

MINUTES

REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

April 12, 2011

48603 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 12, 2011.

Chairman Foley called the Meeting to order at 12:32 p.m.

48604 The Meeting was opened with an invocation by Pam Dunn, Owner of Orange County's Mulberry Street Mortgage.

48605 The Pledge of Allegiance to the Flag was given by Director Kristine Murray.

48606 Board Secretary Morris called the roll. Those answering present were: Directors Abdo, Ackerman, Barbre, Blake, Bowersox, Brick, Brown, Camacho, De Jesus, Dick, Edwards, Evans, Fellow, Fleming, Foley, Friedman, Grandsen, Gray, Griset, Grunfeld, Hawkins, Heidel, Lewinger, Little, Montalvo, Morris, J. Murray, K. Murray, Peterson, Record, Sanchez, Steiner, Wright, and Wunderlich.

Those not answering were: Directors Ballin, Lowenthal (entered 12:35 p.m.), and Quiñonez.

Chairman Foley declared a quorum present.

Director Lowenthal took her seat at 12:35 p.m.

48607 Chairman Foley invited members of the public to address the Board on matters within the Board's jurisdiction.

Brad Cox, senior managing director for the Los Angeles office of the Trammell Crow Company, expressed his appreciation to the Board for consideration as a potential purchaser for the La Verne Wheeler Avenue property.

48608 There being no objection, Chairman Foley ordered the reading of the Minutes of the Meeting of March 8, 2011, dispensed with, a copy having been mailed to each Director.

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

48609 A written report of meetings attended by Directors at Metropolitan expense during the month of March was distributed, which was received and filed.

Director Abdo requested that her attendance at the Local Government Commission conference at the Ahwanee, Yosemite in March 2011 be added to the record.

48610 The General Counsel's letters, each signed March 29, 2011, were presented, transmitting the credentials evidencing the reappointments by the City of Los Angeles of Directors Grunfeld and J. Murray as representatives on Metropolitan's Board for the term ending December 31, 2014.

Interim General Counsel Scully reported the credentials had been examined and found legally sufficient, and that the Oaths of Office had been administered to Directors Grunfeld and J. Murray.

The Chair ordered the credentials, together with the General Counsel's letters, received and filed.

48611 Director Blake moved, seconded by Director Edwards and carried, that the Board approve the assignment of Director Little to the Organization, Personnel and Technology Committee, as recommended by Chairman Foley.

48612 Chairman Foley reported on events in which he participated, as follows:

- March 4 - Attended WACO meeting
- March 9 - Attended Colorado River Board meeting
- March 14 - Attended a luncheon and tour of the West Basin Municipal Water District's desalination facility

Chairman Foley also informed the Board that on April 5-7, he and Directors Ackerman, Peterson, and Fleming, as well as General Manager Kightlinger, Deputy General Manager Linda Waade, and Executive Legislative Representative Brad Hiltcher, attended meetings in Washington, D.C. where discussions were held to encourage the Hoover Power bill movement with Senator Feinstein, Congressman McClintock, Congresswoman Napolitano, former Metropolitan Director and chair of the Council on Environmental Quality Nancy Sutley, and a staff member of the Natural Resources Committee, for which we received total support.

48613 Chairman Foley called on Director Steiner to introduce San Diego officials in the audience. Director Steiner acknowledged San Diego County Water Authority's Chairman Michael T. Hogan; the City of San Diego Director of Public Utilities and Waste Water Division Roger Bailey; and Brent Eidson, from the City of San Diego Mayor Sanders office.

48614 Director Blake moved, seconded by Director Fleming and carried, that the Board approve the Executive Committee's recommendation to appoint Marcia Scully as the Interim General Counsel.

48615 Board Vice Chairman J. Murray moved, seconded by Director Fleming and carried, that the Board adopt the CEQA determination and (a) approve the terms and conditions of employment of Marcia Scully as Interim General Counsel; and (b) authorize the Chairman of the Board to execute an agreement consistent with the approved terms and conditions, as set forth in the letter signed by the Chairman of the Board on April 6, 2011.

48616 Chairman Foley introduced the chairman of Metropolitan's Blue Ribbon Committee, former Director Bob Simonds, and asked him to present the Blue Ribbon Committee Report.

Mr. Simonds expressed his appreciation to Metropolitan's Board for the opportunity to explore, discuss, and debate the future of Metropolitan with the members of the Blue Ribbon Committee (BRC). The dialog and debate the BRC experienced while considering diverse perspectives and developing strong recommendations were extremely valuable. The committee members offered their time and expertise for the opportunity to contribute to Metropolitan in its critical role in providing the region with water and essentially sustaining one of the world's largest economies. Mr. Simonds wished to convey his appreciation to Assistant General Manager/Chief Administrative Officer Gilbert Ivey, Executive Specialist Margie Wheeler, and Debra Knopman of RAND Corporation for assisting in this process.

Mr. Simonds explained to the Board members that the BRC was asked to consider trends and uncertainties over the next 50 years that may affect Metropolitan and its member agencies in significant ways. The BRC also considered whether Metropolitan's business model would be reliable, resilient, and robust under a wide range of future conditions; and conceptualized Metropolitan's business model in 2060 that would lead to continued success over possible futures.

Mr. Simonds hopes the report will start a dialogue among Metropolitan's board members. While the Board may not agree with everything in the report, it is hoped that the BRC has provided a framework for the Board to begin discussions of the future landscape and how Metropolitan will evolve as the region and global environments change at a rate that is becoming incomprehensible.

Chairman Foley thanked Mr. Simonds on behalf of Metropolitan's Board of Directors, and asked Mr. Simonds to convey to the BRC members Metropolitan's sincere appreciation for the amount of time and effort spent to help Metropolitan take a prospective look at the function of Metropolitan today and in the future.

Chairman Foley assured Mr. Simonds that Metropolitan would analyze and review the report and consider establishing a special committee to review the BRC's recommendations and consider appropriate processes and implementation strategies.

48617 Regarding matters relating to Metropolitan's operations and activities, General Manager Kightlinger referred to the activity report for March dated March 31, 2011, which was posted to the Directors' website.

General Manager Kightlinger reported that Metropolitan's current increase in water supply and its current storage sparked discussions with members of the Water Planning and Stewardship Committee to consider Metropolitan's current allocations. The committee directed staff to discuss with member agency managers the possibility of discount replenishment options so that the General Manager can be authorized to make determinations of water availability and to act accordingly.

General Manager Kightlinger reported that the State has informed us that there is a good chance our allocation will be increased approximately 75-80 percent in the next couple of weeks; and informed the Board that staff will provide a thorough cost benefit analysis of discount replenishment options in the next two weeks.

General Manager Kightlinger expressed his appreciation to group managers Jim Green and Gordon Johnson for successfully orchestrating this season's very complex shutdowns in Orange County at the Diemer plant and the Weymouth area at the Weymouth plant. Both shutdown operations were completed without incident.

Mr. Kightlinger also noted that Gerald Meral, Deputy Secretary, California Natural Resources Agency, would be speaking at the Southern California Water Committee meeting Thursday, April 21, on the Bay Delta Conservation Plan.

Mr. Kightlinger also announced that Metropolitan's Headquarters building won the Toby Award for outstanding building of the year. Acknowledgements will be presented at the next Real Property and Asset Management committee meeting.

General Manager Kightlinger called on Director Grunfeld to give the Board a briefing on Israeli Innovation Day held at Metropolitan on Thursday, March 24, 2011, co-hosted by Metropolitan and the Israeli Economic Mission.

48618 Regarding Legal Department activities, Interim General Counsel Scully referred to the General Counsel's activity report for March dated April 4, 2011, which was posted to the Directors' website.

48619 General Auditor Riss referred to the Audit Department's activity report for the month of March, dated March 30, 2011, which was posted to the Directors' website.

General Auditor Riss stated that several reports were issued this past month, which management has already addressed. In addition, the KPMG single audit report was issued to the Board on March 30, 2011, regarding Metropolitan's federal grants greater than \$500,000.

Director Barbre withdrew from the Meeting at 12:52 p.m.

48620 Ethics Officer Elliott referred to the activity report for March dated March 31, 2011, which was posted to the Directors' website.

Ethics Officer Elliott announced that there are still several Directors that have not completed a class on harassment and discrimination prevention, which is easily accessible on the Directors' secured website.

48621 Chairman Foley introduced Geraldine Walters, Senior Board Specialist, acting in the absence of Board Executive Secretary Dawn Chin, as recording secretary for today's meeting.

Director Blake moved seconded by Director Grunfeld and carried, and the Board approved the Consent Calendar Items, **M.I. 48622** through **M.I. 48624**, as follows:

48622 Adopted the California Environmental Quality Act (CEQA) determinations and (a) appropriated \$840,000; and authorized (b) final design of the Mills Hazardous Waste Staging and Handling Facility Improvements; and (c) final design, procurement, and construction of the Mills Modules Nos. 3 and 4 Turbidity Meters and Gas Detectors Replacement project, as set forth in the letter signed by the General Manager on March 29, 2011.

48623 Adopted the CEQA determinations and (a) appropriated \$1.93 million; (b) awarded \$1,032,945 contract to Southern Contracting Company for replacement of the standby generator at Eagle Mountain Pumping Plant; and (c) authorized final design of repairs to the delivery pipe expansion joints at Hinds, Gene and Intake Pumping Plants, as set forth in the letter signed by the General Manager on March 29, 2011.

48624 Adopted the CEQA determination and the proposed revisions to the Metropolitan Water District Administrative Code regarding committee structure, as set forth in Attachment 1 of the letter signed by the General Manager on March 23, 2011.

48625 Real Property and Asset Management Committee Chairman Hawkins stated that the committee heard this item in closed session, and voted to accept the pending offer to purchase Metropolitan's 23.803 acres south of Arrow Highway in La Verne, California.

Real Property and Asset Management Committee Chairman Hawkins then moved, seconded by Director Grunfeld and carried, that the Board accept the pending offer as stated in the confidential letter signed by the General Manager on March 16, 2011.

Director Heidel requested to be recorded as abstaining.

48626 Real Property and Asset Management Committee Chairman Hawkins reported that the committee withdrew Agenda Item 8-2 to authorize action on Metropolitan-owned easement located in Desert Hot Springs, California.

48627 Real Property and Asset Management Committee Chairman Hawkins stated that the committee heard this item in closed session, and voted to accept the pending offer to purchase Metropolitan's property, a house near the Robert B. Diemer Water Treatment Plant.

Real Property and Asset Management Committee Chairman Hawkins then moved, seconded by Board Vice Chairman J. Murray and carried, that the Board accept the pending offer to purchase Metropolitan's property, a house near the Robert B. Diemer Water Treatment Plant, as set forth in the confidential letter signed by the General Manager on March 16, 2011.

Director Barbre returned to the meeting at 12:55 p.m.

48628 Finance and Insurance Committee Chairman Grunfeld moved, seconded by Committee Vice Chairman Blake and carried, that the Board adopt the CEQA determination and (a) provisionally approve the 2012/13 Budget for a total of \$1.49 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; debt service on Metropolitan general obligation and revenue bonds; and the use of operating revenues to fund Replacement and Refurbishment expenditures; (b) provisionally approve the use of up to \$10 million in operating revenues to fund Metropolitan's other post-employment benefits (OPEB) liability and the use of up to \$125 million in operating revenues to fund Replacement and Refurbishment expenditures if sales exceed 1.8 million acre-feet in fiscal years 2012/13 and all other budget and financial targets authorized in the 2012/13 Budget can be met; and (c) direct staff to update the 2012/13 Budget to reflect updated receipts and expenditures and any changed conditions and revised forecasts and to submit it to the Board for formal approval in April 2012, as set forth in the letter signed by the General Manager on March 30, 2011, as amended.

Director Lewinger requested that the San Diego County Water Authority letter dated April 11, 2011, requesting to reopen the 2011/12 Budget and for a special board workshop to consider a revised 2011/12 Budget and provisional 2012/13 Budget be attached to these minutes.

Directors Bowersox, Heidel, Lewinger and Steiner requested to be recorded as voting no.

48629 Finance and Insurance Committee Chairman Grunfeld moved, seconded by Committee Vice Chairman Blake and carried, that the Board adopt the CEQA determination and the following resolutions: (a) resolution to impose the Readiness-to-Serve Charge; and (b) resolution to impose the Capacity Charge, as set forth in the letter signed by the General Manager on March 30, 2011, said resolutions entitled:

Resolution 9119 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 2012

Resolution 9120 RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING A CAPACITY CHARGE EFFECTIVE JANUARY 1, 2012

48630 Water Planning and Stewardship Committee Chairman De Jesus moved, seconded by Committee Vice Chairman Wright and carried, that the Board adopt the CEQA determination and (a) Do not implement the Water Supply Allocation Plan (WSAP) for 2011/12; (b) Terminate the current 2010/11 WSAP Level 2 implementation, and the current "Condition 3 - Water Supply Allocation" declaration as of April 13, 2011; and (c) Reaffirm Baseline Water Use Efficiency, as set forth in the letter signed by the General Manager on March 30, 2011.

48631 Legislation Committee Chair Ackerman moved, seconded by Director Fleming and carried, that the Board adopt the CEQA determination and authorize the General Manager to express Metropolitan's support for SB 328 (Kehoe, D-San Diego) - Eminent Domain Law: conservation easement, as set forth in the letter signed by the General Manager on March 30, 2011.

48632 Legislation Committee Chair Ackerman moved, seconded by Director Griset and carried, that the Board adopt the CEQA determination and authorize the General Manager to express support for H.R. 470 (Heck, R-NV) and S. 519 (Reid, D-NV) - Hoover Power Allocation Act of 2011, as set forth in the letter signed by the General Manager on March 30, 2011.

48633 Legal and Claims Committee Chairman Wunderlich moved, seconded by Director Fleming and carried, that the Board authorize settlement in *Jena Minor v. Metropolitan Water District of Southern California*, LASC Case No. BC434669.

Directors Ackerman, Blake, Camacho, Dick, and Peterson requested to be recorded as voting no.

48634 Legislation Committee Chair Ackerman reported that Agenda Item 8-10, Express opposition to AB 954 (Charles Calderon, D-Whittier) – Water replenishment districts, was withdrawn.

48635 Legislation Committee Chair Ackerman moved, seconded by Director Fleming and carried, that the Board adopt the CEQA determination and express opposition to SB 701 (Ron Calderon, D-Montebello) – Central Basin Municipal Water District: report, as set forth in the letter signed by the General Manager on April 5, 2011.

Directors Barbre, Camacho, Hawkins, and Montalvo requested to be recorded as voting no.

48636 Legislation Committee Chair Ackerman moved, seconded by Committee Vice Chairman Peterson and carried, that the Board adopt the CEQA determination and express no position on H.R. 567 (Nunes, R-CA) and S. 347 (Burr, R-NC) – Public Employee Pension Transparency Act, and continue to monitor the legislation, as set forth in the letter signed by the General Manager on April 5, 2011.

Directors Barbre, Camacho, De Jesus, Edwards, Hawkins, and Montalvo requested to be recorded as voting no.

48637 The following communication was submitted to the Board for information:

- a. Conference with Labor Negotiators.

Organization, Personnel, and Technology Committee Chairman Murray stated that the Organization, Personnel and Technology Committee had no report on this item.

48638 At 1:05 p.m., there being no objection, the Chairman adjourned the Meeting in memory of Susan Trager, well known water attorney.

JOHN T. MORRIS
SECRETARY

JOHN V. FOLEY
CHAIRMAN