

**MINUTES**

**REGULAR MEETING OF THE**

**BOARD OF DIRECTORS**

**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

**NOVEMBER 10, 2009**

**48062** 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, November 10, 2009.

Board Vice Chair Steiner called the Meeting to order at 12:05 p.m.

**48063** The Meeting was opened with an invocation by Rabbi Hershy Z. Ten, president of Bikur Cholim (Jewish Healthcare Foundation).

**48064** The Pledge of Allegiance to the Flag was given by Director William D. "Bud" Pocklington.

**48065** Board Secretary Abdo called the roll. Those answering present were: Directors Abdo, Ackerman, Ballin, Barrett, Blake, Brown, De Jesus, Dick, J. Edwards, Evans, Foley, Grandsen, Gray, Griset, Grunfeld, Hawkins, Kavounas, Lewinger, Little, Lowenthal, Morris, J. Murray, K. Murray, Peterson, Pocklington, Record, Robinson, Santiago, Steiner, Vasquez, Wright, and Wunderlich.

Those not answering were: Directors Arceneaux, Bakall, Brick, Fleming, and Quiñonez.

Board Vice Chair Steiner declared a quorum present.

**48066** Board Vice Chair Steiner invited members of the public to address the Board on matters within the Board's jurisdiction.

The Board heard remarks from Timothy H. Quinn, Executive Director of the Association of California Water Agencies (ACWA), who said that Metropolitan and ACWA worked together in support of the historic water Delta legislation enacted last week. Mr. Quinn praised the work of the General Manager and Metropolitan staff on the legislative package.

The following members of the public spoke in favor of Agenda Item 8-3, "Authorize entering into a Seawater Desalination Program Agreement with San Diego County Water Authority and its local retail agencies for the Carlsbad Seawater Desalination Project":

Mayor Bud Lewis, City of Carlsbad  
Alex Kim read a letter of support from Governor Arnold Schwarzenegger  
Tom Scaglione, Vallecitos Water District  
Mitchell Dion, General Manager, Rincon del Diablo Municipal Water District  
Kimberly A. Thorner, General Manager, Olivenhain Municipal Water District  
Gina McBride, Incoming Board President, Carlsbad Chamber of Commerce  
JoAnne Golden, San Diego County Taxpayers Association  
Andy Kingman, Poseidon Resources  
Steve Howard, Barclay's Capital  
Jim Donnell, President and CEO, Poseidon Resources  
Eric Munoz, President and Chairman of the Board, Agua Hedionda Lagoon Foundation  
Peter MacLaggan, Poseidon Resources  
Gary Arant, General Manager, Valley Center Municipal Water District

The following members of the public spoke against the approval of the Carlsbad Seawater Desalination Project:

Conner Everts, Desalination Response Group  
Andrea Antony, Surfrider Foundation  
Kat McIver, Food and Water Watch  
Renée Maas, Food and Water Watch

Eddie Scher, Coastal Restoration Advocates  
Maddalena Serra, Sierra Club  
Dr. Clyde Williams, Sierra Club, Angeles Chapter,  
Water Committee  
Steve Ray, Watershed Coordinating Council  
Dr. Irwin Haydock  
Javier Gonzalez, Strengthening our Lives  
Jason Elias, SEIU Local 721

**48067** There being no objection, Board Vice Chair Steiner ordered the reading of the Minutes of the Meeting for October 13, 2009, dispensed with, a copy having been mailed to each Director.

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

**48068** A written report of meetings attended by Directors at Metropolitan expense during the month of October was distributed.

The following Directors reported on other meetings they attended in October:

October 1: Orange County Coastkeeper, Tustin, California - Director Dick  
October 8-9: ACWA Region 8, 9, and 10 meetings, Lake Elsinore, California - Director Peterson  
October 15: Dedication of James M. Rez facility, Glendale, California - Directors Blake and Peterson  
October 22: Southern California Water Committee Annual Meeting, Industry Hills, California - Directors Morris, Peterson, and Record  
October 26: ACWA Region 7 meeting, San Joaquin Valley, California - Director Peterson

Director Peterson moved, seconded by Director Blake and carried, approving the above additions to the Summary of Meetings.

**48069** Board Vice Chair Steiner reported there were no new committee assignments.

**48070** Board Vice Chair Steiner acknowledged General Manager Kightlinger's hard work and contribution towards the historic package of Delta and statewide water management reforms.

**48071** Board Vice Chair Steiner gave a report on the Directors' Board Retreat that took place on November 1-3, 2009 at the Embassy Suites in Temecula and at the Visitors Center at Diamond Valley. The retreat focused on "MWD 2060: Shaping a Sustainable Future", which included a number of speakers on a broad range of topics, such as:

- Lessons Learned from Australia
- Southern California in the Future
- Shaping the Workforce
- Science and Technology
- Water in the West
- California's Water Portfolio
- Climate Change
- Sustainability
- Shaping the Message
- The Business Perspective

A short video was played with Chairman Brick commenting on the retreat and the establishment of a Blue Ribbon Committee with outside professionals and experts to help Metropolitan draft a new business plan while considering the global natural, economic and demographic changes that Metropolitan will likely face during the next 50 years.

On behalf of Chairman Brick, Board Vice Chair Steiner announced that Robert Simonds, former Director from Los Angeles, would chair the Blue Ribbon Committee.

Board Vice Chair Steiner stated that Chairman Brick would also establish a committee of board members to track the work of the Blue Ribbon Committee as we look ahead to 2060 and work together to ensure a sustainable future for Southern California.

Board Vice Chair Steiner reported on the Southern California Leadership Network, whose mission is to develop a productive network of exemplary and diverse leaders in the business, government, and community sectors who are capable of

addressing the critical challenges facing the Southern California region. Board Vice Chair Steiner announced that the Leadership Network is hosting a "Southern California Visionaries" awards luncheon on December 8 to celebrate dynamic leadership by recognizing outstanding achievements, and that two of Metropolitan's own will be recognized:

- Southern California Leader of the Year, Director David Fleming
- Public Sector Leader of the Year, Assistant General Manager/CAO Gilbert Ivey

All Directors will be invited to participate. Board Vice Chair Steiner noted that committee and Board meetings will be adjusted in December to allow Directors to attend the awards luncheon, as follows: the Communications and Legislation Committee will meet on Monday, December 7, at 3:00 p.m., and the Board Meeting will be moved up to 9:00 a.m. on Tuesday, December 8, 2009.

Board Vice Chair Steiner also announced the upcoming Colorado River Water Users Association annual conference on December 9-11, 2009 in Las Vegas, with the theme for 2009 being "The Cost of Change: Challenges and Opportunities". The agenda will focus on expected changes in water management. Secretary of the Interior Ken Salazar is scheduled to speak at the conference.

**48072** Regarding Colorado River, Bay-Delta, and CALFED matters, General Manager Kightlinger referred to the activity report for October dated October 31, 2009, which was posted to the Directors' Web site.

General Manager Kightlinger stated that the report on Delta legislation matters was given at the Communications and Legislation Committee earlier today. He thanked the member agencies for their input and hard work towards Delta legislation. Mr. Kightlinger especially thanked Kathy Cole, Metropolitan's Executive Legislative Representative, for her hard work and long hours during this time period.

General Manager Kightlinger announced that Metropolitan received the Platinum Award for Utility Excellence from the Association of Metropolitan Water Agencies,

acknowledging utilities that are in the forefront of sustainable management by addressing the full range of challenges and opportunities confronting drinking water systems today.

**48073** Regarding Legal Department activities, General Counsel Tachiki referred to the General Counsel's activity report for October dated November 3, 2009, which was posted to the Directors' Web site.

General Counsel Tachiki reported that trial of the QSA litigation has commenced.

**48074** General Auditor Riss presented a report of the Audit Department's activities for the month of October, dated October 31, 2009. He stated that during the month four reports were issued: (1) Consulting Agreements with Fluidiqs, Incorporated Audit Report; (2) Inland Feeder Project - Salvaged Equipment Program Audit Report; (3) Remote Site Activities - Desert and Western Regions Audit Report; and (4) Remote Site Activities - Eastern Region Audit Report.

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

**48075** Ethics Officer Elliott referred to the activity report for October dated October 31, 2009, which was posted to the Directors' Web site.

Ethics Officer Elliott reported that the Directors' Ethics Manual would be ready for vetting by the members of the Audit and Ethics Committee by the end of the month. Those Directors who are not on the committee and would like to preview the manual before its distribution can contact her office.

**48076** Board Vice Chair Steiner announced that the meetings of the Executive Committee and the IRP workshop will meet on Tuesday, November 24 (subsequently changed to Monday, November 30), and the Board Workshop on Labor Negotiations on November 30, 2009.

Board Vice Chairman Santiago moved, seconded by Director Blake and carried, and the Board approved the Consent Calendar Items, **M.I. 48077** through **M.I. 48081** as follows:

**48077** Adopted the California Environmental Quality Act (CEQA) determination and (a) appropriated \$260,000 (Appropriation No. 15441, No. 16, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized preliminary design to rehabilitate three service connections on the Upper Feeder, as set forth in the letter signed by the General Manager on October 27, 2009.

**48078** Adopted the CEQA determination and (a) appropriated \$390,000 (Appropriation No. 15438, No. 6, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) final design of upgrades to the Colorado River Aqueduct Mile 12 Monitoring Station; and (c) final design of equipment storage buildings at Gene Pumping Plant, as set forth in the letter signed by the General Manager on October 28, 2009.

**48079** Adopted the CEQA determinations and authorized (a) change orders for the Jensen Solids Thickeners Nos. 5 and 6 contract up to an aggregate amount not to exceed \$494,000; and (b) change orders for the Jensen Administration Building Seismic Upgrades contract up to an aggregate amount not to exceed \$431,000, as set forth in the letter signed by the General Manager on October 27, 2009.

**48080** Adopted the CEQA determination and authorized the General Manager to enter into an agreement to reimburse Coachella Valley Water District for its operational costs in the amount of \$530,000 for reducing its request for water conserved under the IID/MWD 1988 Agreement from 20,000 acre-feet to 12,000 acre-feet and making 8,000 acre-feet available for use by Metropolitan, as set forth in the letter signed by the General Manager on October 28, 2009.

**48081** Adopted the CEQA determination and approved the changes to the Administrative Code set forth in Attachment 1 to the letter jointly signed by the Ethics Officer on October 7, and the General Counsel on October 8, 2009, to reflect the new structure of the Board's committees, and to make conforming changes throughout the Administrative Code wherever the new committees are referenced.

**48082** Business and Finance Committee Chairman Grunfeld reported that at the committee there was a discussion on the Cost-of-Service allocation methodology and voted to approve Option #2 instead of the staff's recommendation of Option #1.

Business and Finance Committee Chairman Grunfeld then moved, seconded by Board Vice Chair J. Murray and carried, approving Option #2 in the letter signed by the General Manager on October 23, 2009, directing staff to make no changes to the Cost-of-Service methodology and to continue to work with the member agencies on the Cost-of-Service methodology through the Integrated Resources Plan and the Long Range Finance Plan.

**48083** Engineering and Operations Committee Chairman Record moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and (a) appropriate \$39 million (Appropriation No. 15369, No. 30, for \$28,100,000; and Appropriation No. 15392 for \$10,900,000, both from the Revenue Bonds, Replacement and Refurbishment or General Funds); (b) award \$25.13 million construction contract to J. F. Shea Construction, Inc., for the Weymouth Power System Upgrades and Oxidation Retrofit Program Switchgear Building; and authorize (c) increase of \$500,000 to the existing agreement with Carollo Engineers, for a new not-to-exceed total of \$12.2 million; and (d) increase of \$100,000 to the existing agreement with Tetra Design, for a new not-to-exceed total of \$2,558,000, as set forth in the letter signed by the General Manager on October 28, 2009.

**48084** Board Vice Chair Steiner turned the gavel over to Board Vice Chairman J. Murray, and she stated that the San Diego County Water Authority delegation would not participate in the vote on Agenda Item 8-3 to authorize Metropolitan entering into a Seawater Desalination Program Agreement with San Diego County Water Authority.

Board Vice Chairman J. Murray called on Water Planning and Stewardship Committee Vice Chairman Peterson for a report. Committee Chairman Peterson stated that the committee adopted an amended Option #2 and moved, seconded by Director J. Edwards, that the Board adopt the CEQA determination and authorize the General Manager to enter into a Seawater Desalination Program (SDP) agreement with San Diego County Water Authority (SDCWA)



and its retail water agencies for 56,000 acre-feet per year (AFY) under terms included in Board Letter 8-3 signed by the General Manager on November 4, 2009, provided that the SDP agreement will terminate if the Metropolitan Board of Directors votes that it will no longer:

1. Provide incentives or other financial support to its member agencies for seawater desalination, water recycling or groundwater recovery projects through the Local Resources Program, Seawater Desalination Program or similar programs; or
2. Utilize the Water Stewardship Rate, or a similar charge to fund the Local Resources Program, Seawater Desalination Program or similar incentive programs; or
3. Include the Water Stewardship Rate as a charge for all water conveyed on the system.

Further, the motion included that these provisions would apply to future Local Resources Program, Seawater Desalination Program or similar incentive program agreements.

General Manager Kightlinger informed the Board that after discussion with Poseidon Resources, Metropolitan's General Counsel and Chief Financial Officer regarding the financing of the project, he asked the Board if it would consider a modified motion, as follows:

Adopt the CEQA determination and authorize the General Manager to enter into an SDP agreement with SDCWA and its retail agencies for 56,000 AFY under terms included in this letter provided that the SDP agreement will terminate if Metropolitan determines (including the member agency or a delegate from that member agency included in such SDP agreement) that it will no longer:

1. Provide incentives or other financial support to its member agencies for seawater desalination, water recycling or groundwater recovery projects through the Local Resources Program, Seawater Desalination Program or similar programs; or

2. Utilize the Water Stewardship Rate, or a similar charge to fund the Local Resources Program, Seawater Desalination Program or other similar programs; or
3. Includes the Water Stewardship Rate as a charge for all water conveyed on the system.

Further, the action included that these provisions would apply to future Local Resources Program, Seawater Desalination Program or similar incentive program agreements.

Director Morris then moved that the Board approve the modified motion as set forth above.

Following a discussion, it was recognized that Director Morris' motion would be considered a substitute motion.

Director J. Edwards seconded the substitute motion with the addition of an amendment to provide that the termination provisions as stated in the substitute motion would remain in force only so long as the same provisions were included in all future incentive agreements.

Board Vice Chairman J. Murray requested that the amended substitute motion be restated. Director Morris moved, seconded by Director J. Edwards, that the Board approve the substitute motion as amended, and adopt the CEQA determination and authorize the General Manager to enter into an SDP agreement with SDCWA and its retail agencies for 56,000 AFY under terms included in this letter provided that the SDP agreement will terminate if **(A)** Metropolitan determines that it will no longer (i) provide incentives or other financial support to its member agencies for seawater desalination, water recycling or groundwater recovery projects through the Local Resources Program, Seawater Desalination Program or similar programs; or (ii) utilize the Water Stewardship rate or a similar charge to fund the Local Resources Program, Seawater Desalination Program or other similar programs; or (iii) include the Water Stewardship Rate as a charge for all water conveyed on the system; and **(B)** the member agency included in such SDP agreement or a delegate from that member agency votes in favor of such determination. These provisions would apply only so long as all new Seawater Desalination Program agreements, Local Resources

Program agreements and similar agreements contain similar provisions.

Board Vice Chairman J. Murray called for a vote on the substitute motion as amended.

The following is a record of the vote on the substitute motion as amended:

Ayes: Anaheim (Dir. K. Murray, 3,425 votes), Beverly Hills (Dir. Wunderlich, 2,158 votes), Burbank (Dir. Brown, 1,818 votes), Eastern Municipal Water District (Dir. Record, 5,711 votes), Foothill Municipal Water District (Dir. J. Edwards, 1,278 votes), Fullerton (Dir. Blake, 1,445 votes), Glendale (Dir. Kavounas, 2,226 votes), Inland Empire Utilities Agency (Dir. Santiago, 8,149 votes), Los Angeles (Ayes: Dirs. Grunfeld and J. Murray. Absent: Dirs. Fleming and Quiñonez. 40,418 votes), Municipal Water District of Orange County (Ayes: Dirs. Ackerman, Dick, and Foley. Absent: Dir. Bakall. 34,553 votes), San Fernando (Dir. Ballin, 148 votes), San Marino (Dir. Morris, 412 votes), Santa Ana (Dir. Griset, 2,027 votes), Three Valleys Municipal Water District (Dir. De Jesus, 4,942 votes), Torrance (Dir. Wright, 2,242 votes), Upper San Gabriel Valley Municipal Water District (Dir. Robinson, 7,245 votes), West Basin Municipal Water District (Dirs. Gray and Little, 13,902 votes), Western Municipal Water District of Riverside County (Dir. Evans, 7,613 votes). Total 139,712 votes.

Noes: Calleguas Municipal Water District (Dir. Grandson, 7,958 votes), Central Basin Municipal Water District (Dirs. Hawkins and Vasquez, 11,033 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,956 votes), Long Beach (Dir. Lowenthal, 3,858 votes), Santa Monica (Dir. Abdo, 2,393 votes). Total 27,198 votes.

Abstain: None.

Not Participating: San Diego County Water Authority (Dirs. Barrett, Lewinger, Pocklington, and Steiner, 37,176 votes). Total 37,176 votes.

Absent: Compton (Dir. Arceneaux, 342 votes), Pasadena (Dir. Brick, 2,033 votes). Total 2,375 votes.

Board Vice Chairman J. Murray declared that the substitute motion as amended passed by a vote of 139,712 ayes, 27,198 noes, 37,176 not participating, and 2,375 absent.

**48085** After consideration and vote on Agenda Item 8-3, Board Vice Chair Steiner resumed the Chair's seat.

**48086** Legal and Claims Committee Vice Chairman Dick moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and authorize acquisition of easements required for the Perris Valley Pipeline Project in Riverside County on property identified as Metropolitan Parcel Nos. PEVAL1-01-745PEA1, PEVAL1-01-745PEA2, PEVAL1-01-770PEA1, and PEVAL1-01-780PEA1 (Riverside County Assessor's Parcel Nos. 294-070-016, 297-230-019, and 297-230-020), and owner's name LNR Riverside, LLC, as set forth in the confidential letter jointly signed by the General Counsel on October 26, and the General Manager on October 27, 2009.

**48087** Organization and Personnel Committee Chairman J. Murray reported that the committee heard a report on the letter from counsel for AFSCME Local 1001 and 1902 alleging a Brown Act violation and directed the General Counsel to respond to AFSCME's letter denying AFSCME's allegations. Additionally, the committee directed the General Manager to place an item on the Board's December agenda to consider ratifying the General Manager's action in withdrawing Item 8-4 from the October 13, 2009 meeting and upon such consideration to provide instructions to the General Manager. Committee Chairman J. Murray then moved, seconded by Director J. Edwards, that the Board approve the foregoing recommendation from the Organization and Personnel Committee. The motion was voted upon and carried.

**48088** The following communications were submitted to the Board for information:

- a. Status report for the Inland Feeder Program for activities through September 2009, signed by the General Manager on October 27, 2009.
- b. Proposal for the North Azusa Connection on the San Gabriel Valley Municipal Water District's Azusa Pipeline, signed by the General Manager on November 3, 2009.

- c. Water Surplus and Drought Management Plan Overview, signed by the General Manager on October 27, 2009.

**48089** There being no objection, Board Chair Steiner adjourned the Meeting at 2:15 p.m.

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**JUDY ABDO**  
**SECRETARY**

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**FERN STEINER**  
**BOARD VICE CHAIR**