

MINUTES

REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

FEBRUARY 10, 2009

47775 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, February 10, 2009.

Chairman Brick called the Meeting to order at 12:07 p.m.

47776 The Meeting was opened with an invocation by Reverend Dennis H. Ware, Sr., co-pastor of New Zion Christian Fellowship, Inc.

47777 The Pledge of Allegiance to the Flag was given, led by Director Suja Lowenthal.

47778 Secretary Abdo called the roll. Those answering present were: Directors Abdo, Ackerman, Apodaca, Bakall, Barrett, Brick, Brown, De Jesus, Dick, M. Edwards, Foley, Grandsen, Griset, Grunfeld, Hawkins, Little, Lopez, Lowenthal, Morris, J. Murray, W. Murray, Peterson, Pocklington, Quiñonez, Record, Wright, and Wunderlich.

Those not answering were: Directors Ballin, Blake, J. Edwards, Hall, Rez, and Sutley.

Chairman Brick declared a quorum present.

47779 Chairman Brick invited members of the public to address the Board on matters within the Board's jurisdiction. No members of the public responded.

Fran Inman, Senior Vice President, Corporate Development, Majestic Realty Co., and Chair of the Los Angeles Area Chamber of Commerce presented to Chief Administrative Officer Gilbert Ivey a plaque honoring him as the Chamber's 2008 Board Member of the Year.

47780 There being no objection, Chairman Brick ordered the reading of the Minutes of the Meeting for January 13, 2009, dispensed with, a copy having been mailed to each Director.

Director Barrett moved, seconded by Director Hawkins and carried, approving the foregoing Minutes as mailed.

47781 A written report of meetings attended by Directors at Metropolitan expense during the month of January was distributed.

Director Peterson reported that on January 20, 2009, he attended an ACWA event at Westlands Water District.

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.

47782 The General Counsel's letter signed February 2, 2009, was presented, transmitting the credentials evidencing the appointment by Upper San Gabriel Valley Municipal Water District of R. William "Bill" Robinson as its representative on Metropolitan's Board for an indefinite term, replacing Anthony R. Fellow.

The General Counsel's letter signed January 26, 2009, was presented, transmitting the credentials evidencing the appointment by Inland Empire Utilities Agency of Angel Santiago as its representative on Metropolitan's Board for an indefinite term, replacing Gene Koopman.

The General Counsel's letter signed February 2, 2009, was presented, transmitting the credentials evidencing the appointment by San Diego County Water Authority of Keith Lewinger and Fern Steiner as two of its representatives on Metropolitan's Board for indefinite terms, replacing James H. Bond and Joseph Parker.

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

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

Habte-Wold Kassa, Notary Public, administered the Oaths of Office as Directors of Metropolitan to Mr. Robinson, Mr. Santiago, Mr. Lewinger, and Ms. Steiner. The Chair ordered the Oaths of Office received and filed.

Following an introduction by Chief Administrative Officer Ivey, Mr. Robinson took his seat as a Metropolitan Director representing Upper San Gabriel Valley Municipal Water District.

Following an introduction by Chairman Brick, Mr. Santiago took his seat as a Metropolitan Director representing Inland Empire Utilities Agency.

Following introductions by Directors Pocklington and Barrett, Mr. Lewinger and Ms. Steiner, respectively, took their seats as Metropolitan Directors representing San Diego County Water Authority.

47783 Chairman Brick presented to Director Willard H. Murray, Jr., a pin for his ten years of service on Metropolitan's Board, representing West Basin Municipal Water District.

47784 Vice Chair M. Edwards moved, seconded by Director Barrett and carried, approving the following committee assignments, as follows:

Director M. Edwards as the first Vice Chair of the Board

Directors Lewinger, Robinson, and Santiago to the Business and Finance Committee

Directors Robinson and Steiner to the Legal and Human Resources Committee

Director Lewinger to the Water Planning and Stewardship Committee

Directors Santiago and Steiner to the Communications and Legislation Committee

Director Steiner to the Special Committee on Bay-Delta

Directors Ballin, Grunfeld, and Wunderlich to the Real Property and Asset Management Committee

47785 Chairman Brick reported on events in which he participated, as follows:

- January 14 - Moderated a panel on "Facing our Future -- The Challenge of Water and Energy Symposium by Queensland Government", hosted by The Honorable Peter Beattie, Commissioner, at the Intercontinental Hotel, Los Angeles.
- January 16 - Attended a board meeting of the Water Resources Center Archives in Sacramento.
- January 21 - Attended the Los Angeles Economic Development Council's Board of Governors meeting and participated in "California Water Crisis Panel Discussion--Potential Effects on the Southern California Economy" at the California Club, Los Angeles.
- January 21 - Along with General Manager Kightlinger and Customer and Community Services Section Manager Yvette Martinez, toured the Watershed Education Gardens and TreePeople Center in Beverly Hills.
- January 22 - Met with former Governor Gray Davis and representatives of Veolia Water, along with Metropolitan's staff.
- January 24 - At the invitation of Richard Hansen, General Manager of Three Valleys Municipal Water District, I was the luncheon guest speaker for the Claremont League of Women Voters, at the Hughes Center in Claremont.
- January 29 - Interviewed by Bettina Boxall of the Los Angeles Times about the region's water supply situation.
- January 29 - Attended the Los Angeles Area Chamber of Commerce 120th Annual Inaugural Dinner at L.A. LIVE in Los Angeles, along with other Board members and Metropolitan's staff.

- February 3 - Along with Directors Ackerman, Barrett, and Griset and Metropolitan's Executive Staff, traveled to Sacramento to participate in legislative briefings with members of the Senate and Assembly policy/fiscal committee and their staffs. Metropolitan hosted briefings on the "Current and Future Water Supply Conditions for Southern California".
- February 5 - Along with other Directors and staff, attended the event at Los Angeles City Hall honoring Director Nancy Sutley who is leaving to join President Obama's administration.

47786 At the request of General Manager Kightlinger, Stephen Arakawa, Group Manager of Water Resource Management, provided an update on Metropolitan's "shovel-ready" projects being submitted for possible inclusion in the federal economic stimulus package. The list included \$3.6 billion of water-related projects that would generate an estimated annual yield of 800,000 acre-feet and create approximately 46,000 jobs.

47787 Regarding Colorado River, Bay-Delta, and CALFED matters, General Manager Kightlinger referred to the activity report for January dated January 31, 2009, which was posted to the Directors' Web site.

General Manager Kightlinger introduced Ralph Hicks, newly hired Group Manager of the Real Property Development and Management Group.

General Manager Kightlinger reviewed some of the issues in terms of water supply and highlighted a few of the issues. He stated that Metropolitan is currently still within the 15 percent allocation from the State Water Project, which is one of the lowest allocations that Metropolitan has ever started a year with. He described the different scenarios and allocations that the Department of Water Resources could supply under those scenarios.

General Manager Kightlinger reported that Metropolitan is still on track for the process of setting recommendations on the allocation of water to the member agencies, which will be discussed with the Board at the March meeting and bringing a recommendation to the April meeting.

47788 Regarding Legal Department activities, General Counsel Tachiki referred to the General Counsel's activity report for January dated February 4, 2009, which was posted to the Directors' Web site.

General Counsel Tachiki reported that in the *Central Basin Municipal Water District v. Metropolitan Water District* case, a motion was filed by Metropolitan seeking to dismiss the CEQA causes of action, which the court upheld to dismiss those claims. The other claims not relating to CEQA still remain. Mrs. Tachiki stated that today the attorneys for Central Basin would be seeking the permission of the court to amend their complaint to name all of the member agencies. However, General Counsel Tachiki advised that with the help of Directors Apodaca and Hawkins, Metropolitan is having some productive discussions involving this litigation and perhaps the individual member agencies would not be served.

47789 General Auditor Riss presented a report of the Audit Department's activities for the month of January, dated January 31, 2009. He stated that during the month three reports were issued: (1) Equipment Inventory Audit Report; (2) Purchase Card (P-Card) Program Audit Report; and (3) Board Infrastructure - Butier Construction Managers Audit Report.

General Auditor Riss gave a brief review of the above-listed audit reports and stated that all three audit reports received opinions of those practices usually necessary to provide for a generally satisfactory internal control structure. Mr. Riss reported that management has initiated remedial actions in response to the auditors' concerns.

47790 Ethics Officer Elliott referred to the activity report for January dated January 31, 2009, which was posted on the Directors' Web site.

Ethics Officer Elliott briefly described the eight matters handled in the month of January by the Ethics Office. Dr. Elliott stated that at the next Audit and Ethics Committee meeting she plans to bring proposed changes to the Administrative Code regarding ethics investigative procedures.

Director Barrett moved, seconded by Director Morris and carried, and the Board approved the Consent Calendar Item, **M.I. 47791**, as follows:

47791 Adopted the California Environmental Quality Act (CEQA) determination and authorized the General Manager to execute the Fifth Amendment to the District-Edison 1987 Service and Interchange Agreement under the terms described in the letter signed by the General Manager on January 23, 2009, to provide an hourly pricing methodology to value Exchange Energy and Edison Purchased Power under the new California Independent System Operator market redesign.

Director Robinson requested to be recorded as abstaining.

47792 Business and Finance Committee Vice Chairman Grunfeld moved, seconded by Director J. Murray and carried, that the Board adopt the CEQA determination and authorize payments up to a total of \$561 million to the Department of Water Resources in calendar year 2009 for Metropolitan's State Water Project charges, as set forth in the letter signed by the General Manager on January 23, 2009.

Director Robinson requested to be recorded as abstaining.

47793 Chairman Brick announced that he inadvertently missed naming Director Grunfeld as Chair of the Business and Finance Committee.

Director Bakall moved, seconded by Director J. Murray and carried, approving the appointment of Director Grunfeld as Chair of the Business and Finance Committee.

47794 Engineering and Capital Programs Committee Chairman Bakall moved, seconded by Director Morris and carried, that the Board adopt the CEQA determination and authorize (a) hydro-geological investigation for the Hayfield Groundwater Extraction Project; and (b) an increase of \$1.5 million to the existing agreement with Kennedy/Jenks Consultants, Inc., for a new not-to-

exceed total of \$1.74 million, as set forth in the letter signed by the General Manager on January 30, 2009.

Director Robinson requested to be recorded as abstaining.

47795 Regarding the agreements to allow implementation of Orange County reliability projects, Water Quality and Operations Committee Chairman Brown reported that the committee amended the staff recommendation and only approved Part (a), the OC-72 Regional Interconnection and Upper Chiquita Reservoir projects, with Part (b), negotiations for the Baker Water Treatment Plant projects, to be brought back to the Board in the future.

Water Quality and Operations Committee Chairman Brown then moved, seconded by Director Lowenthal and carried, that the Board adopt the CEQA determinations and authorize the General Manager to execute service connection agreements to allow implementation of the OC-72 Regional Interconnection and Upper Chiquita Reservoir projects, as set forth in the letter signed by the General Manager on February 4, 2009.

Directors Bakall, Dick, and Robinson requested to be recorded as abstaining.

47796 Water Planning and Stewardship Committee Chairman Barrett moved, seconded by Director Bakall and carried, that the Board adopt the CEQA determination and authorize (a) the General Manager to enter into an agreement with the Department of Water Resources to pursue up to 300,000 acre-feet of Central Valley water transfer agreements for 2009, in a form approved by the General Counsel; and (b) paying initial administrative fees (\$5 per acre-foot) and water purchase deposits (\$70 per acre-foot), as set forth in the letter signed by the General Manager on January 23, 2009.

Director Robinson requested to be recorded as abstaining.

47797 Regarding authorization of principles to allocate a portion of Metropolitan's Governor's 2009 Drought Water Bank supplies to individual member agencies, Water Planning and Stewardship Committee Chairman Barrett reported that the committee approved Option #2, not authorizing principles to allocate a portion of Metropolitan's Governor's 2009 Drought

Water Bank supplies to individual member agencies, instead of the recommended Option #1, as set forth in the letter signed by the General Manager on January 23, 2009.

Water Planning and Stewardship Committee Chairman Barrett then moved, seconded by Director Morris and carried, that the Board not authorize principles to allocate a portion of Metropolitan's Governor's 2009 Drought Water Bank supplies to individual member agencies.

Director Barrett stated that he made the motion in his role as Committee Chairman and that he personally would abstain from this action. Director Robinson requested to be recorded as abstaining.

Directors De Jesus, Lewinger, Lopez, Pocklington, Record, and Steiner requested to be recorded as voting no.

47798 Legal and Human Resources Committee Chairman Quiñonez moved, seconded by Director J. Murray and carried, that the Board adopt the CEQA determination and authorize entering into an agreement with the San Manuel Band of Serrano Mission Indians for reimbursement of costs incurred relating to the Arrowhead Tunnels in an amount not to exceed \$7 million, as set forth in the confidential letter jointly signed by the General Counsel and the General Manager on January 29, 2009.

Directors Lewinger, Robinson, Santiago, and Steiner requested to be recorded as abstaining.

47799 Regarding an increase of \$20 million to the Conservation Credits Program for fiscal year 2008/09, Water Planning and Stewardship Committee Chairman Barrett reported that the committee amended the staff's recommendation.

Water Planning and Stewardship Committee Chairman Barrett then moved, seconded by Director De Jesus and carried, that the Board adopt the CEQA determination, approve additional new cost management actions, and authorize staff to increase funding for the conservation credits program to an amount equal to \$40 million, as set forth in the letter signed by the General Manager on January 29, 2009, with the following amendments: (a) The Board will retain authority to change devices and device incentives; and (b) Metropolitan will reimburse member agencies for high efficiency clothes washer incentives added by member

agencies that elect to advance up to the \$50 per unit state grant incentive, provided that California reinstates grant funding and agrees to honor past rebate activity.

Director Robinson requested to be recorded as abstaining.

47800 The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through December 2008, signed by the General Manager on January 22, 2009.
- b. 2009 Water Supply Allocation Plan Status, signed by the General Manager on February 4, 2009.

47801 Director Grunfeld announced that the Board will hold a Budget Workshop on February 24, 2009, starting at 8:00 a.m.

Chairman Brick announced that the Special Committee on Bay-Delta meeting on February 17, 2009, will begin at 10:00 a.m. instead of 9:30 a.m.

47802 There being no objection, the Chairman adjourned the Meeting at 1:16 p.m.

JUDY ABDO

SECRETARY

TIMOTHY F. BRICK

CHAIRMAN