

MINUTES

REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

APRIL 13, 2010

48215 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 13, 2010.

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

48216 The Meeting was opened with an invocation by Lawrence R. Gibbs, Unit Manager, Real Property Development and Management Group.

48217 The Pledge of Allegiance to the Flag was given by Director Anthony R. Fellow.

48218 In the absence of Board Secretary Abdo, Chairman Brick designated Director Ted Grandsen as Secretary Pro Tem.

48219 Secretary Pro Tem Grandsen called the roll. Those answering present were: Directors Ackerman, Ballin, Barbre, Blake, Brick, Brown, De Jesus, Dick, Edwards, Evans, Fellow, Fleming, Foley, Friedman, Grandsen, Gray, Griset, Hawkins, Lewinger, Little, Lowenthal, Morris, J. Murray, K. Murray, Peterson, Pocklington, Quiñonez, Record, Santiago, Steiner, Vasquez, and Wright.

Those not answering were: Directors Abdo, Arceneaux, Barrett, Grunfeld, and Wunderlich.

Chairman Brick declared a quorum present.

48220 Chairman Brick invited members of the public to address the Board on matters within the Board's jurisdiction.

Dennis Cushman, Assistant General Manager, San Diego County Water Authority, requested that the letters from the Authority relating to Agenda Items 8-1 and 8-2 regarding the proposed budget for FY 2010/11 and the recommended water rates and charges, respectively, be made a part of Metropolitan's Board Minutes.

48221 There being no objection, Chairman Brick ordered the reading of the Minutes of the Meeting for March 9, 2010, dispensed with, a copy having been mailed to each Director.

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

48222 A written report of meetings attended by Directors at Metropolitan expense during the month of March was distributed.

48223 Chairman Brick announced that he has appointed Board Vice Chair Fern Steiner to be Chair of the Water Planning and Stewardship Committee, replacing Director James Barrett.

48224 Chairman Brick reported on events in which he participated, as follows:

- March 12 - Attended the Alliance for Water Efficiency board meeting in Chicago, Illinois.
- March 13 - Accepted on behalf of Metropolitan from the Water Replenishment District the "WRD's Groundwater Ambassador Award for 2010" at its 3rd annual "Treasure Beneath our Feet" event in Lakewood. The award was presented in recognition of Metropolitan's water conservation and education outreach efforts.
- March 15-18 - Along with Directors Ackerman, Arceneaux, Ballin, Dick, Fleming, K. Murray, J. Murray, Santiago, and Wunderlich and Metropolitan's staff, participated in the Los Angeles Area Chamber of Commerce's annual "ACCESS D.C." meetings with legislators in Washington, D.C.

- March 22 - Along with General Manager Kightlinger, met with U.S. Department of Interior Secretary Ken Salazar; David J. Hayes, Deputy Secretary of Interior; and David Nawi, Senior Advisor to the Secretary of Interior, in Los Angeles.
- April 5 - Met with Congresswoman Napolitano in Pico Rivera.

Chairman Brick commented on the special photo exhibit on "Water - Our Thirsty World" being held at the Annenberg Space for Photography in Century City, from March 27 to June 13. This exhibit is on display in conjunction with the National Geographic special edition on waters, including water conservation.

Chairman Brick announced there will be a Global Water and Technology Forum to be held on May 20, 2010, at the Diamond Valley Lake Visitor Center. This event will feature a lot of new innovation and technology with regard to water.

Chairman Brick reminded the Board of the Chairman's Bike Ride on Saturday, April 17, 2010, at Diamond Valley Lake (DVL) from 8 a.m. to 12 noon, followed by lunch at the DVL Visitor Center. Valley-Wide Recreation and Park District will open its aquatic center for swimming. Free parking will be at the DVL Marina. Chairman Brick stated that more than 100 riders have registered for the event.

Chairman Brick reported on the first meeting of the Blue Ribbon Committee held March 30, 2010, which focused on Metropolitan's history and current and future challenges. Water Resource Management Group Manager Deven Upadhyay gave a background of Metropolitan's planning process for the last 20 years in the development and the emerging challenges of the new water options as Metropolitan moves to the future, with an overview of how Metropolitan intends to move forward with its Integrated Resources Plan. Chairman Brick stated that the Blue Ribbon Committee material is sent to all Directors and the member agency managers, and is also posted on Metropolitan's website.

48225 Regarding Colorado River, Bay-Delta, and CALFED matters, General Manager Kightlinger referred to the activity report for March dated March 31, 2010, which was posted to the Directors' website.

General Manager Kightlinger commented on the series of water forums taking place to provide outreach in education, primarily regarding the upcoming water bond, as well as the water crisis taking place in the Delta, which is being sponsored by ACWA, Department of Water Resources, and the Latino water coalition. Metropolitan has been one of the sponsors for the events held in Southern California.

General Manager Kightlinger reminded the Board of the upcoming Solar Cup event to be held May 14-16, 2010, at Lake Skinner, with 36 schools having signed up to participate.

General Manager Kightlinger referred to two handouts at each Director's desk: (1) A briefing report put out by the California State Senate Republican Caucus of a study done by the National Academy of Sciences regarding the Biological Opinions covering the State Water Project and the Central Valley Project. (2) A letter from the City of Riverside dated April 12, 2010, addressed to the Board regarding mitigation measures required for the Box Springs Feeder Repair Phase 3 Project. General Manager Kightlinger stated that staff would work this matter out with the staff from the City of Riverside.

48226 Regarding Legal Department activities, General Counsel Tachiki referred to the General Counsel's activity report for March dated April 5, 2010, which was posted to the Directors' website.

General Counsel Tachiki had no further report and stated that a full discussion on the important pending items took place earlier today at the Legal and Claims Committee meeting.

48227 General Auditor Riss presented a report of the Audit Department's activities for the month of March, dated March 31, 2010. He stated that during the month five reports were issued: (1) Transit Reimbursement Program Audit Report; (2) Tax Revenue Audit Report; (3) Consulting Agreements on Hayfield Extraction Project Audit Report; (4) F. E. Weymouth Treatment Plant Coagulant Tank Farm Modifications Audit Report; and (5) Remarketing Statement for the Water Revenue Refunding Bonds, 2009 Authorization, Series A-1.

General Auditor Riss gave a brief review of the above-listed audit reports and stated that Audit Reports (1), (2), and (3) received opinions that stated the accounting and administrative controls included those practices usually necessary to provide for a generally satisfactory internal control structure; and that Audit Report (4) received an opinion of having a satisfactory internal control structure.

General Auditor Riss stated that the review on Audit Report (5) consisted of specific procedures required by the Remarketing Statement, and that no exceptions were noted.

48228 Ethics Officer Elliott referred to the activity report for March dated March 31, 2010, which was posted to the Directors' website.

Ethics Officer Elliott reported that over the past month the Ethics office has been mostly busy with educational activities. Dr. Elliott also announced that online programs are in progress, and that the discrimination and harassment prevention training is being vetted by the Legal Department and should be posted on the Directors' website before the end of the fiscal year. Dr. Elliott stated that another online decision process on use and misuse of Metropolitan's property for employees is in its final development and should be posted on the Intramet in the next couple of months.

Director Blake moved seconded by Director Fleming and carried, and the Board approved the Consent Calendar Items, **M.I. 48229** through **M.I. 48231** as follows:

48229 Adopted the CEQA determinations and (a) appropriated \$1.24 million (Appropriation No. 15438, No. 9, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) preliminary design to rehabilitate Service Connection DW-CV-2T; (c) preliminary design of the Intake Power Line Relocation; (d) final design and equipment procurement to replace the standby generator at Hinds pumping plant; and (e) procurement of four aqueduct isolation gates, as set forth in the letter signed by the General Manager on March 29, 2010.

48230 Adopted the CEQA determinations and (a) appropriated \$890,000 (Appropriation No. 15441, No. 20, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) final design to rehabilitate three service

connections on the Upper Feeder; and (c) a seismic study of the Sepulveda Canyon Control Facility water storage tanks, as set forth in the letter signed by the General Manager on March 26, 2010.

48231 Adopted the CEQA determination and authorized the General Counsel to amend the existing agreement with the Resources Law Group for assistance on state and federal Endangered Species Act issues, including development of the Bay Delta Conservation Plan, to increase the maximum amount payable by \$200,000 to \$850,000, as set forth in the letter signed by the General Counsel on March 25, 2010.

48232 Business and Finance Committee Vice Chairman Lewinger moved, seconded by Director Lowenthal, that the Board approve Option #2 in the letter signed by the General Manager on April 1, 2010, and adopt the CEQA determination and (a) determine that the revenue requirement to be paid from rates and charges is \$1.377 billion; (b) approve water rates effective January 1, 2011; (c) adopt Resolution 9106 to Impose the Readiness-to-Serve Charge; and (d) adopt Resolution 9107 to Impose the Capacity Charge, said Resolutions entitled:

Resolution 9106 **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 2011**

Resolution 9107 **RESOLUTION OF THE BOARD OF DIRECTORS OF
THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA FIXING AND ADOPTING
A CAPACITY CHARGE EFFECTIVE JANUARY 1,
2011**

Director Foley moved a substitute motion that the Board approve Option #3 in the letter signed by the General Manager on April 1, 2010, and adopt the CEQA determination and (a) determine that the revenue requirement to be paid from rates and charges is \$1.389 billion for FY 2010/11 (reduced by approximately \$20 million to cover full cost of service) and \$1.517 billion for FY 2011/12; (b) approve water rates effective January 1, 2011, and January 1, 2012; (c) adopt Resolution 9106 to Impose the Readiness-to-Serve Charge; and (d) adopt Resolution 9107 to Impose the Capacity Charge.

Board Vice Chairman J. Murray asked the maker of the substitute motion if he would consider having staff bring forward options to the Board to possibly accelerate the second rate increase to September 1, 2011. Director Foley answered in the affirmative. Board Vice Chairman J. Murray then seconded the substitute motion as amended.

An extensive discussion took place on the various options presented to the Board on the water rate increases, bond ratings, reserves, deduction of additional \$20 million from the budget, Capital Improvement Plan project deferrals, three-year rolling budget, and monies in the PAYGO Fund.

Following the discussion, Director Dick requested that the substitute motion as amended be repeated. General Manager Kightlinger then stated the motion, as follows:

Option #3, as amended:

Adopt the CEQA determination and

- a. Determine that the revenue requirement to be paid from rates and charges is \$1.369 billion for FY 2010/11 and \$1.517 billion for FY 2011/12;
- b. Approve an effective rate increase of 7.5 percent and water rates to be effective January 1, 2011 with a reduction of \$20 million in the budget to meet the cost of service objective for FY 2010/11; and approve a second effective rate increase of 7.5 percent and water rates to be effective January 1, 2012, with staff directed to bring forward options to the Board to possibly accelerate that rate increase to September 1, 2011;
- c. Adopt Resolution to Impose the Readiness-to-Serve Charge at the level provided in Option #3; and
- d. Adopt Resolution to Impose the Capacity Charge.

The Chair then called for a vote on the substitute motion, as amended, offered by Director Foley and seconded by Board Vice Chairman J. Murray.

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

Ayes: Anaheim (Dir. K. Murray, 3,425 votes), Burbank (Dir. Brown, 1,818 votes), Calleguas Municipal Water District (Dir. Grandsen, 7,958 votes), Central Basin Municipal Water District (Dirs. Hawkins and Vasquez, 11,033 votes), Long Beach (Dir. Lowenthal, 3,858 votes), Los Angeles (Ayes: Dirs. Fleming, J. Murray, and Quiñonez. Absent: Dir. Grunfeld. 40,418 votes), Municipal Water District of Orange County (Dirs. Ackerman, Barbre, Dick, and Foley, 34,553 votes), San Fernando (Dir. Ballin, 148 votes), Santa Ana (Dir. Griset, 2,027 votes), Upper San Gabriel Valley Municipal Water District (Dir. Fellow, 7,245 votes), Western Municipal Water District of Riverside County (Dir. Evans, 7,613 votes). Total 120,096 votes.

Noes: Eastern Municipal Water District (Dir. Record, 5,711 votes), Foothill Municipal Water District (Dir. Edwards, 1,278 votes), Fullerton (Dir. Blake, 1,445 votes), Glendale (Dir. Friedman, 2,226 votes), Inland Empire Utilities Agency (Dir. Santiago, 8,149 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,956 votes), San Diego County Water Authority (Noes: Dirs. Lewinger, Pocklington, and Steiner. Absent: Dir. Barrett. 37,176 votes), San Marino (Dir. Morris, 412 votes), Three Valleys Municipal Water District (Dir. De Jesus, 4,942 votes), Torrance (Dir. Wright, 2,242 votes), West Basin Municipal Water District (Dirs. Gray and Little, 13,902 votes). Total 79,439 votes.

Abstain: None.

Not Participating: Pasadena (Dir. Brick, 2,033 votes). Total 2,033 votes.

Absent: Beverly Hills (Dir. Wunderlich, 2,158 votes), Compton (Dir. Arceneaux, 342 votes), Santa Monica (Dir. Abdo, 2,393 votes). Total 4,893 votes.

The Chair declared the substitute motion, as amended, passed by a vote of 120,096 ayes, 79,439 noes, 2,033 not participating, and 4,893 absent.

48233 Chairman Brick announced that Agenda Item 8-1, the proposed 2010/11 fiscal year budget, has been deferred to May.

48234 Real Property and Asset Management Committee Chairman Hawkins moved, seconded by Director Evans and carried, that the Board adopt the CEQA determination and (a) affirm the General Manager's determination that the subject property (Metropolitan's Parcel No. 1006-1-100, Assessor Parcel No. 323-012-14) comprised of 0.170 acre is surplus and carry out disposition of the property in its current condition; and (b) market the property for sale on the open market for its fair market value of \$430,000 in a form approved by the General Counsel, as set forth in the letter signed by the General Manager on March 16, 2010.

Director Fleming withdrew from the Meeting at 1:06 p.m.

48235 Engineering and Operations Committee Chairman Record moved, seconded by Director Wright and carried, that the Board adopt the CEQA determination and (a) appropriate \$1.9 million (Appropriation No. 15377, No. 31, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorize final design and pipe fabrication to repair 12 pipe sections on the Box Springs Feeder, as set forth in the letter signed by the General Manager on March 25, 2010.

Director Fleming returned to the Meeting at 1:10 p.m.

48236 Newly appointed Water Planning and Stewardship Committee Chair Steiner moved, seconded by Director Wright and carried, that the Board adopt the CEQA determination and (a) authorize the General Manager to execute a one-year amendment to the agreement with California Department of Water Resources to purchase Yuba County Water Agency Component 4 Water; and (b) appropriate \$7 million for water transfer payments, as set forth in the letter signed by the General Manager on March 30, 2010.

48237 Newly appointed Water Planning and Stewardship Committee Chair Steiner moved, seconded by Director Fleming and carried, that the Board adopt the CEQA determination and (a) adopt **Resolution 9108** supporting implementation of the Water Supply Allocation Plan shown as Attachment 1 to the letter signed by the General Manager on March 30, 2010; (b) maintain a water supply "Condition 3 - Water Supply Allocation"; (c) implement the Water Supply Allocation Plan at a Level 2 effective July 1, 2010, through June 30, 2011; and (d) direct

staff to return to the Board in May to update the Board on water supply conditions and recommend changes to the Water Supply Allocation Plan Level if appropriate, said Resolution entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA IMPLEMENTING ITS WATER SUPPLY ALLOCATION PLAN FOR 2010 AND ESTABLISHING THE REGIONAL SHORTAGE LEVEL

48238 Legal and Claims Committee Chairman Quiñonez stated that the committee heard a report on the status of *In re Tronox Incorporated, et al.*, Chapter 11, Case No. 09-10156 (ALG) in closed session and that no action was taken.

48239 Legal and Claims Committee Chairman Quiñonez moved, seconded by Director Edwards and carried, that the Board adopt the CEQA determination and authorize an increase of \$1,575,000 to a maximum amount of \$4,825,000 in Morrison & Foerster's contract for representation in the Bay-Delta cases, as set forth in the confidential letter signed by the General Counsel on April 6, 2010.

48240 Communications and Legislation Committee Chairman Griset moved, seconded by Director Wright and carried, that the Board adopt the CEQA determination and oppose AB 1664 (Swanson, D-Oakland): Metropolitan Water District Act, as stated in the letter signed by the General Manager on April 9, 2010.

Director Morris requested to be recorded as voting no.

Directors Blake and Peterson requested to be recorded as abstaining.

48241 The following communication was submitted to the Board for information:

- a. Proposed Water Conservation Plan for fiscal year 2010/11, signed by the General Manager on March 30, 2010.

48242 Referring to the letter from the San Diego County Water Authority delegation, dated April 9, 2010, regarding the taking of a roll call vote for each item, Chairman Brick stated that the Executive Committee would consider this matter.

48243 There being no objection, the Chairman adjourned the Meeting at 1:15 p.m.

TED GRANDSEN
SECRETARY PRO TEM

TIMOTHY F. BRICK
CHAIRMAN