

**MINUTES**

**REGULAR MEETING OF THE**

**BOARD OF DIRECTORS**

**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

**OCTOBER 14, 2008**

**47648** 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, October 14, 2008.

Chairman Brick called the Meeting to order at 12:05 p.m.

**47649** The Meeting was opened with an invocation by Vincent McAllister, Administrative Assistant in the Corporate Resources Group.

**47650** The Pledge of Allegiance to the Flag was given, led by Director Edward C. Little.

**47651** Secretary Abdo called the roll. Those answering present were: Directors Abdo, Ackerman, Apodaca, Bakall, Ballin, Barrett, Blake, Bond, Brick, Brown, De Jesus, Dick, J. Edwards, M. Edwards, Fellow, Foley, Grandsen, Griset, Hall, Koopman, Little, Lopez, Lowenthal, Morris, J. Murray, Parker, Peterson, Pocklington, Record, Rez, Sutley, Wright, and Wunderlich.

Those not answering were: Directors Grunfeld, Hawkins, W. Murray (entered 12:20 p.m.), and Quiñonez.

Chairman Brick declared a quorum present.

**47652** Chairman Brick invited members of the public to address the Board on matters within the Board's jurisdiction.

Bill Burns and Mike Franco commented on the suspension of private boat launches at Diamond Valley Lake due to the low water levels, and asked the Board to again review this decision.

Mike Giusti of the State Department of Fish and Game also commented on the suspension of private boat launches at Diamond Valley Lake and asked the Board to consider all options for reopening the launches. He suggested that the department would work with Metropolitan to help in funding the boat ramp extension.

Director W. Murray took his seat at 12:20 p.m.

Chairman Brick and Vice Chairman Fellow presented a plaque to retiring State Senator Bob Margett for his leadership on water issues.

Directors Hall and W. Murray withdrew from the Meeting at 12:27 p.m.

Chairman Brick presented a plaque to Steve Sheldon, President, and Mike Markus, General Manager, of Orange County Water District in recognition of their receiving a 2008 global water award for groundwater management and development.

**47653** There being no objection, Chairman Brick ordered the reading of the Minutes of the Meetings for August 26 and September 9, 2008, dispensed with, copies having been mailed to each Director.

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

**47654** A written report of meetings attended by Directors at Metropolitan expense during the month of September was distributed.

Director Peterson noted he attended the ACWA Federal Affairs Committee on September 15 held at Metropolitan's Headquarters; and on October 10 he participated in a presentation to Dana Wisehart, former General Manager of United Water Conservation District, in Santa Paula.

Director J. Edwards stated he also attended the San Gabriel Valley Economic Partnership Awards Gala held at Santa Anita Park in Arcadia on September 12.

Directors Hall and W. Murray returned to the Meeting at 12:33 p.m.

**47655** Chairman Brick reported there were no new committee assignments.

**47656** Director Little moved, seconded by Director Wright and carried, adopting a motion to adjourn the November Board Meeting to November 18, 2008 due to Veterans Day. (Committee meetings are to be held on November 17 and 18, 2008.)

**47657** Chairman Brick reported on events in which he participated, as follows:

- September 11 - Attended the IRP Stakeholder Forum held at the Hyatt Regency in Newport Beach.
- September 12 - Received the 2008 Community Leadership award from the San Gabriel Valley Economic Partnership at their 5<sup>th</sup> annual Awards Gala held at Santa Anita Park.
- September 13 - Attended the Remembrance Service of Robert V. Phillips, former General Manager & Chief Engineer of LADWP in downtown Los Angeles.
- September 15 - Participated in a one-day Delta tour with Metropolitan's staff and representatives from Yolo County.
- September 17 - Attended the Memorial Service for Susie Gastelum, wife of Metropolitan's former Chief Executive Officer.
- October 1 - Along with Director Hall and CAO Ivey, attended a reception for Assembly Speaker Karen Bass at the Commerce Hotel.
- October 3 - At the invitation of Vice Chairman Fellow, was a guest on Orange County Insight to talk about water challenges, the KCET program which focuses on Orange County.
- October 6 - Attended the Alliance for Water Efficiency board meeting in Las Vegas, Nevada.
- October 7-9 - Attended the Water Smart Innovations Conference & Exposition at the Southpoint Hotel in Las Vegas, Nevada.

- October 11 - Attended Water Conservation: A Cinematic Exploration, Intelligent Use of Water film competition at the LA Arboretum & Botanical Garden.

Chairman Brick announced the following events:

The film "American Southwest: Are We Running Dry" will be shown on KCET Channel 28 October 23 at 8:30 p.m.

On October 31 and November 1, the Huntington-USC Institute on California and the West and the Water Education Foundation will host "The Fate and Future of the Colorado River" at the Huntington Library in San Marino.

At the request of the Chair, Director Morris commented on a public television documentary entitled "Liquid Assets: The Story of Our Water Infrastructure", currently airing nationwide. A shortened version of the film was shown at the Board Meeting.

**47658** Engineering and Capital Programs Committee Chairman Koopman reported on the inspection trip of Metropolitan's facilities sponsored jointly by his committee and the Water Quality and Operations Committee on September 24, 2008. He commended staff for the very informative and well-planned trip. A short video of the trip was shown.

**47659** At 12:50 p.m. Chairman Brick turned the gavel over to Vice Chairman Fellow.

Vice Chairman Fellow reported that the following nominations were made at the Executive Committee meeting on September 9, 2008:

Timothy Brick for a second 2-year term as Board Chairman, effective January 1, 2009

Judy Abdo for a second 2-year term as Board Secretary, effective January 1, 2009

Ted Grandsen for a continuing 3-year term on the Inquiry and Review Committee ending December 31, 2010

James Edwards for a 3-year term on the Inquiry and Review Committee ending December 31, 2011

Vice Chairman Fellow then outlined the election process for the position of Board Chairman, and called for other nominations from the floor.

There being no other nominations from the floor, Director Bakall moved, seconded by Director Wright and carried unanimously, that Timothy Brick be elected by acclamation to serve as Board Chairman for a second 2-year term, commencing January 1, 2009.

(Vice Chairman Fellow noted that the election for the other listed positions would take place at the November Board Meeting.)

At 12:55 p.m. the gavel was turned over to Chairman Brick.

Chairman Brick thanked the Board for his election for another term and stated that sustainability and stewardship would remain the themes of his administration and identified fixing the environmental health, as well as the water system reliability and water quality problems in the Sacramento-San Joaquin Delta; expanding local water management projects and programs through an updated Integrated Resources Plan; and meeting energy challenges as the goals for his next term.

**47660** Regarding Colorado River, Bay-Delta, and CALFED matters, General Manager Kightlinger referred to the activity report for September dated September 30, 2008, which was posted to the Directors' Web site.

General Manager Kightlinger commented on the three brush fires currently burning in Southern California, which are all being monitored by Metropolitan. He stated that at that moment no Metropolitan or member agency facilities have been damaged.

General Manager Kightlinger reported that Special Project Manager Pete Silva will be testifying on Metropolitan's behalf during an informational hearing on Colorado River supplies on October 15 in El Centro, which hearing is being held by the State Senate Select Committee on the Colorado River, chaired by Senator Denise Ducheny. In light of current water supply conditions on the Colorado River, the hearing has been called to discuss plans for responding to drought conditions on the river.

General Manager Kightlinger called the Board's attention to October being diversity month, a key value here at Metropolitan, and the different displays in the rotunda.

General Manager Kightlinger reported that a cost-savings suggestion box has been made available to employees with 65 suggestions received so far. The managers will review them to see which ones Metropolitan can begin implementing.

General Manager Kightlinger informed the Board of the added value that Metropolitan can provide to the member agencies. He stated that although Metropolitan is not just one of the largest agencies, it specializes in certain areas. Just as was shown in the video, Metropolitan's water quality lab and the machine shop in La Verne are specialized facilities. Mr. Kightlinger reported that the employees at the machine shop were able to manufacture a specialty pipe for Calleguas to fix a breakage in one of its pipes. Also, the water quality lab has been doing specialty testing for certain areas for some of the member agencies.

**47661** Regarding Legal Department activities, General Counsel Tachiki referred to the General Counsel's activity report for September dated September 30, 2008, which was posted to the Directors' Web site.

General Counsel Tachiki reported that the Hyatt Thermalito trial is scheduled to begin on November 5, 2008, and by the next Board Meeting the trial should be halfway through if that schedule holds. At the next meeting, the Board will be apprised as to how the trial is going.

**47662** General Auditor Riss presented a report of the Audit Department's activities for the month of September, dated September 30, 2008. He stated that during the month five reports were issued: (1) Employee and Director Expense Reports Audit Report; (2) Accounting for and Billing of Reimbursable Projects Audit Report and Management's Response; (3) Rideshare Program Audit Report and Management's Response; (4) Internal Controls over Financial Reporting Audit Report; and (b) Department Quality Assurance - Self Assessment Review.

General Auditor Riss gave a brief review of the above-listed audit reports and stated the opinions given for the above reports were as follows: (1) Generally satisfactory internal

control structure; (2) Less than satisfactory internal control structure; (3) Less than satisfactory internal control structure; and (4) Maintained effective internal control over financial reporting. Mr. Riss reported that management has initiated remedial actions in response to the auditors' concerns.

In response to Item (5) General Auditor Riss noted that the results of the self-assessment indicated that the practices of the Audit Department continue to either fully or partially comply with the Standards for the Professional Practice of Internal Auditing.

**47663** Ethics Officer Elliott referred to the activity report for September dated September 30, 2008, which was posted on the Directors' Web site.

Ethics Officer Elliott reported that the Ethics Office is continuing their work on benchmarking to ensure a quality program, and that a stakeholder survey is in development.

Dr. Elliott informed the Board that the Ethics Office has been working with Human Resources and with the help of Fidencio Mares and Irwin Jankovic, they have been able to incorporate three basic ethics issues into their employee survey: (1) whether employees are aware of misconduct in the company; (2) willingness of employees to report violations; and (3) employees perception that there is appropriate management follow-up. This cooperative work ensures that the employees are not being overwhelmed by more than one survey and that they also provide important feedback both to the Ethics Office and the General Manager's Office.

Ethics Officer Elliott announced that the Ethics Office will host a meeting at Metropolitan's Headquarters in December with their peer agency ethics officers to discuss quantitative and qualitative measures for evaluating the success of ethics office programs in public agencies.

Ethics Officer Elliott reminded the Board that the final AB 1234 training workshop for Directors and Officers will be held on October 28, 2008, at 1:30 p.m., and that invitations will be sent out to the Board and the member agencies by the end of the week.

Director Sutley withdrew from the Meeting at 1:09 p.m.

**47664** Director Hall thanked the Chairman and the Board and staff for their support in the last few years during his ill health from which he has now recovered. Director Hall informed the Board that November may be his last meeting as he expects to be leaving for the State Legislature as an assembly member.

Director Bakall moved, seconded by Secretary Abdo and carried, and the Board approved the Consent Calendar Items, **M.I. 47665** through **M.I. 47668**, as follows:

**47665** Adopted the California Environmental Quality Act (CEQA) determinations and (a) appropriated \$1.26 million (Appropriation No. 15377, No. 27, for \$1,100,000; and Appropriation No. 15441, No. 10, for \$160,000; both from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) construction of upgrades to the San Diego Canal sodium bisulfite feed system; and (c) preliminary design of repairs to the Lake Skinner Outlet Conduit, as set forth in the letter signed by the General Manager on September 27, 2008.

**47666** Adopted the CEQA determination and (a) appropriated \$1.37 million (Appropriation No. 15459, No. 2, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and awarded (b) a \$315,135 construction contract to Fleming Environmental, Inc. to upgrade fuel-dispensing stations in the Desert Region; (c) a \$288,833 construction contract to American Construction & Environmental Services, Inc. to upgrade fuel-dispensing stations in the Western Region; and (d) a \$216,000 construction contract to Environmental Project Services, Inc. to upgrade fuel-dispensing stations in the Eastern Region, as set forth in the revised letter signed by Assistant General Manager/Chief Operating Officer Man for the General Manager on October 8, 2008.

**47667** Adopted the CEQA determination and authorized the General Manager to execute an agreement with the Los Angeles County Metropolitan Transportation Authority for relocation of the Sepulveda Feeder for the Interstate 405 Sepulveda Pass Widening Project, as set forth in the letter signed by Assistant General Manager/Chief Operating Officer Man for the General Manager on September 30, 2008.

**47668** Adopted the CEQA determination and approved an extension of the Tijuana emergency delivery agreement for five years for emergency water service for Tijuana, Mexico, as set



forth in the letter signed by the General Manager on September 27, 2008.

**47669** Business and Finance Committee Chairman Bond moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and approve selection of Metropolitan's investment banking team to provide services associated with the future issuance of Metropolitan debt, as set forth in the letter signed by the General Manager on October 1, 2008.

Director J. Edwards requested to be recorded as voting no.

**47670** Engineering and Capital Programs Committee Chairman Koopman stated the committee deferred Agenda Item 8-2, regarding two rehabilitation projects in the San Fernando Valley.

Director Peterson questioned the delay of this item especially the valve replacement of the Greg Avenue Control Structure since the valves no longer seal properly and are leaking water. Director Peterson therefore moved, seconded by Director Bakall, to bifurcate Agenda Item 8-2 and take action only on the Greg Avenue Control Structure Valve Replacement.

After further comments by staff and Directors regarding the timing of taking action on the two projects in the San Fernando Valley, Director Peterson amended his motion, with the concurrence of Director Bakall and Committee Chairman Koopman, that the Board adopt the CEQA determinations and (a) appropriate \$2.08 million (Appropriation No. 15377, No. 28, for \$730,000; and Appropriation No. 15441, No. 10, for \$1,350,000; both from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorize (b) replacement of the San Fernando Tunnel shutoff valve at Magazine Canyon Shaft; and (c) final design and construction of the Greg Avenue Control Structure Valve Replacement project, as set forth in the letter signed by Assistant General Manager/Chief Operating Officer Man for the General Manager on September 30, 2008. The amended motion carried.

**47671** Engineering and Capital Programs Committee Chairman Koopman stated the committee tabled Agenda Item 8-3, regarding agreements for final design of the Hayfield Extraction Project.

**47672** Water Planning and Stewardship Committee Vice Chairman Barrett moved, seconded by Director Wright and carried, that the Board adopt the CEQA determination and approve changes to the Interim Agricultural Water Program, as set forth in the letter signed by the General Manager on September 27, 2008.

Directors Apodaca, J. Edwards, and Lowenthal requested to be recorded as voting no.

**47673** Water Planning and Stewardship Committee Vice Chairman Barrett moved, seconded by Director J. Edwards and carried, that the Board adopt the CEQA determination and, as described in the board letter and in Attachment 3 to the letter for Metropolitan's Conservation Program, authorize (a) the ice machine incentive; and (b) six program refinements, as set forth in the letter signed by the General Manager on September 27, 2008.

**47674** Water Planning and Stewardship Committee Vice Chairman Barrett moved, seconded by Director Blake and unanimously carried, that the Board adopt the CEQA determination and the Resolution of the Board of Directors (**Resolution 9080**) giving notice of potential discontinuance of service of surplus water from October 1, 2009 through September 30, 2010, as set forth in the letter signed by Assistant General Manager/Chief Operating Officer Man for the General Manager on September 30, 2008, said resolution entitled:

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN  
WATER DISTRICT OF SOUTHERN CALIFORNIA DIRECTING THE GIVING  
OF NOTICE OF POTENTIAL DISCONTINUANCE OF SERVICE OF SURPLUS  
WATER IN 2009-2010**

**47675** On behalf of the Legal and Human Resources Committee, Director Ballin moved, seconded by Director J. Murray and carried, that the Board adopt the CEQA determination and approve the settlement offer for the acquisition of easements for the North Reach of the Perris Valley Pipeline Project, as set forth in the confidential letter jointly signed by the General Counsel on October 7 and the General Manager on October 8, 2008.

Director Lopez requested to be recorded as abstaining.

**47676** Water Quality and Operations Committee Chairman Brown moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and authorize (a) an agreement with

Semitropic Water Storage District for a demonstration arsenic treatment program consistent with the terms in Attachment 1 to the board letter; and (b) appropriation of \$2.5 million to implement the treatment program, as set forth in the letter signed by the General Manager on October 8, 2008.

**47677** Business and Finance Committee Chairman Bond moved, seconded by Director Blake and carried, that the Board ratify the Executive Committee's action to adopt the CEQA determination and (a) waive the requirements of section IV.5.b. of the Statement of Investment Policy, and instruct the Treasurer, in consultation with the Ad Hoc Committee and with the concurrence of the General Counsel, to dispose of the Lehman notes in an orderly and prudent manner; and (b) amend the Statement of Investment Policy as shown in Attachment 1 to the revised letter signed by Assistant General Manager/Chief Operating Officer Man for the General Manager on September 30, 2008.

**47678** Following a discussion on the options for extending the Diamond Valley Lake boat ramp and getting financial help from outside agencies, Business and Finance Committee Chairman Bond moved, seconded by Director Bakall and carried, to approve Option 1 in the board letter signed by the General Manager on October 8, 2008, as amended by the Business and Finance Committee, that the Board adopt the CEQA determination and direct staff to complete final design of the boat ramp extension, and delay construction until there is sufficient money from outside sources to fund it; and that Metropolitan will work jointly with the Department of Fish and Game and other entities to acquire funding for construction while exploring temporary low-cost remedies using existing materials.

Directors Blake, W. Murray, and Peterson requested to be recorded as voting no.

**47679** The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through August 2008, signed by the General Manager on September 27, 2008.
- b. Preliminary outlook of the State Water Project calendar year 2009 charges, signed by the General Manager on October 8, 2008.

- c. Proposed reimbursable project for temporary wellhead treatment at the Tujunga Well Field, signed by the General Manager on October 8, 2008.

**47680** At 1:40 p.m., the Meeting was convened to Committee Room 2-145 to hear the results of the MWD Board Study by Professors Cornelis de Kluver and Bill Relf of the Drucker Institute at Claremont McKenna College.

Directors present: Ackerman, Ballin, Barrett, Brick, Brown, Dick, J. Edwards, Fellow, Foley, Griset, Lowenthal, Morris, J. Murray, Peterson, Record, Wright, and Wunderlich.

Directors absent: Abdo, Apodaca, Bakall, Blake, Bond, De Jesus, M. Edwards, Grandsen, Grunfeld, Hall, Hawkins, Koopman, Little, Lopez, W. Murray, Parker, Pocklington, Quiñonez, Rez, and Sutley.

**47681** There being no objection, the Chairman adjourned the Meeting at 2:38 p.m.

**JUDY ABDO**  
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**SECRETARY**

**TIMOTHY F. BRICK**  
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**CHAIRMAN**