that the reports issued were Water Savings Performance and Artificial Turf Replacement Audit Report with a generally satisfactory opinion; Treasury Investment System Audit Report with a generally satisfactory opinion; Perris Valley Pipeline Consulting Agreement with Kennedy/Jenks Consultants and Black & Veatch corporation Audit Report with a satisfactory rating. Mr. Riss noted there were minor comments regarding these reports, which management has satisfactorily addressed.

General Auditor Riss continued with the Follow-up Audit Report on Health, Safety, and Environmental, which originally had a less than satisfactory opinion. This report is issued to make sure that the corrective measures are implemented.

Finally, General Auditor Riss reported on working with the Chief Financial Officer's office in reviewing the Official Statement for the Water Revenue Refunding Bonds, 2008 Authorization, Series C.

47590 Ethics Officer Elliott referred to the activity report for July dated July 31, 2008, which was distributed earlier.

Ethics Officer Elliott brought to the Board's attention the card at each Director's desk, which asked for answers to the question "What Ethics Means To Me". Responses will be a part of the poster series.

Ethics Officer Elliott commented on the matter regarding director involvement in Business Outreach, which has been before the Inquiry and Review Committee, and which has now been concluded. Dr. Elliott stated that a report from the Inquiry and Review Committee and the Ethics Officer would be provided to the Executive Committee on September 23, 2008.

47591 Business and Finance Committee Chairman Bond reported that the committee deferred Agenda Item 7-1, conditional approval for 102nd Fringe Area annexation to Eastern Municipal Water District, in order to acquire more information related to the projected annual water demand within the annexation area.

Director Blake moved, seconded by Vice Chairman Fellow and carried, and the Board approved the Consent Calendar Items, **M.I. 47592** through **M.I. 47595**, as follows:

47592 Adopted the California Environmental Quality Act (CEQA) determinations and (a) appropriated \$1.41 million in budgeted funds (Appropriation No. 15458 for \$227,000; Appropriation No. 15457 for \$670,000; and Appropriation No. 15377, No. 25, for \$513,000, all from the Revenue Bonds, Replacement and Refurbishment or General Funds; and authorized (b) a reliability assessment of Metropolitan's existing hydroelectric power plants; (c) a hydropower feasibility study throughout the distribution system; and (d) final design and construction of the hydroelectric plant Discharge Elimination Project, as set forth in the letter signed by the General Manager on August 4, 2008.

47593 Adopted the CEQA determination and (a) appropriated \$880,000 in budgeted funds (Appropriation No. 15441, No. 9, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized permanent repairs to Service Connection OC-71, as set forth in the letter signed by the General Manager on August 4, 2008.

47594 Adopted the CEQA determination and (a) appropriated \$1.12 million in budgeted funds (Appropriation No. 15346, No. 16, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) preliminary design of the Chemical Unloading Facility (CUF) Dechlorination System; and (c) preliminary design of the CUF Chlorine Containment Facility, as set forth in the letter signed by the General Manager on August 4, 2008.

Director Morris requested to be recorded as abstaining.

47595 Adopted the CEQA determination and (a) appropriated \$1.87 million (Appropriation No. 15447, No. 3, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized completion of all work for the interim chlorination facilities at the outlets of Copper Basin and Lake Mathews, as set forth in the letter signed by the General Manager on August 6, 2008.

Director J. Edwards returned to the Meeting at 1:38 p.m.

47596 Business and Finance Committee Chairman Bond moved, seconded by Director Grunfeld and carried unanimously, that the Board adopt the CEQA determination and (a) the Eighteenth Supplemental Resolution to the Master Revenue Bond Resolution (**Resolution 9077**) authorizing the sale of up to \$750 million of Water Revenue Bonds, 2008 Authorization, and approve entering into interest rate swap transactions of up to \$500 million to capture savings and reduce interest rate risk; and (b) approve Appropriation No. 15456 for \$1,400,000 to cover the expenses associated with the bond and interest rate swap transactions, and authorize reimbursement of expenses paid from the General Fund by bond proceeds, with the appropriation to expire on August 31, 2010, as set forth in the letter signed by the General Manager on August 4, 2008, said resolution entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA AUTHORIZING THE ISSUANCE OF UP TO \$750,000,000 WATER REVENUE BONDS AND PROVIDING THE TERMS AND CONDITIONS FOR THE SALE AND ISSUANCE OF SAID WATER REVENUE BONDS (EIGHTEENTH SUPPLEMENTAL RESOLUTION)

Director Ackerman withdrew from the Meeting at 1:40 p.m.

47597 Engineering and Capital Programs Committee Chairman Koopman moved, seconded by Director Blake and carried, that the Board adopt the CEQA determinations and (a) appropriate \$6.5 million in budgeted funds (Appropriation No. 15377, No. 26, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and award (b) a \$4,591,500 contract to Gantry Constructors, Inc. for the Lake Skinner East Bypass Screening Structure; and (c) a \$503,100 contract to Grand Pacific Contractors, Inc. for the St. Johns Canyon Channel Repair and Modifications, as set forth in the letter signed by the General Manager on August 4, 2008.

47598 Water Quality and Operations Committee Vice Chairman De Jesus moved, seconded by Director Wright and carried, that the Board adopt the CEQA determination and approve the Energy Policy Principles attached to the letter signed by the General Manager on August 5, 2008.

Director Grunfeld withdrew from the Meeting at 1:41 p.m.

47599 Communications and Legislation Committee Chairman Fellow moved, seconded by Director Griset and carried, that the Board adopt the CEQA determination and award a three-year contract to Fraser Communications for services for conservation advertising and payment for the placement of the advertising for up to \$5 million per year, with a maximum amount payable of \$15 million, as set forth in the letter signed by the General Manager on August 5, 2008.

47600 Legal and Human Resources Committee Chairman Quiñonez moved, seconded by Director Pocklington and carried, that the Board adopt the CEQA determination and authorize increase of \$800,000 for a total of \$2.2 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 August 12, 2008.

Director Wunderlich requested to be recorded as abstaining.

47601 Legal and Human Resources Committee Chairman Quiñonez moved, seconded by Director Morris and carried, and the Board adopted the CEQA determination and provided direction to staff regarding the negotiations with the Pechanga Band of Luiseño Mission Indians for provision of water, as set forth in the confidential letter signed by the General Manager on August 4, 2008.

47602 Engineering and Capital Programs Committee Chairman Koopman moved, seconded by Director Morris and carried, that the Board adopt the CEQA determination and authorize ten professional services agreements, in an amount not to exceed \$2 million per agreement, with Johnson-Frank & Associates; RBF Consulting; Psomas; Guida Surveying; David Evans & Associates; Rick Engineering Company; D. Woolley & Associates; Towill; Nolte Associates; and Coast Surveying, for land surveying and mapping services, as set forth in the letter signed by the General Manager on August 4, 2008.

47603 Water Planning and Stewardship Committee Chair Sutley moved, seconded by Director J. Edwards and carried, that the Board adopt the CEQA determination and authorize the General Manager to enter into a Local Resources Program agreement and future amendment with Inland Empire Utilities Agency for 14,400 acre-feet per year (AFY) of phase 1 and 18,600 AFY of phase 2 for a total of 33,000 AFY for the Regional Recycled Water Expansion Project under terms included in the letter signed by Assistant General Manager/Chief Operating Officer Man for the General Manager on August 12, 2008.

Director Koopman requested to be recorded as abstaining.

Director Ackerman returned to the Meeting at 1:46 p.m.

47604 Water Planning and Stewardship Committee Chair Sutley moved, seconded by Director Wright and carried, that the Board adopt the CEQA determination and authorize the General Manager to amend the existing Local Resources Program agreement with Municipal Water District of Orange County and Orange County Water District under provisions included in the letter signed by Assistant General Manager/Chief Operating Officer Man for the General Manager on August 12, 2008, to include groundwater recharge component of the Groundwater Replenishment System and increased contractual yield from 31,000 AFY to 70,000 AFY for a term of 23 years or when total project yield reaches 713,000 AFY, whichever occurs first.

Director Bakall requested to be recorded as abstaining.

47605 Water Planning and Stewardship Committee Chair Sutley moved, seconded by Director Blake and carried, that the Board approve the Ad Hoc Subcommittee recommendations on Delta Governance Principles as outlined in the board letter signed by the General Manager on August 13, 2008.

47606 The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through June 2008, signed by the General Manager on August 4, 2008.
- b. Update on Proposed Revisions to California Urban Water Conservation Council Memorandum of Understanding, signed by the General Manager on August 4, 2008.

Director Hawkins withdrew from the Meeting at 1:48 p.m.

47607 Chairman Brick reported on the evaluation rating for the General Manager, General Counsel, General Auditor, and Ethics Officer. The Chairman referred to the Option #1 recommendation of the Executive Committee in Board Letter 10-2, that there be no lump-sum pay-for-performance payment at this time but approving an increase in the Department Heads' annual base salaries by a 3.7 percent Cost of Living Adjustment (COLA) consistent with the 3.7 percent COLA provided to all bargaining units per their respective MOUs effective July 1, 2008.

Director Foley commented that the Board should recognize the performance of the Department Heads, and moved Option #2 in the board letter to modify the recommendation and award the 3.7 percent COLA plus a pay-for-performance equal to three percent of each Department Head's respective annual base salary. Director Apodaca seconded the motion.

Following a discussion on the compensation for the Department Heads, Director J. Murray offered a substitute motion, seconded by Vice Chairman Fellow, that the Board adopt the CEQA determination and approve the recommendation of the Executive Committee to increase the compensation for the General Manager, General Counsel, General Auditor, and Ethics Officer by awarding them a 3.7 percent Cost of Living Adjustment, as set forth in the letter signed by the Chairman of the Board on August 19, 2008, as follows:

- General Manager: Increase of \$9,880 to a new annual salary of \$276,900
- General Counsel: Increase of \$8,208 to a new annual salary of \$230,040
- General Auditor: Increase of \$6,270 to a new annual salary of \$175,725
- Ethics Officer: Increase of \$3,700 to a new annual salary of \$103,699

The Board also approved performing a salary study of comparable positions in the public sector.

Director Ackerman withdrew from the Meeting at 2:05 p.m.

The Chair called for a vote on the substitute motion.

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

Ayes: Central Basin Municipal Water District (Aye: Dir. Apodaca. Absent: Dir. Hawkins. 10,595 votes), Foothill Municipal Water District (Dir. J. Edwards, 1,197 votes), Glendale (Dir. Rez, 2,106 votes), Inland Empire Utilities Agency (Dir. Koopman, 7,982 votes), Long Beach (Dir. Lowenthal, 3,670 votes), Los Angeles (Ayes: Dirs. J. Murray, Quiñonez, and Sutley. Absent: Dir. Grunfeld. 37,539 votes), San Diego County Water

Authority (Dirs. Barrett, Bond, and Pocklington. Absent: Dir. Parker. 36,606 votes), San Fernando (Dir. Ballin, 144 votes), Torrance (Dir. Wright, 2,053 votes), Upper San Gabriel Valley Municipal Water District (Dir. Fellow, 6,840 votes), Western Municipal Water District of Riverside County (Dir. Lopez, 8,366 votes). Total 117,098 votes.

No: Anaheim (Dir. M. Edwards, 3,352 votes), Beverly Hills (Dir. Wunderlich, 1,817 votes), Calleguas Municipal Water District (Dir. Grandsen, 7,950 votes), Eastern Municipal Water District (Dir. Record, 6,788 votes), Fullerton (Dir. Blake, 1,408 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,859 votes), Municipal Water District of Orange County (Noes: Dirs. Bakall and Foley. Absent: Dirs. Ackerman and Dick. 33,589 votes), San Marino (Dir. Morris, 374 votes), Santa Ana (Dir. Griset, 2,094 votes), Three Valleys Municipal Water District (Dir. De Jesus, 4,771 votes), West Basin Municipal Water District (Dirs. Little and W. Murray, 12,760 votes). Total 76,762 votes

Abstain: None.

Not Participating: Pasadena (Dir. Brick, 1,846 votes). Total 1,846 votes.

Absent: Burbank (Dir. Brown, 1,679 votes), Compton (Dir. Hall, 338 votes), Santa Monica (Dir. Abdo, 2,103 votes). Total 4,120 votes.

The Chair declared the substitute motion passed by a vote of 117,098 ayes, 76,762 noes, 1,846 not participating, and 4,120 absent.

Chairman Brick thanked the Department Heads for their outstanding work and stated the comments made at today's discussion will be put in the context of the difficult financial times that is taking place.

47608 Chairman Brick stated there will be an adjourned meeting of the Board on Tuesday, August 26, 2008, at 11:00 a.m. in order to consider the state water bond issue and other legislative matters related to it.

47609 At 2:18 p.m., there being no objection, the Chairman adjourned the Meeting to Tuesday, August 26, 2008 at 11:00 a.m.

JAMES M. REZ

SECRETARY PRO TEM

TIMOTHY F. BRICK

CHAIRMAN