

MINUTES

REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

JULY 13, 2010

48308 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, July 13, 2010.

Chairman Brick called the Meeting to order at 12:17 p.m.

48309 The Meeting was opened with an invocation by Josie Luna Anderson, Social Services Manager, City of La Habra; and owner of a small business enterprise that provides services to districts, municipalities, engineering consulting firms, and private developers for public works projects.

48310 The Pledge of Allegiance to the Flag was given by Director Daniel Griset.

48311 In the absence of Board Secretary Abdo, Chairman Brick designated Director Ted Grandsen as Secretary Pro Tem.

48312 Secretary Pro Tem Grandsen called the roll. Those answering present were: Directors Ackerman, Ballin, Barbre, Blake, Brick, Brown, De Jesus, Dick, Edwards, Evans, Fleming, Foley, Friedman, Grandsen, Griset, Grunfeld, Hawkins, Heidel, Lewinger, Little, Lowenthal, Morris, J. Murray, K. Murray, Peterson, Pocklington, Record, Santiago, Steiner, and Wright.

Those not answering were: Directors Abdo, Arceneaux, Fellow, Gray, Quiñonez, and Wunderlich.

Chairman Brick declared a quorum present.

48313 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.

48314 There being no objection, Chairman Brick ordered the reading of the Minutes of the Meeting for June 8, 2010, dispensed with, a copy having been mailed to each Director.

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

48315 A written report of meetings attended by Directors at Metropolitan expense during the month of June was distributed.

48316 The letter signed by General Counsel Tachiki on June 30, 2010, was presented, transmitting the credentials evidencing the appointment by San Diego County Water Authority of Lynne L. Heidel as one of its representatives on Metropolitan's Board for an indefinite term, replacing James M. Barrett.

General Counsel Tachiki reported that the credentials had been examined and found legally sufficient; and that the Oath of Office was administered to Mrs. Heidel on July 12, 2010. The Chair ordered the credentials, together with the General Counsel's letter, received and filed. Following an introduction by Vice Chair Steiner, Mrs. Heidel took her seat as a Director representing San Diego County Water Authority.

48317 The letter signed by General Counsel Tachiki on June 30, 2010, was presented, transmitting the credentials evidencing the appointment by Central Basin Municipal Water District of Rudy C. Montalvo as one of its representatives on Metropolitan's Board for an indefinite term, replacing Edward C. Vasquez.

General Counsel Tachiki reported that the credentials had been examined and found legally sufficient. Jody Miyashiro, Notary Public, administered the Oath of Office to Mr. Rudy C.

Montalvo. The Chair ordered the credentials, together with the General Counsel's letter, received and filed. Following an introduction by Edward C. Vasquez, Mr. Montalvo took his seat as a Director representing Central Basin Municipal Water District.

48318 Chairman Brick and General Manager Kightlinger acknowledged and thanked the Metropolitan employees who volunteered in another successful Solar Cup event, which was held May 14-16 at Lake Skinner.

48319 Director Blake moved, seconded by Director Edwards and carried, adjourning the August Board Meeting to August 17, 2010, to establish the tax rate. (Committees will meet on Monday and Tuesday, August 16 and 17, 2010.)

48320 Chairman Brick reported there were no new committee assignments.

48321 Chairman Brick reported on events in which he participated, as follows:

- June 10 - Attended Metropolitan's Third Annual Spring Green Fair breakfast and opening ceremony, which was well attended by staff, with Los Angeles Mayor Villaraigosa as the guest speaker.
- June 15-19 - Participated in an event sponsored by The Chronicles Group at the Capital Visitor Center in Washington, D.C.
- June 19 - Attended a board meeting of the Alliance for Water Efficiency in Chicago, Illinois.
- June 24 - Traveled to San Diego to present San Diego County Water Authority the Public Water Agency of the Year award from the Global Water Institute, which he had accepted on their behalf.
- June 25 - Along with Director Griset and staff, met with Assemblymen Solorio and Feuer to present them with a proclamation from Metropolitan recognizing their roles in securing passage of the historic package of comprehensive water legislation last November.
- July 8 - Along with staff, attended Board Vice Chairman John Murray's Southern California Minority Business Development Council's Supplier of the Year awards ceremony at the Omni Hotel, Los Angeles.

48322 Regarding Colorado River, Bay-Delta, and CALFED matters, General Manager Kightlinger referred to the activity report for June dated June 30, 2010, which was posted to the Directors' website.

General Manager Kightlinger announced that the following reports are available for the Directors:
(1) Metropolitan's 2009 Annual Report at each Director's desk; and (2) the draft Integrated Resources Plan Update which can be obtained from staff at the end of the Board meeting.

48323 Regarding Legal Department activities, General Counsel Tachiki referred to the General Counsel's activity report for June dated July 6, 2010, which was posted to the Directors' website.

General Counsel Tachiki reported that on July 8 and 9 the parties in the Delta smelt litigation argued their motion for summary judgment but that Judge Wanger had made no ruling or indicated the timing of this ruling. However, the judge has asked for some supplemental briefing to be submitted by the end of July, and a decision should be expected within the next two or three weeks.

48324 General Auditor Riss referred to the Audit Department's activity report for the month of June, dated June 30, 2010, which was posted to the Directors' website.

General Auditor Riss stated that two audit reports were issued: (1) Skinner Plant Solar Power Generation Facility Audit Report and (2) Budget and Financial Reporting Audit Report. Also reviewed was the Official Statement for the Special Variable Rate for Water Revenue Refunding Bonds, 2010 Authorization, Series A.

General Auditor Riss gave a brief review of the above-listed audit reports and stated that they received opinions 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 of the Water Revenue Refunding Bonds Official Statement consisted of specific procedures required by the bond purchase agreement, and that no exceptions were noted.

48325 Ethics Officer Elliott referred to the activity report for June dated June 30, 2010, which was posted to the Directors' website.

Ethics Officer Elliott announced that the second part of the AB 1234 workshop would be held at the end of next month's Board meeting on August 17. Dr. Elliott stated that the harassment and discrimination online course for the Board of Directors is in the technical process of being loaded and will be running by August 24, 2010.

Director Morris moved seconded by Director Blake and carried, and the Board approved the Consent Calendar Items, **M.I. 48326** through **M.I. 48328** as follows:

48326 Adopted the California Environmental Quality Act (CEQA) determination and (a) **Resolution 9113** granting Calleguas Municipal Water District's request for approval of Calleguas Annexation No. 94, concurrently to Metropolitan and Calleguas, conditioned upon recording an agreement excluding 23 acres from this annexation that will not receive water and approval by the Ventura Local Agency Formation Commission, and establishing Metropolitan's terms and conditions for the annexation; and (b) approved Calleguas' Statement of Compliance with the current Water Use Efficiency Guidelines, as set forth in the letter signed by the General Manager on June 28, 2010, with said resolution entitled:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO CALLEGUAS MUNICIPAL WATER DISTRICT'S CALLEGUAS ANNEXATION NO. 94 AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

48327 Adopted the CEQA determinations and (a) appropriated \$1.7 million in budgeted funds (Appropriation No. 15395, No. 4, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) awarded \$1,236,627 contract to Adams Mallory Construction Co., Inc. for the La Verne Shops Upgrade, Phase 2, as set forth in the letter signed by the General Manager on June 28, 2010.

48328 Adopted the CEQA determination and authorized the General Manager to execute an amendment to the 2002 water sale agreement with Caltrans and Chiriaco Summit Water District, as set forth in the letter signed by the General Manager on June 29, 2010.

48329 Real Property and Asset Management Committee Chairman Hawkins moved, seconded by Director Grunfeld and carried, that the Board adopt the CEQA determination and authorize staff to pursue renewable energy development for revenue generation on Metropolitan's Palo Verde mesa land through an RFP process, as set forth in the letter signed by the General Manager on June 18, 2010.

48330 Real Property and Asset Management Committee Chairman Hawkins reported that Agenda Item 8-3 to appropriate funds and authorize acquisition of three properties has been deferred.

48331 Engineering and Operations Committee Chairman Record moved, seconded by Director Wright and carried, that the Board adopt the CEQA determinations and (a) appropriate \$5.55 million (Appropriation No. 15380, No. 18, for \$3,470,000; Appropriation No. 15442, No. 6, for \$700,000; Appropriation No. 15452, No. 8, for \$610,000; Appropriation No. 15365, No. 20, for \$770,000, all from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorize (b) final design of the Diemer Electrical Improvements; and (c) preliminary design of the Jensen and Mills Electrical Improvements; and (d) award \$419,680 contract to Dalke & Sons Construction, Inc. to construct the Phase 2 Skinner Electrical Building Upgrades, as set forth in the letter signed by the General Manager on June 25, 2010.

48332 Communications and Legislation Committee Chairman Griset moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and authorize the General Manager to express Metropolitan's opposition to SB 972 (Wolk, D-Davis) regarding indemnity: design professionals, as set forth in the letter signed by the General Manager on July 1, 2010.

Directors Little and Morris requested to be recorded as voting no.

48333 Water Planning and Stewardship Committee Chair Steiner moved, seconded by Board Vice Chairman J. Murray and carried, that the Board adopt the CEQA determination and authorize the General Manager to execute an amendment to the Delta Habitat Conservation and Conveyance Plan Funding Agreement with the Department of Water Resources to provide up to an additional \$21.5 million for Metropolitan's share of costs to prepare the preliminary engineering design and environmental documentation for the Bay Delta Conservation Plan, as set forth in the letter signed by the General Manager on June 30, 2010.

48334 Water Planning and Stewardship Committee Chair Steiner moved, seconded by Director Morris and carried, that the Board adopt the CEQA determination and authorize executing agreements, based on the terms described in the letter signed by the General Manager on June 30, 2010, and Attachment 1 to the letter, with the Municipal Water District of Orange County, the Irvine Ranch Water District, and the Department of Water Resources, as appropriate, for the coordinated delivery of procured State Water Project supplies with Irvine Ranch Water District's Strand Ranch Project.

Directors Barbre and Dick requested to be recorded as abstaining.

48335 Water Planning and Stewardship Committee Chair Steiner moved, seconded by Director Lewinger and carried, that the Board adopt the CEQA determination and appropriate \$7.2 million for water transfer payments for Yuba County Water Agency water transfer supplies, as set forth in the letter signed by the General Manager on June 29, 2010.

48336 Communications and Legislation Committee Chairman Griset stated that the committee adopted Option #2 as set forth in the letter signed by the General Manager on June 28, 2010, and therefore moved, seconded by Director Fleming and carried, that the Board take no position on SB 565 (Pavley, D-Agoura Hills and Steinberg, D-Sacramento) - Water Resources.

48337 Legal and Claims Committee Vice Chairman Dick moved, seconded by Director Edwards and carried, that the Board adopt the CEQA determination and authorize the initiation of litigation against responsible parties, including RNL Design and Simon Wong & Associates, for claims arising out of the Diemer

Plant Maintenance Facility and Vehicle Maintenance Center projects, as set forth in the confidential letter signed by the General Counsel on July 1, 2010.

48338 Legal and Claims Committee Vice Chairman Dick reported that no action was taken by the committee in *San Diego County Water Authority v. Metropolitan Water District of Southern California, et al.*, Los Angeles County Superior Court Case No. BS126888.

48339 Legal and Claims Committee Vice Chairman Dick moved, seconded by Director Edwards and carried, that the Board adopt the CEQA determination and authorize increases in contracts with (a) Manatt, Phelps and Phillips LLP for legal services by \$100,000 to a maximum of \$330,000; (b) Latham & Watkins for legal services by \$550,000 to a maximum of \$1,300,000; and (c) Shaw Environmental for technical advice by \$60,000 to a maximum of \$160,000 relating to *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 July 7, 2010.

Director Fleming requested to be recorded as abstaining.

48340 Engineering and Operations Committee Chairman Record informed the Board that the committee heard a report and approved the language of the energy management policy principles, which will be brought back to the Board for action in August.

48341 The following communications were submitted to the Board for information:

- a. Accounting for the capital component of the State Water Project, signed by the General Manager on July 1, 2010.
- b. Proposed adjustments to Metropolitan's Water Supply Allocation Plan, signed by the General Manager on June 30, 2010.

General Counsel Tachiki noted that a letter from the General Counsel of San Diego County Water Authority dated

July 13, 2010, was received this morning regarding comments from the Authority on Agenda Item 9-1, "Accounting for the Capital Component of the State Water Project", and the Authority has requested it be entered into the record.

48342 At 1:00 p.m., there being no objection, the Chairman adjourned the Meeting in memory of Michael Harrison, son of Claire Harrison, Legislative Affairs Manager for Eastern Municipal Water District.

TED GRANDSEN

SECRETARY PRO TEM

TIMOTHY F. BRICK

CHAIRMAN