

MINUTES

REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

JULY 14, 2009

47934 The Board of Directors of The Metropolitan Water District of Southern California met in Regular Meeting in Committee Room 2-456 located in the building at 700 North Alameda Street in the City of Los Angeles, State of California, on Tuesday, July 14, 2009.

Chairman Brick called the Meeting to order at 12:02 p.m.

47935 The Meeting was opened with an invocation by Nancy Kavin, Principal Administrative Analyst, Corporate Resources Group.

47936 The Pledge of Allegiance to the Flag was given, led by Director Yvonne Arceneaux.

47937 In the absence of Board Secretary Abdo, Chairman Brick called the roll. Those answering present were: Directors Ackerman, Apodaca, Arceneaux, Ballin, Barrett, Blake, Brick, Brown, De Jesus, Dick, J. Edwards, Evans, Foley, Grandsen, Gray, Griset, Hawkins, Kavounas, Lewinger, Little, Morris, J. Murray, Peterson, Pocklington, Record, Robinson, Santiago, Steiner, and Wright.

Those not answering were: Directors Abdo, Bakall, M. Edwards, Fleming, Grunfeld, Lowenthal (entered 12:12 p.m.), Quiñonez, and Wunderlich (entered 12:15 p.m.).

Chairman Brick declared a quorum present.

47938 Chairman Brick invited members of the public to address the Board on matters within the Board's jurisdiction.

Comments in support of the Conservation Credits Program and requests that the Board continue the funding were heard from:

Marie Ager, vendor
Miriam Torres, Environmental Justice Coalition for Water
Maddalena Serra, Sierra Club, Angeles Chapter
Larry Porter, Ocean Outfall Group
David Campbell, Sierra Club
Renee Maas, Food and Water Watch
Elsa Rosales, Inglewood resident
Stephanie Taylor, Green LA Coalition
David Duel, vendor
Conner Everts, Southern California Watershed Alliance
Paul Thompson, Southern California Edison

Director Lowenthal took her seat at 12:12 p.m.

Mike Giusti of the California Department of Fish and Game spoke in support of the recommendation in the board letter relating to the Diamond Valley Lake (DVL) boat ramp extension.

Megan Merchant from Last Chance Bait & Tackle in Hemet commented on the boat ramp extension at DVL and thanked the Board for its consideration.

Director Wunderlich took his seat at 12:15 p.m.

Chairman Brick introduced Sunne Wright McPeak, the President and CEO of California Emerging Technology Fund, who gave a presentation on the Delta Vision Foundation case. Mrs. McPeak discussed the critical need for a combination of improved water conveyance and storage in California. She stated that a comprehensive solution must include both Delta protections and water reliability improvements.

Director Peterson withdrew from the Meeting at 1:10 p.m.

47939 There being no objection, Chairman Brick ordered the reading of the Minutes of the Meeting for June 9, 2009, dispensed with, a copy having been mailed to each Director.

Director Blake moved, seconded by Board Vice Chairman J. Murray and carried, approving the foregoing Minutes as mailed.

47940 A written report of meetings attended by Directors at Metropolitan expense during the month of June was distributed.

47941 The General Counsel's letter signed July 13, 2009, was presented, transmitting the credentials evidencing the appointment by Western Municipal Water District of Riverside County of Thomas P. Evans as its representative on Metropolitan's Board for an indefinite term, replacing S.R. "Al" Lopez.

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 Evans on July 13, 2009.

The Chair ordered the credentials, together with the General Counsel's letter, received and filed. Following an introduction by former Director Lopez, Director Evans took his seat as a Director representing Western Municipal Water District of Riverside County.

47942 Director Blake moved, seconded by Director Morris and carried, adjourning the August Board Meeting to August 18, 2009, to establish the tax rate. (Committees will meet on Monday and Tuesday, August 17 and 18, 2009.)

47943 Chairman Brick reported there were no new committee assignments.

47944 Chairman Brick reported on events in which he participated, as follows:

- June 10 - Met with Dr. Mark Bernstein, USC's Managing Director of the Energy Institute and Professor of Practice, Political Science, to discuss Clean Tech LA's Coalition of Universities, and future collaboration dealing with the role of research in water resource planning.

- June 12 - Participated in a community leaders breakfast briefing for Senator Tom Harman. General Manager Kightlinger also spoke at this event.
- June 16 - Attended the Pasadena/Foothills Chapter of the United Nations Associations as their guest speaker. The event concentrated on The UN Millennium Development Goals.
- June 17 - Attended the Association of Strategic Planning at the invitation of its president, Subodh Kumar, and spoke on the strategic considerations for water supply, demand and execution strategies undertaken by Metropolitan.
- June 19 - At the invitation of Mark Pisano and USC, participated as a panelist in their America 2050 Forum, which discussed the role and status of water resources in 2050.
- June 19 - Also attended Metropolitan's local legislator briefing with State Senator Carol Liu to discuss Bay-Delta issues.
- June 29 - Participated in a panel discussion entitled "What is Driving the Growth of Sustainability in our Region?", hosted by the Los Angeles Business Council at its Annual Sustainability Summit at the Getty Center.
- June 30 - Along with Directors J. Murray and Gray and staff, participated in a legislative briefing for U.S. Representative Eddie Bernice Johnson from the 30th Congressional District of Texas (Dallas County). She is a member of the House Transportation and Infrastructure Committee and serves as Chairwoman of the Subcommittee on Water Resources and Environment. The subcommittee is responsible for reauthorization of the Clean Water Act, which Metropolitan is in the process of reviewing.
- July 7 - Met with Jim Laehy of Morrow-Meadows Corporation to discuss possible additional solar PV projects for Metropolitan.
- July 7 - Also met with Floyd Hicks, former president of Golden State Water, to discuss Golden State Water's approach to litigation in the Aerojet matter in Sacramento County.
- July 9 - Attended the Southern California Minority Business Development Council-Supplier of the Year Awards luncheon honoring the work of Board Vice Chairman J. Murray.
- July 11 - Participated in the Independent Cities Association summer conference panel discussion on water issues, which was entitled "Planning for the Future: Water Reliability for Southern California".

Director Peterson returned to the Meeting at 1:18 p.m.

47945 Director Blake moved, seconded by Director Foley and carried, and the Board authorized the preparation of a Commendatory Resolution for former Chairman of the Board Wesley M. Bannister.

47946 Regarding Colorado River, Bay-Delta, and CALFED matters, General Manager Kightlinger referred to the activity report for June dated June 30, 2009, which was posted to the Directors' Web site.

General Manager Kightlinger informed the Board that Pete Silva has resigned from Metropolitan due to his confirmation by the U.S. Senate on July 10, 2009, as the Assistant Administrator for Water at the U.S. Environmental Protection Agency.

General Manager Kightlinger reported on the completion of the draft Bay-Delta Conservation Plan, with the third write-up of the project alternative draft to be circulated late next month.

General Manager Kightlinger informed the Board that Deputy Secretary of the Interior David Hayes has given direction to the Bureau of Reclamation and the Fish and Wildlife Service to have the Two-Gates Project completed this calendar year.

General Manager Kightlinger reported on the Management Forum held on July 16 at Fairplex in Pomona. The team reviewed how staff would implement the directions from the Board with the intent of turning Metropolitan into the highest functioning organization possible.

47947 Regarding Legal Department activities, General Counsel Tachiki referred to the General Counsel's activity report for June dated July 7, 2009, which was posted to the Directors' Web site.

General Counsel Tachiki commented on the extensive discussion that took place in the Legal and Human Resources Committee in closed session.

47948 General Auditor Riss presented a report of the Audit Department's activities for the month of June, dated June 30, 2009. He stated that during the month two reports and two "comfort" letters were issued: (1) Employee and Director Expense Reports Audit Report; (2) Energy Management Audit Report; (3) Official Statement for the Water Revenue Refunding Bonds, 2009 Series B and C; and (4) Official Statement for the Water Revenue Bonds, 2008 Authorization, Series B and C.

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

47949 Ethics Officer Elliott referred to the activity report for June dated June 30, 2009, which was posted on the Directors' Web site.

Ethics Officer Elliott reported that the Intake Committee for Director Concerns met on June 23 to discuss an allegation of Brown Act violation at the June Board Meeting. The committee recommended against formal investigation because reconsideration of this matter would not apply in this case because the Board asked for further information and no action was taken on the substance of the matter. However, the committee recognized that interpretation of the Brown Act by the Board can be complicated because of the weighting of votes, and that some Board members may not be familiar with Brown Act requirements. The committee has recommended mandatory training for Board members on the Brown Act and how it applies to Metropolitan's Board. Dr. Elliott stated that training would take place at a time convenient to Board members within the next couple of months.

47950 Vice Chairman J. Murray reported that the Department Heads' evaluation has not yet been completed and asked Directors who have not done so to return their survey forms.

47951 General Manager Kightlinger commented on his Business Plan for fiscal year 2009/10. With the aid of slides, he commented on the Strategic Priorities and Core Business. Under the Strategic Priorities, he emphasized Water Supply Reliability, Bay-Delta Solutions, and Financial Strength and Capabilities. General Manager Kightlinger stated that parts of the Core

Business would be to: Effectively implement Water Supply Allocation Plan; Achieve IRP completion milestones; Complete the Inland Feeder; Identify development opportunities for DVL properties; Conduct Long Range Finance Plan workshops; and Conduct rate analysis to ensure recovery of full cost of service.

Director Hawkins moved, seconded by Board Vice Chairman J. Murray and carried, approving the General Manager's Business Plan for fiscal year 2009/10.

Director Blake moved, seconded by Director Morris and carried, and the Board approved the Consent Calendar Items, **M.I. 47952** through **M.I. 47954**, as follows:

47952 Adopted the California Environmental Quality Act (CEQA) determination and (a) appropriated \$390,000 (Appropriation No. 15376, No. 11, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized Phase Two of the Two-Way Radio System Upgrade project, as set forth in the letter signed by the General Manager on June 30, 2009.

47953 Adopted the CEQA determination and authorized the General Manager to enter into a Local Resources Program agreement with San Diego County Water Authority and Ramona Municipal Water District for the San Vicente Water Recycling Program for 340 acre-feet per year under terms included in the letter signed by the General Manager on June 26, 2009.

Directors Barrett, Lewinger, Pocklington, and Steiner requested to be recorded as abstaining.

47954 Adopted the CEQA determination and authorized the General Manager to enter into a Local Resources Program agreement with Calleguas Municipal Water District and the City of Oxnard for the Advanced Water Purification Facility Project for 2,310 acre-feet per year of recycled water under terms included in the letter signed by the General Manager on June 26, 2009.

Director Grandsen requested to be recorded as abstaining.

47955 Business and Finance Committee Vice Chairman Lewinger moved, seconded by Director Little and carried, by a two-thirds vote, that the Board adopt the CEQA determination and **Resolution 9098** authorizing amendment to the Master Swap Policy as described

in Attachment 1 to the letter signed by the General Manager on June 29, 2009, said resolution entitled:

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN
WATER DISTRICT OF SOUTHERN CALIFORNIA AUTHORIZING AMENDMENT
OF MASTER SWAP POLICY**

Director Dick requested to be recorded as voting no.

47956 Engineering and Capital Programs Committee Vice Chairman Morris moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and appropriate \$8.47 million (Appropriation No. 15388, No. 11, from the Revenue Bonds, Replacement and Refurbishment or General Funds) to support completion of the Skinner Oxidation Retrofit Program construction contract, and for Metropolitan force construction of the Skinner Completion Project, as set forth in the letter signed by the General Manager on July 1, 2009.

47957 Engineering and Capital Programs Committee Vice Chairman Morris moved, seconded by Board Vice Chairman J. Murray and carried, that the Board adopt the CEQA determinations and (a) appropriate \$2.22 million (Appropriation No. 15369, No. 28, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) award a \$2,426,000 procurement contract to Sojitz Corporation of America to furnish three large-diameter butterfly valves (two for the Weymouth plant and one for the intertie to the Inland Feeder), as set forth in the letter signed by the General Manager on June 30, 2009.

47958 Engineering and Capital Programs Committee Vice Chairman Morris moved, seconded by Director J. Edwards and carried, that the Board adopt the CEQA determinations and (a) appropriate \$5.93 million in budgeted funds (Appropriation No. 15417, No. 4, for \$4,990,000; and Appropriation No. 15435, No. 4, for \$940,000, from the Revenue Bonds, Replacement and Refurbishment or General Funds); (b) award \$3,438,590 contract to Layfield Environmental Systems Corporation to replace the floating cover at the Skinner reservoir; and (c) authorize construction of a potable water connection at the Skinner reservoir, as set forth in the letter signed by the General Manager on June 30, 2009.

Director Lowenthal requested to be recorded as abstaining.

47959 Water Quality and Operations Committee Chairman Brown reported that the committee discussed, but took no action, on Agenda Item 8-5 regarding the Strategic Power Plan Policy Goals.

47960 Water Planning and Stewardship Committee Chairman Barrett moved, seconded by Director Morris and carried unanimously, that the Board adopt the CEQA determination and authorize the General Manager to make payments of \$577,728 to the Six Agency Fund and \$15,072 to the Colorado River Authority of California for a total of \$592,800 for fiscal year 2009/10, as set forth in the letter signed by the General Manager on June 30, 2009.

47961 Legal and Human Resources Committee Vice Chairman Dick reported the committee heard a report on Agenda Item 8-7, Conference with Labor Negotiators, and gave instructions to Metropolitan's labor negotiators.

47962 Communications and Legislation Committee Chairman Griset reported that the committee voted to amend the staff recommendation and voted to adopt the CEQA determination and authorize the General Manager to express Metropolitan's opposition, unless amended, to S.787 (Feingold, D-WI), the Clean Water Restoration Act of 2009.

Director Steiner requested that this item be tabled so that the committee can work on the amendments to this bill before any action is taken. Director Steiner then moved, seconded by Committee Chairman Griset and carried, that this matter be tabled.

47963 Real Property and Asset Management Committee Chairman Hawkins moved, seconded by Board Vice Chairman J. Murray and carried, that the Board adopt the CEQA determination and authorize proceeding with advertisement of the construction contract for completing three lanes of the boat ramp and raise parking and launch fees sufficient to recover costs within approximately 5 years, as set forth in the letter signed by the General Manager on July 8, 2009.

Directors Barrett, Lewinger, Pocklington, and Steiner requested to be recorded as voting no.

47964 Water Planning and Stewardship Committee Chairman Barrett moved, seconded by Director Morris and carried, that the Board adopt the CEQA determination and authorize staff to (a) increase the fiscal year 2009/10 Conservation Credits Program budget by \$14.2 million, including administrative costs, to pay additional fiscal year 2008/09 needs and utilize the planned \$19.1 million budget to fund fiscal year 2009/10 conservation activities; (b) amend Honeywell International agreement, increasing the maximum amount payable by \$27 million to \$85 million; and (c) implement administrative improvements and program changes, including modification of incentives as identified in Attachment 3 to the letter signed by the General Manager on July 9, 2009.

Directors Barrett, J. Edwards, Lewinger, Pocklington, and Steiner requested to be recorded as voting no.

47965 The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through May 2009, signed by the General Manager on June 26, 2009.
- b. Participation in a proposed funding agreement and other related agreements for the pilot operation of the Yuma Desalting Plant, signed by the General Manager on June 30, 2009. (Deferred by committee on July 13, 2009)
- c. Report on tentative settlement of proposed Southern California Edison transmission rate proceeding, jointly signed by the General Counsel and the General Manager on July 2, 2009. (Deferred by committee on July 14, 2009)

47966 Director Gray requested that matters from the Business Outreach program be taken up as an item in committee.

47967 There being no objection, the Chairman adjourned the Meeting at 1:50 p.m.

TIMOTHY F. BRICK
CHAIRMAN