

MINUTES

REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

FEBRUARY 9, 2010

48153 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 9, 2010.

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

48154 The Meeting was opened with an invocation by June Chambliss, Occupational Health and Safety Representative in the Water System Operations Group, Metropolitan Water District.

48155 The Pledge of Allegiance to the Flag was given by Bobby McDonald, President, Black Chamber of Commerce of Orange County and a Buffalo Soldier.

48156 Board Secretary Abdo called the roll. Those answering present were: Directors Abdo, Ackerman, Ballin, Barbre, Barrett, Blake, Brick, Brown, De Jesus, Dick, Edwards, Evans, Fellow, Fleming, Foley, Friedman, Grandsen, Gray, Griset, Grunfeld, Hawkins, Lewinger, Little, Lowenthal, Morris, J. Murray, K. Murray, Peterson, Pocklington, Record, Santiago, Steiner, Vasquez, Wright, and Wunderlich.

Those not answering were: Directors Arceneaux and Quiñonez.

Chairman Brick declared a quorum present.

48157 Chairman Brick invited members of the public to address the Board on matters within the Board's jurisdiction. No members of the public requested to speak.

48158 There being no objection, Chairman Brick ordered the reading of the Minutes of the Meeting for January 12, 2010, dispensed with, a copy having been mailed to each Director.

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

48159 A written report of meetings attended by Directors at Metropolitan expense during the month of January was distributed.

Director Peterson noted that he attended the ACWA Regions 6 and 7 meetings in Fresno on January 25, 2010.

48160 The letter signed by General Counsel Tachiki on February 8, 2010, was presented, transmitting the credentials evidencing the appointment by Upper San Gabriel Valley Municipal Water District of Anthony R. Fellow as its representative on Metropolitan's Board for an indefinite term, replacing R. William "Bill" Robinson.

General Counsel Tachiki reported that the credentials had been examined and found legally sufficient; and that the Oath of Office was administered to Mr. Fellow earlier today. Following an introduction by Chairman Brick, Mr. Fellow took his seat as a Director representing Upper San Gabriel Valley Municipal Water District.

48161 Chairman Brick presented to Director Daniel Griset a pin for his five years of service on Metropolitan's Board, representing the City of Santa Ana.

48162 Director Little moved, seconded by Director Gray and carried, approving the assignment of Director Fellow to the Communications and Legislation Committee, and Vice Chair of the Board.

48163 Chairman Brick reported on events in which he participated, as follows:

- January 15 - Hosted a series of one-day Australia-US Water Workshops held at Metropolitan focusing on Desalination, Urban Demand Management, Agriculture Reform and Water Trading, and Water Reform.
- January 21 - Along with congressional representatives, some of Metropolitan's Board members and staff, attended the Australian Water Reform reception for Ken Matthews, Chair/CEO of the Australian National Water Commission, in Washington D.C.
- January 25 - Attended the House Subcommittee on Water and Power's hearing on "Perspectives on California Water Supply: Challenges and Opportunities" sponsored by U.S. Representatives Grace Napolitano and Ken Calvert, held in Metropolitan's Board Room.
- January 27 - Welcomed the board members and guests of the Los Angeles County Business Federation for its 2nd Anniversary and Installation of Officers for 2010, held in Metropolitan's Board Room, and hosted by CAO Ivey.
- January 28 - Attended the Southern California Leadership Council's first quarterly meeting in downtown Los Angeles.
- January 29-30 - Attended the Planning and Conservation League Foundation's Annual Legislative Symposium and Reception held in Sacramento, and participated in a panel discussion on the Bay-Delta.

Referring to the New Director Orientation Program, Chairman Brick stated that in an effort to provide information on Metropolitan and its facilities to new Directors, briefings and tours of facilities in small groups will be scheduled. This approach would provide information to Directors in a timely manner.

Director Hawkins withdrew from the Meeting at 12:40 p.m.

48164 Chairman Brick gave an overview of why the Blue Ribbon Committee is being formed and its purpose. He stated the Blue Ribbon Committee would be composed of experts who will provide insight into the global, natural, economic, and demographic changes that Metropolitan's service area will encounter in the

future and assist us as we develop a new business model and strategies for the future.

Chairman Brick informed the Board that Director Emeritus Robert Simonds, a very successful businessman, has agreed to chair the Blue Ribbon Committee. Mr. Simonds will lead the committee to look at the challenges being faced. Mr. Simonds then joined Chairman Brick in answering questions from the Board on the role of the Blue Ribbon Committee.

Director Friedman withdrew from the Meeting at 1:46 p.m.

Director Record moved, seconded by Director J. Murray, that the Board adopt the CEQA determination and ratify the Blue Ribbon Committee membership as listed in Attachment 2 to the letter signed by Chairman Brick on February 4, 2010.

Comments were made by some Directors regarding the addition of certain individuals to the committee. Chairman Brick stated there were other individuals that have been asked to join the committee, but he has not yet heard from them. He therefore asked the Board to allow him to add more members to the committee.

Chairman Brick then called for a vote on the motion to ratify the membership of the Blue Ribbon Committee with the authority for him to add more members. The motion was voted upon and carried.

Director Friedman returned to the Meeting at 12:51 p.m.

48165 Regarding Colorado River, Bay-Delta, and CALFED matters, General Manager Kightlinger referred to the activity report for January dated January 31, 2010, which was posted to the Directors' Web site.

General Manager Kightlinger commented on this month being celebrated as "Black History Month" and the Black Employees Association planned events, with Director John Murray and CAO Ivey kicking off the program.

General Manager Kightlinger informed the Board that Deven Upadhyay had been selected as Metropolitan's Group Manager of Water Resource Management.

General Manager Kightlinger reported on the current water supply, especially since the recent storms. Precipitation so far is average statewide and locally is above average. He commented on the fishery restrictions and the amounts of water that have been lost due to the court's orders in order to protect the Delta smelt and the salmon.

48166 Regarding Legal Department activities, General Counsel Tachiki referred to the General Counsel's activity report for January dated February 2, 2010, which was posted to the Directors' Web site.

General Counsel Tachiki reported that in the Delta smelt litigation, Judge Wanger has scheduled for tomorrow at noon a hearing on a renewed request by the State Water Contractors for a temporary restraining order (TRO) regarding the Delta smelt Biological Opinion, at which time the judge will also hear the environmental concerns on trying to overturn the TRO that he issued last Friday regarding the salmon. General Counsel Tachiki stated she would keep the Board apprised of the judge's rulings.

48167 General Auditor Riss presented a report of the Audit Department's activities for the month of January, dated January 29, 2010. He stated that during the month two reports were issued: (1) Report on Consulting Agreements Jacobs Associates and P&D Consultants Audit Report; and (2) Remarketing Statement for the Water Revenue Refunding Bonds, 2009 Series A-2.

General Auditor Riss gave a brief review of the above-listed audit reports and stated that Audit Report No. 1 received an opinion that the areas under audit included those practices usually necessary to provide for a generally satisfactory internal control structure.

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

48168 Ethics Officer Elliott referred to the activity report for January dated January 31, 2010, which was posted to the Directors' Web site.

Ethics Officer Elliott commented on the AB 1234 workshop with special emphasis on the Brown Act held at the last Board Meeting, and stated that the presentation was available on DVDs for those Directors who were not able to attend or who would like to receive a copy. Dr. Elliott announced that another AB 1234 workshop to cover the remaining required topics would be held in the spring by representatives from both the Legal and the Ethics Departments.

Ethics Officer Elliott reported that acknowledgment cards were received from the Directors for the Board of Directors Ethics Manual which were distributed in January, and that the ethics policy would be given to all employees for their review.

Director Morris moved, seconded by Director Blake and carried, and the Board approved the Consent Calendar Items, **M.I. 48169** through **M.I. 48171** as follows:

48169 Adopted the California Environmental Quality Act (CEQA) determination and (a) appropriated \$1.2 million (Appropriation No. 15436, No. 5, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) preliminary design of the Diemer Chemical Feed Equipment and System Improvements; (c) preliminary design of the Diemer Sample Line and Analyzer Improvements; (d) construction of the Backup Water Supply for the Diemer Solids Handling Facility; and (e) procurement of pumps for the Diemer Fire and Potable Water Pump Station, as set forth in the letter signed by the General Manager on January 28, 2010.

48170 Adopted the CEQA determination and authorized increase of \$1.4 million to the existing agreement with Psomas, for a new not-to-exceed total of \$6.6 million, for environmental mitigation monitoring for the Inland Feeder Program, as set forth in the letter signed by the General Manager on January 27, 2010.

Director Barbre requested to be recorded as abstaining.

48171 Adopted the CEQA determination and approved the proposed changes to Section 4304 of the Administrative Code amending the date to establish water rates and charges, as set forth in the letter signed by the General Manager on January 28, 2010.

48172 Engineering and Operations Committee Chairman Record moved, seconded by Director Foley and carried, that the Board adopt the CEQA determination and (a) appropriate \$6,114,000 in budgeted funds (Appropriation No. 15171, No. 8, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and award (b) \$944,800 construction contract to Kaveh Engineering & Construction, Inc.; (c) \$1,182,520 construction contract to Abhe & Svoboda, Inc.; (d) \$1,095,101 construction contract to Mehta Mechanical Company, Inc.; and (e) authorize increase of \$36,000 to the existing agreement with Orsa Consulting Engineers, Inc., for a new not-to-exceed total of \$1,471,000, as set forth in the letter signed by the General Manager on January 27, 2010.

48173 Legal and Claims Committee Vice Chairman Dick moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and authorize increase of \$800,000 for a total of \$1,150,000 in maximum amount payable under contract with Ellison Schneider & Harris to represent Metropolitan and other participating state water contractors in *Solano County Water Agency, et al. v. Department of Water Resources*, Sacramento Superior Court Case No. 34-2008-0001338 CU-BC-GDS, as set forth in the confidential letter signed by the General Counsel on January 29, 2010.

48174 Legal and Claims Committee Vice Chairman Dick moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and authorize increase of \$100,000 for a total of \$200,000 in maximum amount payable under contract with Ellison, Schneider & Harris to represent Metropolitan with respect to State Water Resources Control Board proceedings (*SWRCB Proceeding Re Establishing Flow Criteria Pursuant to SB7X-1; SWRCB Proceeding Re Potential Amendments to 2006 Bay-Delta Water Quality Control Plan Objectives for Southern Delta Salinity and San Joaquin River Flow; SWRCB Proceeding Re Periodic Review of 2006 Bay-Delta Water Quality Control Plan*), as set forth in the confidential letter jointly signed by the General Counsel on January 26 and the General Manager on January 27, 2010.

48175 Communications and Legislation Committee Chairman Griset moved, seconded by Director Grunfeld and carried, that the Board adopt the CEQA determination and authorize the General Manager to express Metropolitan's support for The Safe, Clean, and Reliable Drinking Water Supply Act of 2010, as set forth in the letter signed by the General Manager on January 28, 2010.

48176 Engineering and Operations Committee Chairman Record stated that the committee amended the recommendation in Board Letter 8-5 signed by the General Manager on January 28, 2010, regarding the adoption of Energy Management Policies. Committee Chairman Record then moved, seconded by Director Blake, that the Board adopt the CEQA determination and the proposed Energy Management Policies with the following amendments:

1. **Proposed Energy Management Policies** (page 2 of board letter, 4th bullet): Move Metropolitan toward carbon neutrality and energy independence in a cost-effective manner as approved by the Board.
2. **Legislation** (page 3 of board letter): Modify Legislation policy to include legislation to designate large hydropower energy generation as renewable energy.
3. Add an additional policy that the Board shall review these policies on an annual basis in light of changing regulatory and economic conditions.

Following discussion of the motion, Director Foley offered a substitute motion to revise the wording of "carbon neutrality" to "carbon reduction" and that Metropolitan would reduce carbon emissions consistent with applicable laws. The substitute motion was seconded by Director Lowenthal.

After additional discussion, Director Fleming then made a motion to table this item till the next meeting of the Board. The motion was seconded by Director Friedman and carried.

48177 Legal and Claims Committee Vice Chairman Dick moved, seconded by Board Vice Chair Steiner and carried, that the Board adopt the CEQA determination and authorize increase in maximum payable under two contracts with Manatt, Phelps and Phillips LLP

for legal services by \$240,000 to a maximum of \$590,000 for advice and representation in *Orange County Water District v. Northrop Corporation, et al.*, Superior Court of Orange County Case No. 04CC00715; and by \$130,000 to a maximum of \$230,000 for representation in *In re Tronox Incorporated, et al.*, Chapter 11, Case No. 09-10156 (ALG), as set forth in the confidential letter signed by the General Counsel on February 2, 2010.

Director Wunderlich requested to be recorded as abstaining.

48178 The following communications were submitted to the Board for information:

- a. Review of conditions related to Water Supply Allocation Plan implementation decision for FY 2010/11, signed by the General Manager on February 2, 2010.
- b. Review Bay Delta Conservation Plan and EIR/EIS, signed by the General Manager on February 2, 2010.
- c. Principles for delivery of member agency procured State Water Project supplies, signed by the General Manager on February 2, 2010.

48179 At 1:20 p.m., there being no objection, the Chairman adjourned the Meeting in memory of Steve Hall, former Executive Director of the Association of California Water Agencies.

JUDY ABDO
SECRETARY

TIMOTHY F. BRICK
CHAIRMAN