

**MINUTES**

**REGULAR MEETING OF THE**

**BOARD OF DIRECTORS**

**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

**MAY 11, 2010**

**48244** 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, May 11, 2010.

Chairman Brick called the Meeting to order at 12:06 p.m.

**48245** The Meeting was opened with an invocation by Angela Reddock, Managing Partner of Reddock, Wells & Griggs, a business and public sector law firm based in Los Angeles.

**48246** The Pledge of Allegiance to the Flag was given by Director Laura Friedman.

**48247** Board Secretary Abdo called the roll. Those answering present were: Directors Abdo, Ballin, Barbre, 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 Ackerman, Arceneaux, Barrett, and Quiñonez.

Chairman Brick declared a quorum present.

**48248** Chairman Brick invited members of the public to address the Board on matters within the Board's jurisdiction.

The following members of the public spoke against the recommended cuts in funding for the water conservation program being contemplated by Metropolitan:

Edward R. Osam, Natural Resources Defense Council  
Conner Everts, Southern California Watershed Alliance  
Jennifer Robinson, Sierra Club Angeles Chapter  
Siobhan Dolan, Desal Response Group  
Marcus Castain, Infrastructure Academy

**48249** There being no objection, Chairman Brick ordered the reading of the Minutes of the Meeting for April 13, 2010, dispensed with, a copy having been mailed to each Director.

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

**48250** A written report of meetings attended by Directors at Metropolitan expense during the month of April was distributed.

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

April 1: Swearing-in ceremony for Director Gray on the Delta Stewardship Council, Sacramento - Directors Gray, Peterson, Record, Santiago, and Wright  
April 28: Yuma Desalter and Drop 2 Reservoir celebration, Yuma, Arizona - Directors Peterson and Santiago  
April 28: Employees' Service Awards Luncheon, Pomona - Directors Ballin and Edwards  
April 30: Reception hosted by SAWPA for Pete Silva in Mira Loma - Director Record

Director Gray noted that her attendance at the California Association of Sanitation Agencies Spring Conference on April 27-30 was covered by West Basin Municipal Water District.

**48251** Director J. Murray moved, seconded by Director Gray and carried, approving the 30-day leave of absence for Director Phillip Hawkins, commencing May 15, 2010.

**48252** Chairman Brick announced that he has asked Directors Blake, Abdo, Barbre, and Wunderlich to act as a liaison between the Board and the Blue Ribbon Committee. Director Grunfeld moved, seconded by Director Brown and carried, approving the appointments.

**48253** Chairman Brick reported on events in which he participated, as follows:

- April 20-21 - Along with Directors Griset, Ackerman, and staff, participated in several state legislative briefings in Sacramento with Assembly Member Jared Huffman, Senators Cogdill and Steinberg, Deputy Legislative Secretary John Moffatt, and Governor Schwarzenegger. Delta proclamations that the Board adopted earlier this year were also presented to the legislators.
- April 22 - Invited to become a member of the prestigious Luskin Advisory Board and attended its first meeting at UCLA.
- April 26-27 - Participated in the Global Water Summit 2010-Transforming the World of Water in Paris, France.
- April 27-29 - Attended the Western Water Assessment Conference in Boulder, Colorado.

Chairman Brick reported that at the Global Water Summit held in Paris, France, he accepted for the San Diego County Water Authority and the City of San Diego the award for Best Public Agency for Efforts in Conservation and Desalination, which was presented to him by Queen Noor of Jordan. Vice Chair Steiner thanked the Chairman for accepting the award on behalf of the Authority and the City and stated the Authority is extremely proud to be recognized for its efforts in conservation and desalination, and the City for its indirect potable reuse of local supplies.

Chairman Brick announced that the annual Solar Cup event would take place May 14-16 at Lake Skinner.

Director Wunderlich stated that the Chairman spoke at the Educators conference held at JPL in Pasadena.

Chairman Brick announced that the Bike to Work day would be on May 20.

Chairman Brick introduced Tamin Pechet, CEO of Banyan Water, an integrator of smart water management companies, who will participate in the Global Water and Technology Forum to be held on May 20, 2010, at the Diamond Valley Lake Visitor Center. Chairman Brick announced that this event will bring the leaders in the industry that are creating working models and prototypes of water and clean technology, innovators and investors to develop a deeper understanding and handle on the challenges being faced in managing water resources and climate change.

Chairman Brick called the Board's attention to the National Geographic's special issue on water at each Director's desk. He stated that this issue included articles on global water issues, the geography of water, health, space, technology, science, and desalination.

Chairman Brick reported that at the April 15 Blue Ribbon Committee (BRC) meeting, a presentation was made by BRC member Grame Barty, representing the Australian Trade Commission. Mr. Barty's presentation focused on Australia's experience, lessons learned and how the Australian government has successfully developed solutions to respond to the significant water shortages caused by changing weather patterns. Chairman Brick commented that this presentation was particularly insightful and provided a context for the BRC as they discuss Metropolitan's current water portfolio, potential supply gaps, future options and associated costs.

**48254** Regarding Colorado River, Bay-Delta, and CALFED matters, General Manager Kightlinger referred to the activity report for April dated April 30, 2010, which was posted to the Directors' website.

General Manager Kightlinger reported on the unexpected death of employee James D. "Jim" Bishop, Team Manager VI who worked in Water Quality at the F. E. Weymouth Water Treatment Plant in La Verne.

**48255** Regarding Legal Department activities, General Counsel Tachiki referred to the General Counsel's activity report for April dated May 3, 2010, which was posted to the Directors' website.

**48256** General Auditor Riss referred to the Audit Department's activity report for the month of April, dated April 30, 2010, which was posted to the Directors' website.

**48257** Ethics Officer Elliott referred to the activity report for April dated April 30, 2010, which was posted to the Directors' website.

Director Morris moved seconded by Director Blake and carried, and the Board approved the Consent Calendar Items, **M.I. 48258** through **M.I. 48260** as follows:

**48258** Adopted the CEQA determination and (a) appropriated \$180,000 (Appropriation No. 15452, No. 7, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized final design to replace four sodium hydroxide tanks at the Mills plant, as set forth in the letter signed by the General Manager on April 26, 2010.

**48259** Adopted the CEQA determinations and (a) appropriated \$560,000 (Appropriation No. 15369, No. 33, for \$190,000, and Appropriation No. 15442, No. 5, for \$370,000, both from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) preliminary design of the Weymouth Washwater Tanks Seismic Upgrades; and (c) final design of the Jensen Washwater Tanks Seismic Upgrades, as set forth in the letter signed by the General Manager on April 23, 2010.

**48260** Adopted the CEQA determination and (a) appropriated \$450,000 (Appropriation No. 15467 from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized initial investigations for control and protection upgrades at the Hiram W. Wadsworth Pumping Plant, as set forth in the letter signed by the General Manager on April 26, 2010.

**48261** Business and Finance Committee Chairman Grunfeld moved, seconded by Director De Jesus, that the Board approve Option #1 in the letter signed by the General Manager on May 4, 2010, adopt the CEQA determination and

- a. Approve the 2010/11 Budget;
  - i. Appropriate \$1.04 billion for the projected annual cash outlays for Metropolitan O&M and operating equipment, power costs on the Colorado River Aqueduct, State Water Project (SWP)

- operations, maintenance, power and replacement costs and SWP capital charges; demand management programs including the local resources and conservation credits program; and costs associated with supply programs;
- ii. Appropriate as continuing appropriations, \$338.9 million for 2010/11 debt service on Metropolitan general obligation and revenue bonds; and
  - iii. Authorize the use of \$95 million in operating revenues to fund Replacement and Refurbishment expenditures in 2010/11.
- b. Approve the 2011/12 Budget;
- i. Appropriate \$1.13 billion for the projected annual cash outlays for Metropolitan O&M and operating equipment, power costs on the Colorado River Aqueduct, SWP operations, maintenance, power and replacement costs and SWP capital charges; demand management programs including the local resources and conservation credits program; and costs associated with supply programs;
  - ii. Appropriate as continuing appropriations, \$367.2 million for 2011/12 debt service on Metropolitan general obligation and revenue bonds; and
  - iii. Authorize the use of \$125 million in operating revenues to fund Replacement and Refurbishment expenditures in 2011/12.

Director Steiner moved a substitute motion, seconded by Board Vice Chairman J. Murray, that the Board approve Option #2 in the letter signed by the General Manager on May 4, 2010, as modified, adopt the CEQA determination and

- a. Approve the 2010/11 Budget, with the addition of modifying it to restore the \$2 million to the conservation budget and direct staff to return at the June meeting with an additional \$2 million from elsewhere in the budget;
- b. Appropriate \$1.04 billion for the projected annual cash outlays for Metropolitan O&M and operating equipment, power costs on the Colorado River Aqueduct, SWP operations, maintenance, power and replacement costs and SWP capital charges; demand management programs including the local resources and

- conservation credits program; and costs associated with supply programs;
- c. Appropriate as continuing appropriations, \$338.9 million for 2010/11 debt service on Metropolitan general obligation and revenue bonds; and
  - d. Authorize the use of \$95 million in operating revenues to fund Replacement and Refurbishment expenditures in 2010/11; and
  - e. That staff return in 90 days with a 2011/12 budget and in between hold a budget workshop or presentation at the Business and Finance Committee and Executive Committee where the option for the 2011/12 budget can be discussed.

An extensive discussion took place on the proposed reduction and restoration in the water conservation program, the time period for budget preparation, preparation of 2- or 3-year budgets, and the timing and adoption of rates and budgets.

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

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

Ayes: Anaheim (Dir. K. Murray, 3,425 votes), Beverly Hills (Dir. Wunderlich, 2,158 votes), Central Basin Municipal Water District (Dirs. Hawkins and Vasquez, 11,033 votes), Glendale (Dir. Friedman, 2,226 votes), Inland Empire Utilities Agency (Dir. Santiago, 8,149 votes), Long Beach (Dir. Lowenthal, 3,858 votes), Los Angeles (Ayes: Dirs. Fleming, Grunfeld, and J. Murray. Absent: Dir. Quiñonez. 40,418 votes), Municipal Water District of Orange County (Ayes: Dirs. Dick and Foley. Absent: Dir. Ackerman. 23,035.33 votes), San Diego County Water Authority (Ayes: Dirs. Lewinger, Pocklington, and Steiner. Absent: Dir. Barrett. 37,176 votes), San Fernando (Dir. Ballin, 148 votes), San Marino (Dir. Morris, 412 votes), Santa Ana (Dir. Griset, 2,027 votes), Santa Monica (Dir. Abdo, 2,393 votes), Torrance (Dir. Wright, 2,242 votes), Upper San Gabriel Valley Municipal Water District (Dir. Fellow, 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 167,460.33 votes.

Noes: Burbank (Dir. Brown, 1,818 votes), Calleguas Municipal Water District (Dir. Grandsen, 7,958 votes), Eastern Municipal Water District (Dir. Record, 5,711 votes), Foothill Municipal Water District (Dir. Edwards, 1,278 votes), Fullerton (Dir. Blake, 1,445 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,956 votes), Municipal Water District of Orange County (Dir. Barbre, 11,517.67 votes). Total 31,683.67 votes.

Abstain: Three Valleys Municipal Water District (Dir. De Jesus, 4,942 votes). Total 4,942 votes.

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

Absent: Compton (Dir. Arceneaux, 342 votes). Total 342 votes.

The Chair declared the substitute motion, as modified, passed by a vote of 167,460.33 ayes, 31,683.67 noes, 4,942 abstain, 2,033 not participating, and 342 absent.

Director Abdo withdrew from the Meeting at 1:25 p.m.

**48262** Business and Finance Committee Chairman Grunfeld moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and **Resolution 9109** to continue the water standby charge for fiscal year 2010/11, as set forth in the letter signed by the General Manager on April 26, 2010, said resolution entitled:

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONTINUING WATER STANDBY CHARGES FOR FISCAL YEAR 2010/11**

**48263** Engineering and Operations Committee Chairman Record moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and (a) appropriate \$7.1 million (Appropriation No. 15436, No. 8, from the Revenue Bonds, Replacement and Refurbishment or General Funds); (b) award \$4,966,937 construction contract to Zusser Company, Inc. to construct the Diemer Fire and Potable Water Pump Station; and (c) authorize increase of \$258,000 to the existing agreement with Camp Dresser & McKee, for a new not-to-exceed total of \$19,838,000, as set forth in the letter signed by the General Manager on April 28, 2010.



**48264** Engineering and Operations Committee Chairman Record moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and two resolutions which: (a) authorize acceptance of potential grant funding of \$1 million; (b) delegate authority to the General Manager to execute necessary agreements, including the Bureau of Reclamation (Reclamation) grant contracts; (c) Metropolitan agrees to enter into future contracts necessary to fulfill the grant contract, including provision of Metropolitan's matching funds of \$1 million; and (d) state that Metropolitan, if awarded a grant, will work with Reclamation to meet established deadlines upon entering into a cooperative agreement, as set forth in the letter signed by the General Manager on April 29, 2010; said resolutions entitled:

**Resolution 9110** RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA IN SUPPORT OF ITS PROPOSAL FOR FUNDING UNDER THE WATERSMART: WATER AND ENERGY EFFICIENCY GRANT FOR FISCAL YEAR 2010 FOR RECYCLED WATER RETROFITS PROGRAM

**Resolution 9111** RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA IN SUPPORT OF ITS PROPOSAL FOR FUNDING UNDER THE WATERSMART: WATER AND ENERGY EFFICIENCY GRANT FOR FISCAL YEAR 2010 FOR HIGH-EFFICIENCY CLOTHES WASHER PROGRAM

**48265** Communications and Legislation Committee Chairman Griset moved, seconded by Director Fleming and carried, that the Board adopt the CEQA determination and express an oppose position on AB 2583 (Hall, D-Los Angeles) unless it is amended to remove any regulatory agencies' jurisdictional conflicts regarding transportation of hazardous material and current risk management planning practices, as stated in the letter signed by the General Manager on May 5, 2010.

**48266** Water Planning and Stewardship Committee Chair Steiner moved, seconded by Director Fleming and carried, that the Board adopt the CEQA determination and authorize (a) Metropolitan's fiscal year 2010/11 Water Conservation Plan and incentive

modifications with an effective date of June 1, 2010; (b) elimination of Enhanced Conservation Program and Water Savings Performance Program, upon completion of existing agreements; (c) execution of a new three-year contract not to exceed \$120 million with Honeywell International to administer Metropolitan's Regional Commercial Conservation Program; and (d) execution of an amendment to the existing contract with Honeywell International, increasing the maximum amount payable from \$85 million to \$90 million, to continue processing commercial incentives under this contract; as set forth in the letter signed by the General Manager on April 29, 2010.

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

**48267** Communications and Legislation Committee Chairman Griset moved, seconded by Director K. Murray and carried, that the Board adopt the CEQA determination and oppose Proposition 16 on the June 8, 2010 ballot, the "Taxpayers' Right to Vote Act", as stated in the letter signed by the General Manager on April 22, 2010.

**48268** Business and Finance Committee Chairman Grunfeld moved, seconded by Director Blake and carried unanimously, representing more than the required two-thirds vote, that the Board adopt the CEQA determination and (a) adopt **Resolution 9112** authorizing the second amendment to the Master Swap Policy as described in Attachment 1 to the letter signed by the General Manager on May 4, 2010; and authorize (b) novation of interest rate swap transactions with UBS AG to another Qualified Swap Counterparty on substantially the same terms and conditions, as approved by the General Manager; and (c) the General Manager/Chief Financial Officer to amend existing swap transactions, which may include the transactions novated to another Qualified Swap Counterparty, to provide early cancellation options as described in the board letter; said resolution entitled:

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA PROVIDING FOR THE AMENDMENT OF THE MASTER SWAP RESOLUTION AND THE SWAP POLICY**

**48269** Legal and Claims Committee Vice Chairman Dick moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and authorize (1) a contract with Construction Management Services in the amount of \$230,000; (2) increase of \$300,000 for a total of \$400,000 in maximum amount payable under contract with Theodora Oringer Miller & Richman PC; and (3) increase of \$50,000 for a total of \$150,000 in maximum amount payable under contract with Subterra, Inc., for work in *Foxfire Constructors, Inc. v. W. A. Rasic Construction Company*, Case No. 30-2009-00118788, Superior Court of Orange County, California, as set forth in the confidential letter signed by the General Counsel on May 3, 2010.

**48270** Legal and Claims Committee Vice Chairman Dick moved, seconded by Board Vice Chairman J. Murray and carried, that the Board adopt the CEQA determination and authorize an increase of \$100,000 for a total of \$500,000 in maximum amount payable under contract with Davis Wright Tremaine for representation in the Federal Energy Regulatory Commission relicensing of the Oroville Facilities and associated litigation, as set forth in the confidential letter signed by the General Counsel on May 3, 2010.

**48271** Organization and Personnel Committee Chairman J. Murray moved, seconded by Director Lowenthal and carried, that the Board adopt the CEQA determination and authorize the General Manager to enter into successor Memoranda of Understanding with AFSCME, Local 1902; Management and Professional Employees Association; and Association of Confidential Employees, consistent with the terms of the tentative agreements and the parameters authorized by the Board on March 9, 2010, as set forth in the letter signed by the General Manager on May 4, 2010.

Directors Blake and K. Murray requested to be recorded as voting no.

**48272** The following communication was submitted to the Board for information:

- a. Renewal status of Metropolitan's Property and Casualty Insurance Program, signed by the General Manager on April 27, 2010.

**48273** At 1:43 p.m., there being no objection, the Chairman adjourned the Meeting in memory of employee James D. "Jim" Bishop.

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**JUDY ABDO**  
**SECRETARY**

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**TIMOTHY F. BRICK**  
**CHAIRMAN**