

MINUTES

REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

JANUARY 13, 2009

47745 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 13, 2009.

Chairman Brick called the Meeting to order at 12:10 p.m.

47746 The Meeting was opened with an invocation by Assistant General Manager/Chief Administrative Officer Gilbert Ivey.

47747 The Pledge of Allegiance to the Flag was given, led by Director Bill Wright.

47748 Secretary Abdo called the roll. Those answering present were: Directors Abdo, Apodaca, Bakall, Ballin, Barrett, Blake, Bond, Brick, Brown, De Jesus, Dick, J. Edwards, Fellow, Foley, Grandsen, Griset, Grunfeld, Hawkins, Little, Lopez, Lowenthal, Morris, J. Murray, Parker, Peterson, Pocklington, Record, Rez, Wright, and Wunderlich.

Those not answering were: Directors Ackerman, M. Edwards, Hall, Koopman, W. Murray, Quiñonez, and Sutley.

Chairman Brick declared a quorum present.

47749 At 12:13 p.m., Chairman Brick called a public hearing to receive comments on the proposed standby charge for the 102nd Fringe Area Annexation to Eastern 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 12:14 p.m.

47750 The Board heard remarks from Tim Holding, the Water Minister for the state of Victoria in Australia, on how Victoria has handled a 12-year drought that is the worst in Victoria's history, through a combination of conservation, desalination, water recycling, irrigation and pipeline improvements, and water use restrictions.

47751 Chairman Brick invited members of the public to address the Board on matters within the Board's jurisdiction.

Mr. Bill Robinson, member of the board of Upper San Gabriel Valley Municipal Water District, requested Metropolitan not take any action on Agenda Item 9-4, the conservation ordinance prerequisite procedures, and that it be sent back to the committee for more study.

47752 There being no objection, Chairman Brick ordered the reading of the Minutes of the Meeting for December 9, 2008, dispensed with, a copy having been mailed to each Director.

Director Bond moved, seconded by Director Little and carried, approving the foregoing Minutes as mailed.

47753 A written report of meetings attended by Directors at Metropolitan expense during the month of December was distributed.

Chairman Brick noted he also attended the ACWA conference December 3-5 in Long Beach as listed in the summary of meetings, where he participated in a workshop on changes that have occurred in water policy over the last 30 years.

Director Peterson reported that the actual dates for the ACWA conference were December 2-5, but he had to be there from December 1.

Chairman Brick stated that at some point in the past there was discussion about attendance at conferences and starting a process of having reports from Directors who attended major

conferences. He said how to do that most effectively would be discussed in the near future.

47754 Chairman Brick presented to former director Helen Z. Hansen a Commendatory Resolution for her service on Metropolitan's Board, representing the City of Long Beach from August 19, 1997 to May 13, 2008.

47755 Chairman Brick reported on his appointment of Director James Barrett as Chair of the Water Planning and Stewardship Committee.

47756 Chairman Brick reported on events in which he participated, as follows:

- December 18 - Attended a meeting in Sacramento with Willie Pelote, Assistant Director, AFSCME International, and his staff, Assembly Member I. Hall, and Gilbert Ivey.
- December 29 - Participated in a Diamond Valley Lake tour with the Alliance for Water Efficiency staff.

47757 Regarding Colorado River, Bay-Delta, and CALFED matters, General Manager Kightlinger referred to the activity report for December dated December 31, 2008, which was posted to the Directors' Web site.

General Manager Kightlinger commented on the 2007 Annual Report, a copy of which was at each Director's desk. He stated that after a ten-year hiatus, the Annual Report will again be published and the 2008 Annual Report should be out in about six months.

General Manager Kightlinger reported that Chief Financial Officer Thomas will be in San Francisco pricing bonds, and that Metropolitan expects to sell \$200 million worth of bonds this year. This will enable Metropolitan to continue its Capital Improvement Program during a more challenging market in which to be selling bonds.

General Manager Kightlinger announced there would be a VerdeXchange Green Marketmakers Conference on January 26, 2009 at the Marriott Hotel in downtown Los Angeles, featuring leading technology, energy, and regulatory "green marketmakers" who are responding to California's market-defining initiatives for

addressing climate change and reducing greenhouse gas emissions. The Chairman will be a speaker.

47758 Regarding Legal Department activities, General Counsel Tachiki referred to the General Counsel's activity report for December dated January 5, 2009, which was posted to the Directors' Web site.

General Counsel Tachiki reported that in the *Alameda County Flood Control & Water Conservation District, Zone 7, et al. v. California Department of Water Resources* (Hyatt-Thermalito) case, the trial concluded in about mid-December and under the briefing schedule which the court established, a decision in the case is not expected until late summer or early fall.

47759 Assistant General Auditor Gagliano presented a report of the Audit Department's activities for the month of December, dated December 31, 2008. He stated that during the month three reports were issued: (1) Infrastructure Reliability Program - P&D Consultants, Incorporated Audit Report; (2) Infrastructure Reliability Program - Carollo Engineers Audit Report; and (3) J.R. Filanc Construction Contract Audit Report.

Assistant General Auditor Gagliano stated the opinions given for the first report included those practices usually necessary to provide for a generally satisfactory internal control structure; and the opinions given for the second and third reports included those practices usually necessary to provide for a satisfactory internal control structure.

47760 Ethics Officer Elliott referred to the activity report for December dated December 31, 2008, which was posted on the Directors' Web site.

Ethics Officer Elliott reported that Ethics Educator Cable continue to spend quality time in the field, averaging two facilities each month. For example, he has a two-day visit coming up at La Verne where he will have visits with over 350 employees.

Ethics Officer Elliott again informed the Board that the Ethics Office is continuing its telephone meetings with the member agency managers regarding ethics awareness and their ethics programs. Dr. Elliott stated that after completion of her

survey with the member agencies, she would give a full report to the Audit and Ethics Committee.

Director Blake moved, seconded by Director Morris and carried, and the Board approved the Consent Calendar Items, **M.I. 47761** through **M.I. 47763**, as follows:

47761 Adopted the California Environmental Quality Act (CEQA) determination and authorized an increase of \$256,000 to the existing agreement with Commuter Check Services Corporation, for a new not-to-exceed total of \$1,879,000, for employee public transit vouchers, as set forth in the letter signed by the General Manager on December 26, 2008.

47762 Adopted the CEQA determination and (a) appropriated \$190,000 (Appropriation No. 15452, No. 2, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized preliminary design to refurbish the weir gates and filter inlet valves at Mills Modules Nos. 3 and 4, as set forth in the letter signed by the General Manager on December 26, 2008.

47763 Adopted the CEQA determination and authorized the General Manager to enter into a Local Resources Program agreement with Los Angeles Department of Water and Power for the Taylor Yard Park Water Recycling Project for 150 acre-feet per year under terms included in the letter signed by the General Manager on December 26, 2008.

Directors Grunfeld and J. Murray requested to be recorded as abstaining.

47764 Business and Finance Committee Chairman Bond reported that the committee had quite a bit of discussion and debate on the water revenue requirements board letter and amended the recommendation in the letter.

Committee Chairman Bond then moved the amended motion, seconded by Director Blake and carried, that the Board adopt the CEQA determination and 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, 2010, as set forth in the letter signed by the General Manager on December 30, 2008.

Committee Chairman Bond stated that as a result of the discussions at the Budget Workshop on January 6, it was determined that the determination of the water revenue requirements and the adoption of the resolutions giving notice of intention to impose charges should take place after the completion of the Budget Workshops. Committee Chairman Bond referred to the letter from San Diego County Water Authority's General Manager Maureen Stapleton, dated January 13, 2009, regarding the Proposed 2009/10 Fiscal Year Budget. He asked that the other member agencies also review Metropolitan's budget process.

Business and Finance Committee Vice Chairman Grunfeld commented on the remarks made by General Manager David Nahai of the Los Angeles Department of Water and Power at the first Budget Workshop on January 6, in which Mr. Nahai provided the concerns that Los Angeles had in respect to the budgetary process.

47765 Engineering and Capital Programs Committee Chairman Bakall moved, seconded by Director Grunfeld and carried, that the Board adopt the CEQA determination and authorize agreement with Ritchie Bros. Auctioneers to conduct multiple auctions of Metropolitan's Arrowhead Tunnels surplus equipment and materials; and depending on the economic conditions prior to the sale and the type of equipment to be included in each sale, staff will make a determination as to whether to implement the Guaranteed-Minimum-Return auction arrangement, or to utilize the No-Guaranteed-Return approach, as set forth in the letter signed by the General Manager on December 26, 2008.

47766 Water Planning and Stewardship Committee Vice Chairman Barrett moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and (a) authorize executing the one-year water transfer agreement with Delta Wetlands Properties consistent with the term sheet attached to the letter signed by the General Manager on December 30, 2008; and (b) appropriate \$3.6 million for the transfer.

47767 Legal and Human Resources Committee Vice Chairman Dick moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and authorize the initiation of litigation against defendants including, but not limited to, General Reinsurance Company, to recover damages and secure other judicial relief, as set forth in the confidential letter signed by the General Counsel on December 29, 2008.

47768 Legal and Human Resources Committee Vice Chairman Dick stated that in closed session the committee heard a report on the Delta smelt biological opinion and authorized staff to proceed with recommended actions. Committee Vice Chairman Dick then moved, seconded by Director Blake and carried, that the Board approve the committee's recommendation.

47769 Water Planning and Stewardship Committee Vice Chairman Barrett moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and express support regarding the final Delta Vision Implementation Report as outlined in the board letter signed by the General Manager on January 9, 2009.

47770 Chairman Brick stated that at the Water Planning and Stewardship Committee meeting yesterday, the committee took action on Agenda Item 9-4, the conservation ordinance prerequisite procedures, which will be removed from the Board Information Items.

47771 The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through November 2008, signed by the General Manager on December 26, 2008.
- b. Proposed 2009/10 fiscal year budget, as revised and signed by the General Manager on December 30, 2008.
- c. 2009 Water Supply Allocation Plan Status, signed by the General Manager on December 30, 2008.
- d. Proposed agreements to implement three Orange County reliability projects, signed by the General Manager on December 30, 2008.

47772 Regarding Agenda Item 9-4, Conservation ordinance prerequisite procedures for participation in the Phase II Public Sector, Turf Removal and Enhanced Conservation Programs, Water Planning and Stewardship Committee Vice Chairman Barrett stated that after consideration, the committee bifurcated the recommendations into two actions.

Committee Vice Chairman Barrett then moved, seconded by Director Bond, the following actions:

Action 1: Begin implementation of the specified extraordinary conservation programs immediately, as described in the board letter signed by the General Manager on December 29, 2008, but require ordinances or an alternative method or strategy be in place by July 1, 2009 instead of January 1, 2010 in order to receive Metropolitan funding; and that Phase II Public Sector Program funding be prioritized and made available immediately first to jurisdictions that already have met the conservation ordinance prerequisite.

Action 2: Directed staff to report back to the committee in June 2009 on the feasibility of developing a revolving fund program to be used for future Public Sector Program funding.

Director Bakall withdrew from the Meeting at 1:31 p.m.

Director Rez withdrew from the Meeting at 1:34 p.m.

A discussion ensued regarding the timelines of the ordinance, the sample ordinances, and the clarification of dates.

Chairman Brick requested that the motion of the two actions be taken up separately.

The Chair called for a vote on Action 1 of the motion, which carried.

Directors Blake, Dick, Foley, and Morris requested to be recorded as voting no.

The Chair then called for a vote on Action 2 of the motion.

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

Ayes: Beverly Hills (Dir. Wunderlich, 2,033 votes), Central Basin Municipal Water District (Dirs. Apodaca and Hawkins, 11,185 votes), Eastern Municipal Water District (Dir. Record, 6,731 votes), Foothill Municipal Water District (Dir. J. Edwards, 1,272 votes), Long Beach (Dir. Lowenthal, 3,984 votes), Los Angeles (Ayes: Dirs. Grunfeld and J. Murray. Absent: Dirs. Quiñonez and Sutley. 40,455 votes), San Diego County Water Authority (Dirs. Barrett, Bond, Parker, and Pocklington, 38,213 votes), San Fernando (Dir. Ballin, 150 votes), Santa Ana (Dir. Griset, 2,169 votes), Santa Monica (Dir. Abdo, 2,332 votes),

Three Valleys Municipal Water District (Dir. De Jesus, 5,031 votes), Western Municipal Water District of Riverside County (Dir. Lopez, 8,456 votes). Total 122,011 votes.

Noes: Burbank (Dir. Brown, 1,803 votes), Calleguas Municipal Water District (Dir. Grandsen, 8,160 votes), Fullerton (Dir. Blake, 1,457 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,982 votes), Municipal Water District of Orange County (Noes: Dirs. Dick and Foley. Absent: Dirs. Ackerman and Bakall. 34,917 votes), San Marino (Dir. Morris, 399 votes), Torrance (Dir. Wright, 2,186 votes), Upper San Gabriel Valley Municipal Water District (Dir. Fellow, 7,257 votes), West Basin Municipal Water District (No: Dir. Little. Absent: Dir. W. Murray. 13,663 votes). Total 71,824 votes.

Not Participating: Pasadena (Dir. Brick, 2,037 votes). Total 2,037 votes.

Abstain: None.

Absent: Anaheim (Dir. M. Edwards, 3,466 votes), Compton (Dir. Hall, 362 votes), Glendale (Dir. Rez, 2,226 votes), Inland Empire Utilities Agency (Dir. Koopman, 8,440 votes). Total 14,494 votes.

The Chair declared the motion passed by a vote of 122,011 ayes, 71,824 noes, 2,037 not participating, and 14,494 absent.

47773 Director Lopez announced that the Santa Ana Watershed Project Authority would be holding a conference on "Overcoming Boundaries" at the Ontario Convention Center on January 29, 2009.

47774 There being no objection, the Chairman adjourned the Meeting at 1:50 p.m.

JUDY ABDO

SECRETARY

TIMOTHY F. BRICK

CHAIRMAN