

MINUTES

REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

JANUARY 12, 2010

48123 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 12 2010.

Chairman Brick called the Meeting to order at 12:08 p.m.

48124 The Meeting was opened with an invocation by Jose R. Sanchez, Jr., Program Manager in the Corporate Resources Group, Metropolitan Water District.

48125 The Pledge of Allegiance to the Flag was given by Director Robert Wunderlich.

48126 Board Secretary Abdo called the roll. Those answering present were: Directors Abdo, Ackerman, Arceneaux, Ballin, Barbre, Barrett, Blake, Brick, Brown, De Jesus, Dick, Edwards, Fleming, Foley, Friedman, Grandsen, Gray, Griset, Grunfeld, Hawkins, Lewinger, Little, Lowenthal, Morris, J. Murray, K. Murray, Peterson, Pocklington, Quiñonez, Record, Robinson, Santiago, Steiner, Vasquez, Wright, and Wunderlich.

Those not answering were: Director Evans.

Chairman Brick declared a quorum present.

48127 Chairman Brick invited members of the public to address the Board on matters within the Board's jurisdiction.

Lynn Peterson of Natural Bass West and Megan Merchant of Last Chance Bait & Tackle both thanked the Board for completing the boat ramp at Diamond Valley Lake.

On behalf of Southern California Edison, Gene Rodrigues, Director of Energy Efficiency, presented to Metropolitan a plaque and commendation for completion of a one-megawatt solar facility at the Robert A. Skinner Water Treatment Plant.

Peter Barsuk from the U.S. Green Building Council presented a Silver LEED certification plaque to Metropolitan for its Headquarters Building at Union Station.

On behalf of the member agency managers, Rich Nagel, General Manager of West Basin Municipal Water District, made a presentation to General Manager Kightlinger for his efforts related to the passage of the Delta legislative package in November 2009.

48128 There being no objection, Chairman Brick ordered the reading of the Minutes of the Meeting for December 8, 2009, dispensed with, a copy having been mailed to each Director.

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

48129 A written report of meetings attended by Directors at Metropolitan expense during the month of December was distributed.

Director Peterson noted that he also attended the ACWA fall conference in San Diego December 1-4, 2009.

48130 Director Edwards moved, seconded by Director Blake, that the Board adopt Commendatory Resolutions for the following state lawmakers for their role in enacting historic water legislation:

Senator Darrell Steinberg
Senator Dennis Hollingsworth
Senator Fran Pavley

Senator Dave Cogdill
Senator Joe Simitian
Assembly Member Karen Bass
Assembly Member Sam Blakeslee
Assembly Member Jared Huffman
Assembly Member Jean Fuller
Assembly Member Anna Caballero
Assembly Member Kevin de Leon
Assembly Member Jose Solorio

Director Peterson noted that Assembly Member Feuer and Governor Schwarzenegger should also be included in the above list. Director Peterson then moved the amended list, seconded by Director Edwards, which carried.

48131 Director Hawkins moved, seconded by Director Blake and carried, approving the assignments of Director Barbre to the Business and Finance Committee and the Communications and Legislation Committee; and Director Friedman to the Communications and Legislation Committee and the Organization and Personnel Committee.

48132 Chairman Brick reported on events in which he participated, as follows:

- December 9 - Along with other Board members and staff, attended the dinner sponsored by Palo Verde Irrigation District and Metropolitan during the Colorado River Water Users Association conference in Las Vegas, Nevada.
- December 16 - Participated in a meeting with city of La Verne Mayor Kendrick, along with Director Santiago, Gilbert Ivey and John Arena from staff, and T. Martinez, Executive Director of IBEW-NECA.
- January 5 - Along with General Manager Kightlinger, participated in a meeting at University of Southern California hosted by Dr. Mark Bernstein and senior executives from Southern California Edison, Los Angeles Department of Water and Power, Sempra, Department of Water Resources, and Chevron .
- January 6 - Was the guest speaker at Central Basin Municipal Water District's First Caucus of 2010 at its headquarters in City of Commerce.
- January 7 - Attended the Central Cities Association board meeting held at Metropolitan.

Chairman Brick gave a report on the proposed Blue Ribbon Committee (BRC). Both he and Committee Chair Robert Simonds are in the process of reviewing the candidates for the BRC, which list should be brought to the Board for ratification in February. The scope of the BRC is focused on six key areas:

- Developing New Water Options for Southern California
- Energy for the Future
- Economic Development and New Technologies
- Financial Sustainability
- Workforce for the Future
- Communications

Chairman Brick has asked staff to complete an internal analysis to provide committee members with a baseline of Metropolitan's present strategies, short- and long-term goals, summary of resources, business functions and processes, core competencies and challenges. The Chair announced that a Request for Qualifications should be released later this week seeking consultants who are qualified to facilitate the BRC. It is anticipated that the recommendations from the BRC will be presented at the September Board Meeting.

Chairman Brick made reference to the Energy Management and Reliability Study Update and commented on the role that energy management activities and actions would play in the operations of Metropolitan. The Chair then stated an Energy Workshop would take place on Tuesday, January 26, 2010, replacing the meeting of the Special Committee on Desalination and Recycling.

48133 Regarding Colorado River, Bay-Delta, and CALFED matters, General Manager Kightlinger referred to the activity report for December dated December 30, 2009, which was posted to the Directors' Web site.

General Manager Kightlinger reported on the personnel changes made in the Governor's administration, as follows: Secretary Chrisman with the Resources Agency moving to the National Fish and Wildlife Foundation; Lester Snow leaving the Department of Water Resources (DWR) to become the new Secretary of Resources; Mark Cowin becoming the Director of DWR; John McCamman becoming the Director for the Department of Fish and Game, with Tom Gibson as chief counsel. The announced changes

will be helpful to Metropolitan and all the work that has been done for the Delta.

General Manager Kightlinger informed the Board that with the new changes made in Sacramento and the additional work to be done on the Delta, he has made internal changes and put together a Bay-Delta Initiative Team to work closely with Assistant General Manager Roger Patterson. Steve Arakawa will be in charge of this new team, and a new person will replace him as Group Manager of the Water Resource Management Group. Mr. Arakawa will work full-time on the Bay-Delta effort to complete the planning process for the Bay Delta Conservation Plan. An internal recruitment will take place for the new manager of Water Resource Management Group.

General Manager Kightlinger reported that staff has been working with the Organization and Personnel Committee on the MOU process, and that Assistant General Manager Ivey has been designated the lead person in this matter and working closely with Director of Human Resources Mares to get the MOU process back to something that is acceptable to the bargaining units and the Board. Mr. Kightlinger announced that Bob Joe, Special Projects Manager, and Dennis Majors, Program Manager III, have retired. Both employees came to Metropolitan from the Corps of Engineers. Mr. Majors has been working closely with other staff on Bay-Delta matters and will continue to work on Bay-Delta as an annuitant.

48134 Regarding Legal Department activities, General Counsel Tachiki referred to the General Counsel's activity report for December dated January 5, 2010, which was posted to the Directors' Web site.

General Counsel Tachiki stated that due to time constraints, she would not repeat the discussion of the legal items that took place earlier today at the Legal and Claims Committee meeting.

48135 General Auditor Riss presented a report of the Audit Department's activities for the month of December, dated December 30, 2009. He stated that during the month six reports were issued: (1) Sacramento Valley Water Transfer Program Audit Report; (2) Workers' Compensation Program Audit Report; (3) External Affairs - California Friendly Landscape Training

Program Audit Report; (4) IT Consulting Agreements with CHB and TRM Audit Report and Management Response; (5) Official Statement for the Water Revenue Refunding Bonds, 2009 Authorization, Series E; and (6) Official Statement for the Waterworks General Obligation Refunding Bonds, 2009 Authorization, Series A.

General Auditor Riss gave a brief review of the above-listed audit reports and stated that Audit Reports Nos. 1, 2, and 3 received opinions that the areas under audit included those practices usually necessary to provide for a generally satisfactory internal control structure, whereas Audit Report No. 4 received a less than satisfactory internal control structure.

General Auditor Riss stated that the opinion in Audit Report (4) was primarily a result of failure to withhold retention amounts from payments and lack of supporting documentation. Included in his report is a copy of management's response, reporting on management's corrective actions. The General Auditor's office will continue to monitor management's handling of these contracts.

General Auditor Riss stated that the review on the Official Statements for the Refunding Bonds consisted of specific procedures required by the Official Statements, and that no exceptions were noted.

48136 Ethics Officer Elliott referred to the activity report for December dated December 30, 2009, which was posted to the Directors' Web site.

Ethics Officer Elliott announced that the Director's Ethics Manual were at their seats, and she thanked members of the Audit and Ethics Committee and appropriate staff for their help in completing the manual in a timely fashion. Dr. Elliott reminded the Board of the presentation of the Brown Act and AB 1234 workshop to be held at the end of today's Board Meeting.

48137 Engineering and Operations Committee Chairman Record requested that Agenda Item 7-4, authorizing the final design of the Hayfield Groundwater Extraction Project, be taken off the agenda for further discussion by the committee next month.

Director Blake moved, seconded by Director Edwards and carried, and the Board approved the Consent Calendar Items, **M.I. 48138** through **M.I. 48140** as follows:

48138 Adopted the California Environmental Quality Act (CEQA) determination and (a) appropriated \$1.55 million (Appropriation No. 15452, No. 5, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized Metropolitan force construction to refurbish the Mills Modules Nos. 3 and 4 weir gates and filter inlet valves, as set forth in the letter signed by the General Manager on December 29, 2009.

48139 Adopted the CEQA determination and (a) appropriated \$302,000 (Appropriation No. 15381, No. 9, for \$104,000; and Appropriation No. 15452, No. 6, for \$198,000, all from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) preliminary design of the Mills Plant Laboratory Expansion; and (c) preliminary design of the Mills Hazardous Waste Storage Facility, as set forth in the letter signed by the General Manager on December 29, 2009.

48140 Adopted the CEQA determination and (a) appropriated \$526,000 (Appropriation No. 15440, No. 6, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized Metropolitan force construction to replace the Weymouth Finished Water Reservoir inlet gates, as set forth in the letter signed by the General Manager on December 29, 2009.

48141 Business and Finance Committee Chairman Grunfeld reported that the committee amended staff's recommendation. Committee Chairman Grunfeld then moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination; and set a public hearing at which interested parties may provide input regarding Metropolitan's rates and charges to be effective January 1, 2011, for the March meeting of the Business and Finance Committee. The rates and charges will be adopted in April 2010, and staff will draft amendments to the Administrative Code providing for future adoption of rates and charges in April, for board consideration, as set forth in the letter signed by the General Manager on December 29, 2009, and amended by the committee.

Director Fleming withdrew from the Meeting at 12:58 p.m.

48142 Business and Finance Committee Chairman Grunfeld moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and authorize payments up to a total of \$598 million to Department of Water Resources in calendar year 2010 for Metropolitan's State Water Project charges, as set forth in the letter signed by the General Manager on December 30, 2009.

Director Fleming returned to the Meeting at 1:00 p.m.

48143 Engineering and Operations Committee Chairman Record moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and (a) appropriate \$8.1 million (Appropriation No. 15438, No. 7, from the Revenue Bonds, Replacement and Refurbishment or General Funds); (b) award \$5,181,000 contract to Southern Contracting Company for fault current protection upgrades for the Colorado River Aqueduct pumping plant switch houses; and (c) authorize agreement with Marrs Services, Inc., in an amount not to exceed \$520,000, for specialized inspection support, as set forth in the letter signed by the General Manager on December 29, 2009.

48144 Engineering and Operations Committee Chairman Record moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and (a) appropriate \$2.64 million (Appropriation No. 15440, No. 7, from the Revenue Bonds, Replacement and Refurbishment or General Funds); (b) award \$1,588,121.55 construction contract to ERS Industrial Services, Inc., for the Weymouth Filter Rehabilitation Demonstration project, and authorize filter demonstration testing; and (c) authorize increase of \$300,000 to the existing agreement with Montgomery Watson Harza, for a new not-to-exceed total of \$1,375,000, as set forth in the letter signed by the General Manager on December 29, 2009.

Directors Gray, Lowenthal, and Morris requested to be recorded as abstaining.

48145 Engineering and Operations Committee Chairman Record moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and (a) consent to acceptance of any California Energy Commission (CEC) award based on the described application; (b) adopt **Resolution 9105** and authorize any necessary contracts or agreements required by the award; and (c) authorize the General Manager to enter into the CEC's standard agreement to allow acceptance of the grant funding, as set forth in the letter signed by the General Manager on January 5, 2010, said resolution entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO APPLICATION AND ACCEPTANCE OF CALIFORNIA ENERGY COMMISSION STATE ENERGY PROGRAM GRANT

48146 Legal and Claims Committee Chairman Quiñonez moved, seconded by Board Vice Chairman Santiago and carried, that the Board approve the staff recommendation as listed in the confidential letter on *Metropolitan Water District v. Bonnie Prouty Castrey; AFSCME Local 1902, Real Party in Interest*, Los Angeles County Superior Court Case No. BS122746, as set forth in the confidential letter signed by the General Counsel on January 4, 2010.

Director Arceneaux withdrew from the Meeting at 1:04 p.m.

48147 Legal and Claims Committee Chairman Quiñonez moved, seconded by Board Vice Chairman Santiago and carried, that the Board adopt the CEQA determination and authorize increase in maximum amount payable under contract with Richard B. Deriso for expert consultant services and litigation support by \$200,000 to a maximum of \$300,000; and report on pending litigation in *Metropolitan Water District v. U.S. Fish & Wildlife Service, et al.*, U.S.D.C. No. 09-631-OWW-DLB (E.D. Cal.) and other litigation relating to restrictions imposed on California's Central Valley and State Water Project operations relating to endangered species, as set forth in the confidential letter signed by the General Counsel on December 21, 2009.

48148 General Counsel Tachiki reported on the Disclosure of Remote Interest of Metropolitan Director in Proposed Contract relating to Director Fleming's participation and vote on Agenda

Item 8-8, the contract with Latham and Watkins. After reviewing Sections 1090 and 1091 of the California Government Code, it was determined that Director Fleming is not financially interested in the contract and the Board could approve the item.

Director Fleming did not participate in the discussion and vote on the following item for an increase in contract with Latham and Watkins.

Legal and Claims Committee Chairman Quiñonez moved, seconded by Director Robinson and carried, that the Board adopt the CEQA determination and authorize increase in maximum payable under contract with Latham and Watkins for legal services by \$650,000 to a maximum of \$750,000 in current and future invoices; and report on *In re Tronox Incorporated, et al.*, Chapter 11, Case No. 09-10156 (ALG) and related matter *Orange County Water District v Northrop Corporation, et al.*, Superior Court of Orange County Case No. 04CC00715, as set forth in the confidential letter signed by the General Counsel on December 21, 2009.

48149 The following communications were submitted to the Board for information:

- a. Proposed 2010/11 Fiscal Year Budget, signed by the General Manager on December 29, 2009.
- b. Energy Management and Reliability Study Update, signed by the General Manager on January 5, 2010.

48150 Chairman Brick announced that the Real Property and Asset Management Committee meetings would take place on the fourth Tuesday of each month, starting at 8:30 a.m.

Director Record thanked the Board and staff for their quick response and completion of the boat ramp at Diamond Valley Lake.

Director Grunfeld announced that a Budget Workshop would take place on Tuesday, January 26, 2009.

At 1:10 p.m., the Chair called for a break.

Directors Ackerman, Arceneaux, Barbre, De Jesus, Dick, Edwards, Hawkins, Little, Quiñonez, and Vasquez withdrew from the Meeting at 1:10 p.m.

At 1:19 p.m., the Chair resumed the Meeting.

48151 Ethics Officer Elliott commented that Metropolitan has unique issues regarding the Brown Act because of the Board's weighted voting system. In addition, AB 1234 required training for public officials every two years regarding topics such as ethics conflict of interests and government transparency. Many of these topics would be covered in today's seminar. Dr. Elliott stated that later in the year, the Ethics Office and the Legal Department would conduct an additional workshop on general ethics principles and on core content topics that are not completely covered at today's session.

Julie Hayward Biggs, Esq. Of Burke, Williams & Sorensen, LLP, gave a presentation on The Brown Act and AB 1234 Ethics.

48152 At 2:34 p.m., there being no objection, the Chairman adjourned the Meeting in memory of former Board Chairman Wesley M. Bannister.

JUDY ABDO

SECRETARY

TIMOTHY F. BRICK

CHAIRMAN