

MINUTES

REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

APRIL 14, 2009

47839 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 14, 2009.

Chairman Brick called the Meeting to order at 12:24 p.m.

47840 The Meeting was opened with an invocation by Rabbi Daniel Korobkin, Director of Community & Synagogue Services for the Orthodox Union's West Coast offices, and the spiritual community leader of Yavneh, a modern Orthodox community and yeshiva day school campus in Los Angeles.

47841 The Pledge of Allegiance to the Flag was given, led by Director Fern Steiner. The Board observed a moment of silence in memory of the sudden passing of Anthony Baca, a 22-year Metropolitan employee.

47842 Secretary Abdo called the roll. Those answering present were: Directors Abdo, Ackerman, Apodaca, Arceneaux, Ballin, Barrett, Blake, Brick, Brown, De Jesus, Dick, J. Edwards, M. Edwards, Foley, Grandsen, Gray, Griset, Grunfeld, Hawkins, Kavounas, Lewinger, Little, Lopez, Lowenthal, Morris, J. Murray, Peterson, Pocklington, Record, Robinson, Santiago, Steiner, Wright, and Wunderlich.

Those not answering were: Directors Bakall, Quiñonez, and Sutley.

Chairman Brick declared a quorum present.

47843 Chairman Brick invited members of the public to address the Board on matters within the Board's jurisdiction.

Soledad S. Garcia, Director Emeritus and representative of Neighborhood Council/LADWP MOU Oversight Committee, commented on the water rates and requested the Board to review the rates and charges so there would not be such a steep increase.

Bill Mace, City of Burbank Water and Power Assistant General Manager, commented on Agenda Item 8-7, the Water Supply Allocation Plan, and requested that his comments be made a part of the Board Minutes.

Rua Petty from Rainbow Municipal Water District commented on Agenda Item 8-3, the water rates and charges, and requested that the Board approve Option #2 in the board letter.

Megan Merchant from Last Chance Bait & Tackle in Hemet requested the Board to extend the boat launching ramps at Diamond Valley Lake and submitted petitions from fishermen who agreed to pay higher fees to get the ramps extended.

47844 There being no objection, Chairman Brick ordered the reading of the Minutes of the Meeting for March 10, 2009, dispensed with, a copy having been mailed to each Director.

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

47845 A written report of meetings attended by Directors at Metropolitan expense during the month of March was distributed.

Director Peterson reported that on March 18, 2009, he attended the ACWA Symposium in Sacramento.

47846 The General Counsel's letter signed April 9, 2009, was presented, transmitting the credentials evidencing the appointment by the City of Compton of Yvonne Arceneaux as its representative on Metropolitan's Board for an indefinite term, replacing Isadore Hall, III.

General Counsel Tachiki reported that the credentials had been examined and found legally sufficient, and that the Oath

of Office had been administered to Director Arceneaux on April 13, 2009.

The Chair ordered the credentials, together with the General Counsel's letter, received and filed. Following an introduction by Assistant General Manager/Chief Administrative Officer Ivey, Mrs. Arceneaux took her seat as a Metropolitan Director representing the City of Compton.

47847 The General Counsel's letter signed April 9, 2009, was presented, transmitting the credentials evidencing the appointment by West Basin Municipal Water District of Gloria Gray as one of its representatives on Metropolitan's Board for an indefinite term, replacing Willard H. Murray, Jr.

General Counsel Tachiki reported that the credentials had been examined and found legally sufficient, and that the Oath of Office had been administered to Mrs. Gray on April 13, 2009.

The Chair ordered the credentials, together with the General Counsel's letter, received and filed. Following an introduction by Director Little, Mrs. Gray took her seat as a Metropolitan Director representing West Basin Municipal Water District.

47848 The General Counsel's letter signed March 30, 2009, was presented, transmitting the credentials evidencing the reappointment by the City of Torrance of Bill Wright as its representative on Metropolitan's Board for a term ending December 31, 2012.

General Counsel Tachiki reported that the credentials had been examined and found legally sufficient, and that the Oath of Office had been administered to Director Wright on April 14, 2009.

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

47849 Director Blake moved, seconded by Director J. Edwards and carried, approving the following committee assignments, as follows:

Director Gray to the Communications and Legislation and Water Planning and Stewardship Committees

Director Arceneaux to the Engineering and Capital Programs, Legal and Human Resources, and Real Property and Asset Management Committees

Director Kavounas to the Business and Finance and Water Quality and Operations Committees

Director Little transferred from the Communications and Legislation Committee to the Business and Finance Committee

Chairman Brick to chair the IRP Steering Committee

Formation of Special Committee on Desalination and Recycling, with Director Foley as Chair

47850 Chairman Brick reported on events in which he participated, as follows:

- March 10-12 - Along with Metropolitan Board members and staff, participated in the Los Angeles Chamber's Southern California on the Hill ACCESS D.C. meetings.
- March 16-17 - Participated in Metropolitan's Board of Directors "Sacramento Lobby Day" where Metropolitan hosted a series of briefings for legislators and Administration officials. Metropolitan also co-hosted a screening of "Running Dry" with the California Water Association.
- March 19 - Attended the Water Resources Center Archives board meeting in Sacramento.
- March 20 - At the invitation of Randall Lewis and Phil Hawkeye, attended a tour of the Consumer Technology Application Center operated by Southern California Edison Company in Irwindale.
- March 23 - Accepted an award in San Francisco from the WaterReuse Association's California Section for Metropolitan as the 2008 Recycled Water Agency of the Year (Large).
- March 27 - Along with Metropolitan staff, participated in a Delta/CRA tour.
- April 1 - Along with staff, met at Leo A. Daly & Assoc. in Los Angeles for presentation by Ralph Hicks on the Diamond Valley facility and its technology potential.
- April 9 - Along with Board members and staff, attended Central City Association's 15th annual Treasures of Los Angeles luncheon held at the Westin Bonaventure Hotel & Suites.

Director Arceneaux withdrew from the Meeting at 1:08 p.m.

Chairman Brick gave an overview of what has taken place at Metropolitan over the years, especially after the 1991 drought and how the Board came together to resolve the situation for Southern California, and vowed that they would not be in that situation again. Chairman Brick described the various projects that were undertaken by Metropolitan and the member agencies. The Chairman then remarked that unfortunately today Metropolitan is in a similar situation where rates would have to be raised due to a series of crises that have occurred. Chairman Brick then commented on the current situation and what Metropolitan would be doing to alleviate the problems facing Metropolitan today.

Chairman Brick announced the following events:

April 25: Chairman's Bike Ride at Diamond Valley Lake, starting at 8 a.m. Water conservation festival with the Riverside County water agencies participating, starting at 10:00 a.m. Celebration of the LEED Platinum Certification of Diamond Valley Lake Visitors Center and Western Center for Archaeology and Paleontology, starting at 11:30 a.m.

May 4: U.S. Department of Energy's celebration of the removal of uranium mill tailings in Moab, Utah, starting at 3 p.m.

May 7: Spring Green Fair at Metropolitan's Headquarters, starting at 9 a.m.

47851 Chairman Brick announced that he inadvertently missed naming Director Record to the Communications and Legislation Committee and his transfer from the Engineering and Capital Programs Committee.

Director Peterson moved, seconded by Director Barrett and carried, approving the transfer of Director Record to the Communications and Legislation Committee.

47852 Director Blake moved, seconded by Director Steiner and carried, approving the 90-day leave of absence for Director M. Edwards, commencing May 1, 2009.

47853 Regarding Colorado River, Bay-Delta, and CALFED matters, General Manager Kightlinger referred to the activity report for March dated March 31, 2009, which was posted to the Directors' Web site.

General Manager Kightlinger reported on the cooperation received from the member agencies and the diligent work of staff on the budget cuts of programs, the raising of water rates, and the allocation plan.

General Manager Kightlinger announced the pending departure of Pete Silva, Executive Policy Advisor on Mexico, Agricultural Partnerships and Special Projects, who will be joining the U.S. Environmental Protection Agency in Washington, D.C. as Assistant Administrator.

47854 Regarding Legal Department activities, General Counsel Tachiki referred to the General Counsel's activity report for March dated April 3, 2009, which was posted to the Directors' Web site.

General Counsel Tachiki reported that Metropolitan had filed its Complaint in the Federal District Court to challenge the Delta smelt biological opinion, which is now one of four cases before Judge Wanger on that matter.

General Counsel Tachiki stated the California Department of Water Resources had indicated they received a notice from three environmental groups of their intent to challenge CEQA compliance on the Governor's Drought Water Bank, and that Metropolitan can expect to be served shortly.

General Counsel Tachiki informed the Board there was recent litigation filed to challenge the process by which the Bay-Delta Conservation Plan is being developed. Metropolitan has not yet been served with that complaint, but is expected to receive it shortly.

47855 General Auditor Riss presented a report of the Audit Department's activities for the month of March, dated March 30, 2009. He stated that during the month four reports were issued: (1) Consulting Agreements with Pressure Pipe Inspection Company and Kleinfelder West, Incorporated Audit Report; (2) Major Construction Contracts with Brutoco Engineering & Construction, Incorporated Audit Report; (3) Consulting Agreement with Power-

Tech Engineers, Incorporated Audit Report; and (4) KPMG Single Audit Report for Year Ended June 30, 2008.

General Auditor Riss gave a brief review of the above-listed audit reports and stated that all three audit reports received opinions that the areas under audit included those practices usually necessary to provide for a generally satisfactory internal control structure.

Mr. Riss stated that the KPMG report was a single audit letter, which is required for any local government units that expend \$500,000 or more of federal financial assistance in any one year. KPMG issued an opinion that showed Metropolitan was in compliance with all the terms of the grants.

47856 Ethics Officer Elliott referred to the activity report for March dated March 31, 2009, which was posted on the Directors' Web site.

Ethics Officer Elliott reported that at the next meeting of the Audit and Ethics Committee she will submit proposed changes to the Administrative Code regarding ethics, and will present an overview of the Ethics Office procedures. Dr. Elliott stated that the Ethics Office is now working to make its resources more easily accessible online. There is already a very popular area on Metropolitan's job Web site, but that does not meet all the needs of the Directors or employees. The ethics upgrade on the Board of Directors' Web site will be available by the end of this month. The new Intramet Ethics Office site is under construction.

Ethics Officer Elliott reported that the Ethics Office had a substantial increase of activity in March as compared to previous months, possibly due to employees seeking out help and reassurance during times of economic uncertainty.

47857 Water Quality and Operations Committee Chairman Brown moved, seconded by Director Lowenthal and carried, that the Board adopt the California Environmental Quality Act (CEQA) determination and authorize the General Manager to enter into the following labor agreements: (a) A contract for provision of agency temporary skilled labor with Stockmar Elite not to exceed \$500,000 per year; and (b) A contract for provision of agency temporary skilled labor with Premier Personnel Resources not to

exceed \$250,000 per year, as set forth in the letter signed by the General Manager on April 1, 2009.

47858 Business and Finance Committee Chairman Grunfeld moved, seconded by Director J. Murray and carried, that the Board adopt the CEQA determination and

- a. Approve the 2009/10 Budget;
- b. Appropriate \$1.05 billion for the projected annual cash outlays for Metropolitan O&M and operating equipment, power costs on the Colorado River Aqueduct, SWP operations, maintenance, power and replacement costs and SWP capital charges; demand management programs including the local resources and conservation credits program; and costs associated with supply programs;
- c. Appropriate as continuing appropriations, \$330.7 million for 2009/10 debt service on Metropolitan general obligation and revenue bonds;
- d. Authorize the use of \$36.7 million in operating revenues to fund Replacement and Refurbishment expenditures in 2009/10; and
- e. Authorize the use of \$30 million in operating revenues to fund Replacement and Refurbishment expenditures in 2008/09;

as set forth in the letter signed by the General Manager on February 7, 2009.

47859 Regarding the water rates and charges, Business and Finance Committee Chairman Grunfeld remarked on the unprecedented amount of time both Directors and staff spent on the rates and charges, keeping in mind their fiduciary duties and general responsibilities to the 19 million people that Metropolitan serves via their respective member agencies. Committee Chairman Grunfeld then moved, seconded by Director Santiago, that the Board adopt the CEQA determination and approve Option #2 set forth in the revised board letter signed by the General Manager on April 7, 2009, with an amendment to add Item (d) and:

- a. Approve an 8.8 percent increase in water rates, plus a \$69/AF Delta Supply Surcharge for a total average increase of 19.7 percent, effective September 1, 2009;
- b. Adopt **Resolution 9087** to Impose the Readiness-to-Serve Charge;

- c. Adopt **Resolution 9088** to Impose the Capacity Charge, said resolutions entitled:

Resolution 9087: RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING A READINESS-TO-SERVE CHARGE FOR CALENDAR YEAR 2010

Resolution 9088 RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING A CAPACITY CHARGE EFFECTIVE JANUARY 1, 2010

and

- d. Direct staff to work with the member agencies and the Board to evaluate the historical cost-of-service methodology utilized by Metropolitan, including a review of additional fixed charges, including property taxes, with the intent to ensure that all rates and charges recover the full cost of service when the Board establishes rates for the 2010/11 fiscal year.

Comments were made by Directors for and against the motion with emphasis on the treatment surcharge and decreasing reserves.

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, 3,466 votes), 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), Inland Empire Utilities Agency (Dir. Santiago, 8,440 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,982 votes), Long Beach (Dir. Lowenthal, 3,984 votes), Los Angeles (Ayes: Dirs. Grunfeld and J. Murray. Absent: Dirs. Quiñonez and Sutley. 40,455 votes), Municipal Water District of Orange County (Ayes: Dirs. Ackerman, Dick, and Foley. Absent: Dir. Bakall. 34,917 votes), San Diego County Water Authority (Dirs. Barrett, Lewinger, Pocklington, and Steiner, 38,213 votes), San Fernando

(Dir. Ballin, 150 votes), Santa Ana (Dir. Griset, 2,169 votes), Santa Monica (Dir. Abdo, 2,332 votes), West Basin Municipal Water District (Dirs. Gray and Little, 13,663 votes), Western Municipal Water District of Riverside County (Dir. Lopez, 8,456 votes). Total 178,176 votes.

Noes: Burbank (Dir. Brown, 1,803 votes), Calleguas Municipal Water District (Dir. Grandsen, 8,160 votes), Foothill Municipal Water District (Dir. J. Edwards, 1,272 votes), Fullerton (Dir. Blake, 1,457 votes), Glendale (Dir. Kavounas, 2,226 votes), San Marino (Dir. Morris, 399 votes), Three Valleys Municipal Water District (Dir. De Jesus, 5,031 votes), Torrance (Dir. Wright, 2,186 votes), Upper San Gabriel Valley Municipal Water District (Dir. Robinson, 7,257 votes). Total 29,791 votes.

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

Absent: Compton (Dir. Arceneaux, 362 votes). Total 362 votes.

The Chair declared the recommended water rates and charges and resolutions to impose charges for fiscal year 2009/10 passed by 178,176 ayes, 29,791 noes, 2,037 not participating, and 362 absent.

47860 Engineering and Capital Programs Committee Vice Chairman Morris moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and (a) appropriate \$2.79 million; and (b) award \$1,535,000 construction contract to Brutoco Engineering & Construction, Inc. for the Jensen Administration Building Seismic Upgrades, as set forth in the letter signed by the General Manager on March 30, 2009.

47861 Water Planning and Stewardship Committee Chairman Barrett moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and authorize purchasing up to 300,000 acre-feet of Central Valley water transfer supplies from the 2009 Governor's Drought Water Bank on terms consistent with the term sheet attached to the letter signed by the General Manager on March 30, 2009.

47862 Water Planning and Stewardship Committee Chairman Barrett moved, seconded by Director Morris and carried, that the Board adopt the CEQA determination and amend the Water Supply

Allocation Plan as described in the letter signed by the General Manager on April 3, 2009, to resolve *Central Basin Municipal Water District v. Metropolitan Water District*.

Director Grunfeld withdrew from the Meeting at 1:54 p.m.

47863 Water Planning and Stewardship Committee Chairman Barrett moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and (a) the revised resolution (**Resolution 9089**) supporting implementation of the Water Supply Allocation Plan shown as Attachment 1 to the letter, said resolution entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA IMPLEMENTING ITS WATER SUPPLY ALLOCATION PLAN FOR 2009 AND ESTABLISHING THE REGIONAL SHORTAGE LEVEL

(b) declare a water supply "Condition 3 - Water Supply Allocation"; and (c) implement the Water Supply Allocation Plan at a "Regional Shortage Level 2" effective July 1, 2009 through June 30, 2010, as set forth in the letter signed by the General Manager on April 3, 2009.

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

47864 Communications and Legislation Committee Chairman Griset moved, seconded by Director Santiago and carried, that the Board approve the committee's recommendation and adopt the CEQA determination and authorize the General Manager to express Metropolitan's support, if amended, for AB 958 (Eng, D-Monterey Park) - Design-build: metropolitan water districts: solar energy systems, referenced in the letter signed by the General Manager on April 1, 2009.

(The committee recommendation was inadvertently misstated at the Board Meeting and clarified at the meeting of the Executive Committee on April 28, 2009, to show that "The Board authorized the General Manager to express Metropolitan's support for AB 958.")

47865 Communications and Legislation Committee Chairman Griset moved, seconded by Director Ballin and carried, that the Board adopt the CEQA determination and authorize the General Manager to express Metropolitan's support for AB 1465 (Hill, D-San Mateo) – Urban water management planning, as set forth in the letter signed by the General Manager on April 2, 2009.

47866 Communications and Legislation Committee Chairman Griset moved, seconded by Director Apodaca, that the Board approve the recommendation of the committee, as amended, to adopt the CEQA determination and authorize the General Manager to take no position on AB 300 ((Caballero, D-Salinas) – Subdivisions: water supply; and AB 1408 (Krekorian, D-Burbank) – Subdivisions: Water Conservation Mitigation Fund, as described in the letter signed by the General Manager on April 3, 2009.

Director Peterson stated that AB 300 was designed for Metropolitan with the intent of growing on conservation and not wanting to depend on getting water from other sources, but Metropolitan is not now taking a position on this bill. Director Peterson then offered a substitute motion, seconded by Director Santiago, that the Board support AB 300, if amended to include the changes suggested by staff to address Metropolitan's concerns.

Director Lewinger offered a friendly amendment to the substitute motion that it also include AB 1408. The maker and seconder of the substitute motion accepted the friendly amendment.

The Chair called for a vote on the substitute motion that the Board support (a) AB 300 (Caballero, D-Salinas) – subdivisions: water supply; and (b) AB 1408 (Krekorian, D-Burbank) – Subdivisions: Water Conservation Mitigation Fund, as set forth in the letter signed by the General Manager on April 3, 2009. The substitute motion, as amended, carried.

Directors Abdo, Ackerman, Dick, M. Edwards, Foley, and Lowenthal requested to be recorded as voting no.

47867 Communications and Legislation Committee Chairman Griset moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and express an oppose position on SB 42 (Corbett, D-San Leandro) – Coastal resources seawater

intakes, as set forth in the letter signed by the General Manager on April 7, 2009.

47868 Communications and Legislation Committee Chairman Griset stated that Agenda Item 9-2 was changed in committee to an action item and, therefore, moved that the Board express support for SB 283 (DeSaulnier, D-Antioch) – Building standards: recycled water systems, as described in the letter signed by the General Manager on April 2, 2009. The motion was seconded by Director Blake and carried.

47869 The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through February 2009, signed by the General Manager on March 30, 2009.
- b. Report on Delta-related legislative bills: SB 12 (Simitian, D-Palo Alto) – Sacramento-San Joaquin River Delta, Clean Drinking Water, Water Supply Security, and Environmental Improvement Act of 2009; SB 229 (Pavley, D-Santa Monica) – California Water Commission: Bay-Delta; SB 457 (Wolk, D-Davis) – Sacramento-San Joaquin Delta; SB 458 (Wolk, D-Davis) – Conservancies: Sacramento-San Joaquin Delta Conservancy; SB 808 (Wolk, D-Davis) – San Francisco Bay/Sacramento-San Joaquin Delta Estuary: strategic work plan; and AB 39 (Huffman, D-San Rafael) – Sacramento-San Joaquin Delta: Final Delta Vision Strategic Plan, signed by the General Manager on April 3 2009.

47870 Director Grunfeld announced that a State Water Contract Workshop will be held on April 28, 2009, at 9:00 a.m.

47871 There being no objection, the Chairman adjourned the Meeting at 2:05 p.m.

JUDY ABDO

SECRETARY

TIMOTHY F. BRICK

CHAIRMAN