

MINUTES

ADJOURNED REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

AUGUST 16, 2011

48743 The Board of Directors of The Metropolitan Water District of Southern California met in Adjourned 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, August 16, 2011.

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

48744 The Meeting was opened with an invocation by Sharon Wills, Senior Administrative Analyst, Human Resources Group.

48745 The Pledge of Allegiance to the Flag was given by Director Glenn A. Brown.

48746 In the absence of Board Secretary Morris, Chairman Foley designated Director Ted Grandsen as Secretary Pro Tem.

48747 Secretary Pro Tem Grandsen called the roll. Those answering present were: Directors Ackerman, Ballin, Barbre, Blake, Brick, Brown, Camacho, De Jesus, Dick, Edwards, Evans, Fleming, Foley, Grandsen, Gray, Griset, Grunfeld, Hawkins, Heidel, Little, Montalvo, J. Murray, K. Murray, Peterson, Quiñonez, Record, Steiner, Wright, and Wunderlich.

Those not answering were: Directors Abdo, Bowersox, Friedman, Lewinger, Lowenthal (entered 12:26 p.m.), Morris, and Sanchez.

Chairman Foley declared a quorum present.

48748 Chairman Foley invited members of the public to address the Board on matters within the Board's jurisdiction.

Tracy Quinn, Natural Resources Defense Council, spoke in support of Item 8-7, the Long Term Conservation Plan. She commented on the conservation program and the local resources program and encouraged the Board to consider how these two programs may interact to help Metropolitan meet its IRP target.

Ralph Nunez, City of Riverside Parks and Recreation, spoke in support of Item 8-2, the offer for the purchase of Metropolitan's 83.6-acre Box Springs Feeder right-of-way in the city and county of Riverside. Mr. Nunez stated that the city and county would be working together to create a linear park and trails and recreational opportunities for the residents in Riverside.

Jane Block, Riverside Land Conservancy, also spoke in support of Item 8-2 and requested the Board to consider a favorable sale to the city and county of Riverside.

48749 A written report of meetings attended by Directors at Metropolitan expense during the month of July was distributed, which was received and filed.

Director Brick requested that his attendance at the Los Angeles and San Gabriel Rivers Watershed Council on July 14, 2011, be added to the record.

48750 There being no objection, Chairman Foley ordered the reading of the Minutes of the Meeting of July 12, 2011, dispensed with, a copy having been mailed to each Director.

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

Director Steiner commented on the minutes of July 12, 2011 and asked that San Diego County Water Authority's letter of August 16, 2011, addressed to General Manager Kightlinger, regarding Member Agency Willingness to Sign Take-or-Pay Contracts, be attached to the minutes of August 16, 2011. (Due to their size, the attachments to the letter are not included with the minutes but are on file in the Board Executive Secretary's office and are posted on the website.)

48751 Director Steiner introduced three members of the board of the San Diego County Water Authority who were in attendance: Farrah Douglas, Ralph McIntosh, and Elsa Saxod.

48752 Chairman Foley reported there were no new committee assignments.

48753 Chairman Foley reported on events in which he participated, as follows:

- July 13 - Attended the Colorado River Board meeting
- July 14 - Met with Stuart Crockett of the Australian Trade Commission
- August 12 - Along with Directors Blake and Little, participated in an inspection tour of the South Orange Coastal Ocean Desalination Project in Dana Point

Chairman Foley announced that a tentative Special Board Meeting is being scheduled for Tuesday, August 30, 2011, for consideration of the labor negotiations. A notice will be sent out to the Board upon confirmation.

Chairman Foley presented to Ethics Officer Deni Elliott a pin for her five years of service at Metropolitan Water District.

48754 A letter from the General Manager, signed August 11, 2011 was presented, reporting that the original Certificates of the County Auditors for the six counties within which Metropolitan's service territory is included are on file in the Office of the Controller, certifying the fiscal year 2011/12 assessed valuations of all property used for calculating Metropolitan's tax levy. There being no objection, Chairman Foley ordered the tabulations transmitted with the foregoing letter from the General Manager setting forth the assessed valuations, percentage participation, and vote entitlement of member public agencies of The Metropolitan Water District of Southern California, as of August 10, 2011, based on certificates of assessed valuation of property taxable by Metropolitan for fiscal year 2011/12, as submitted by the various County Auditors, be filed, and that the Board Executive Secretary be directed to send a copy to each absent Director and to each member public agency.

Assessed Valuations, Percentage Participation, and Vote
Entitlement of Member Public Agencies of

The Metropolitan Water District of Southern California
as of August 10, 2011

Assessed Valuation

<u>Member Agency</u>	<u>Amount Certified</u>	<u>Percent of Total</u>	<u>Vote Entitlement</u>
Anaheim	\$ 34,359,118,860	1.68	3,436
Beverly Hills	21,272,181,125	1.04	2,127
Burbank	18,051,936,828	0.88	1,805
Calleguas MWD	78,493,919,809	3.83	7,849
Central Basin MWD	109,548,858,664	5.34	10,955
Compton	3,206,729,916	0.16	321
Eastern MWD	53,424,548,121	2.61	5,342
Foothill MWD	13,126,649,520	0.64	1,313
Fullerton	14,645,294,934	0.71	1,465
Glendale	22,961,177,367	1.12	2,296
Inland Empire Utilities Agency	79,407,445,952	3.89	7,971
Las Virgenes MWD	19,294,922,847	0.94	1,929
Long Beach	37,649,762,773	1.84	3,765
Los Angeles	400,075,210,932	19.51	40,008
MWD of Orange County	347,101,219,787	16.93	34,710
Pasadena	21,025,399,731	1.03	2,103
San Diego County Water Authority	366,823,001,776	17.89	36,682
San Fernando	1,455,294,451	0.07	146
San Marino	4,393,009,428	0.21	439
Santa Ana	19,874,865,792	0.97	1,987
Santa Monica	24,468,256,042	1.19	2,447
Three Valleys MWD	49,782,985,493	2.43	4,978
Torrance	22,383,279,784	1.09	2,238
Upper San Gabriel Valley MWD	74,078,942,084	3.61	7,408
West Basin MWD	139,036,706,461	6.78	13,904
Western MWD	74,256,805,255	3.62	7,426
TOTAL ASSESSED VALUATIONS WITHIN METROPOLITAN	<u>\$2,050,497,523,732</u>	<u>100.00</u>	<u>205,050</u>

The above valuations include only those which have been certified by the County Auditors, in accordance with Section 305 of the Metropolitan Water District Act, Statutes of 1969, as amended. The certified valuations have been reduced to reflect Homeowners' Property Exemptions and do not include areas excluded from Metropolitan.

48755 Finance and Insurance Committee Chairman Grunfeld moved, seconded by Committee Vice Chairman Blake, that the Board adopt the California Environmental Quality Act (CEQA) determination and **Resolution 9125** which fixes the District's secured property tax rate for District purposes for fiscal year 2011/12 at .0037 percent of assessed valuation and an unsecured property tax rate of .0037 percent, together with various tax rates for annexation charges due Metropolitan, thereby producing a total levy of \$94.8 million. After allowing for estimated delinquencies, allocations for redevelopment agencies and adjustments for supplemental tax collections and prior years' tax collections, this result in projected net tax revenues of \$79.9 million, as set forth in the General Manager's letter signed August 11, 2011, said resolution entitled:

A RESOLUTION LEVYING TAXES FOR THE FISCAL YEAR COMMENCING JULY 1, 2011 AND ENDING JUNE 30, 2012 FOR THE PURPOSES OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

The Chair called for a vote on the motion.

The following is a record of the vote on the motion:

Ayes: Anaheim (Dir. K. Murray, 3,436 votes), Beverly Hills (Dir. Wunderlich, 2,127 votes), Burbank (Dir. Brown, 1,805 votes), Calleguas Municipal Water District (Dir. Grandson, 7,849 votes), Central Basin Municipal Water District (Dirs. Hawkins and Montalvo, 10,955 votes), Eastern Municipal Water District (Dir. Record, 5,342 votes), Foothill Municipal Water District (Dir. J. Edwards, 1,313 votes), Fullerton (Dir. Blake, 1,465 votes), Inland Empire Utilities Agency (Dir. Camacho, 7,971 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,929 votes), Los Angeles (Dirs. Fleming, Grunfeld, J. Murray, and Quiñonez, 40,008 votes), Municipal Water District of Orange County (Dirs. Ackerman, Barbre, Dick, and Foley, 34,710 votes), Pasadena (Dir. Brick, 2,103 votes), San Diego County Water Authority (Ayes: Dirs. Heidel and Steiner. Absent: Dirs. Bowersox and Lewinger. 36,682 votes), San Fernando (Dir. Ballin, 146 votes), Santa Ana (Dir. Griset, 1,987 votes), Three Valleys Municipal Water District (Dir. De Jesus, 4,978 votes), Torrance (Dir. Wright, 2,238 votes), West Basin Municipal Water District (Dirs. Gray and Little, 13,904 votes), Western Municipal Water District of Riverside County (Dir. Evans, 7,426 votes). Total 188,374 votes.

Noes: None.

Vacant: Upper San Gabriel Valley Municipal Water District (7,408 votes). Total 7,408 votes.

Abstain: None.

Absent: Compton (Dir. Sanchez, 321 votes), Glendale (Dir. Friedman, 2,296 votes), Long Beach (Dir. Lowenthal, 3,765 votes), San Marino (Dir. Morris, 439 votes), Santa Monica (Dir. Abdo, 2,447 votes). Total 9,268 votes).

The Chair declared **Resolution 9125** adopted by a vote of 188,374 ayes, 9,268 absent, and 7,408 vacant, representing more than the required two-thirds vote.

48756 Director Blake moved, seconded by Director Peterson and carried, and the Board adopted **Resolution 9126** in support of Director Randy A Record for president of the Association of California Water Agencies (ACWA), said resolution entitled:

**RESOLUTION TO NOMINATE AND SUPPPORT RANDY A. RECORD
FOR ACWA PRESIDENT**

48757 Regarding matters relating to Metropolitan's operations and activities, General Manager Kightlinger referred to the activity report for July dated July 31, 2011, which was posted to the Directors' website.

General Manager Kightlinger commented on Metropolitan's refinancing and that an Appendix A to the Official Statement would be sent out to the Board for comments, which are due by Monday August 22, 2011.

General Manager Kightlinger reported on the significant amount of water in storage and the amount of water being received from the Colorado River.

48758 Regarding Legal Department activities, Interim General Counsel Scully referred to the General Counsel's activity report for July dated August 9, 2011, which was posted to the Directors' website.

Interim General Counsel Scully reported that the State Water Quality Control Board would be taking up a review of the Sacramento Regional County Sanitation District's permit on

September 20, and she would keep Metropolitan's Board apprised of any action.

Interim General Counsel Scully commented on the new federal lawsuit filed in the federal court in San Diego regarding fluoridation. Metropolitan has not yet been served with this litigation but will respond to it upon service.

48759 General Auditor Riss referred to the Audit Department's activity report for the month of July, dated July 31, 2011, which was posted to the Directors' website.

General Auditor Riss stated that two audit reports were issued, with opinions of generally satisfactory internal control structure.

General Auditor Riss reported that review was also completed on the Remarketing Statement for the Water Revenue Refunding Bonds, 2009 Series A-2, which was undertaken to provide the remarketers of the Bonds "comfort" that the Remarketing Statement was complete, with no exceptions noted.

48760 Ethics Officer Elliott referred to the activity report for July dated July 31, 2011, which was posted to the Directors' website.

Ethics Officer Elliott reported that she was focusing on the online training module for the AB 1234 training course, which should be available by the end of the year. Dr. Elliott thanked the staff involved in developing this training module.

Director Blake moved, seconded by Director Fleming and carried, and the Board approved the Consent Calendar Items, **M.I. 48761** through **M.I. 48765**, as follows:

48761 Adopted the California Environmental Quality Act (CEQA) determinations and (a) appropriated \$1.82 million (Appropriation No. 15369, No. 35, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized final design of seismic upgrades for the Weymouth Filter Buildings, as set forth in the letter signed by the General Manager on July 29, 2011.

48762 Adopted the CEQA determination and (a) appropriated \$1.92 million (Appropriation No. 15436, No. 14, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and

authorized (b) final design of the water sampling system improvements at the Diemer plant; (c) installation of new filter process control instruments; (d) installation of overflow monitoring for residual solids and wastewater; and (e) supernatant pump station improvements, as set forth in the letter signed by the General Manager on August 3, 2011.

48763 Adopted the CEQA determination and authorized (a) a one-year extension to the existing 5-year reimbursable agreement with the California Department of Water Resources to provide services for the State Water Project operations and maintenance activities in an amount not to exceed \$5 million; (b) entering into subcontracts greater than \$250,000 to complete work under the agreement; and (c) Metropolitan to enter into subcontracts as needed, not to exceed \$1.5 million cumulatively under the agreement, as set forth in the letter signed by the General Manager on August 3, 2011.

48764 Adopted the CEQA determination and authorized the General Manager to execute an amendment to the agreement with the California Department of Water Resources to streamline future purchases of water transfer supplies from Yuba County Water Agency, as set forth in the letter signed by the General Manager on August 3, 2011.

48765 Adopted the CEQA determination and amended the current contract with Fraser Communications to extend the termination date to September 2012, expand the scope of work to include enhancing Metropolitan's websites (mwdh2o.com and bewaterwise.com) and stronger use of social media, with the amount payable during the additional year not to exceed \$700,000, as set forth in the letter signed by the General Manager on August 3, 2011.

48766 Real Property and Asset Management Committee Chairman Hawkins moved, seconded by Director Grunfeld and carried, that the Board adopt the CEQA determination and (a) adopt the proposed policy principles for managing Metropolitan's real property assets; and (b) approve the proposed changes to the Administrative Code as set forth in Attachment 4 to the revised letter signed by the General Manager on August 1, 2011.

48767 Real Property and Asset Management Committee Chairman Hawkins moved, seconded by Director Grunfeld and carried, that the Board adopt the CEQA determination and accept the pending offer to purchase Metropolitan's 83.6-acre Box Springs Feeder

right-of-way by the city and county of Riverside, as set forth in the confidential letter signed by the General Manager on July 20, 2011.

48768 Real Property and Asset Management Committee Chairman Hawkins moved, seconded by Director Grunfeld and carried, that the Board adopt the CEQA determination and authorize entering into a long-term agreement with Desert Sunlight for future power line crossings of Metropolitan's property near Eagle Mountain in Riverside County, as set forth in the confidential letter signed by the General Manager on July 21, 2011.

Director Lowenthal took her seat at 12:26 p.m.

48769 Finance and Insurance Committee Chairman Grunfeld moved, seconded by Committee Vice Chairman Blake and carried, that the Board adopt (a) the CEQA determination; (b) resolution granting Calleguas Municipal Water District's request for approval of Calleguas Annexation No. 95, concurrently to Metropolitan and Calleguas, and establishing Metropolitan's terms and conditions for the annexation, conditioned upon approval by the Ventura Local Agency Formation Commission, and upon receipt of annexation fee of \$27,304.42; and (c) resolution to impose water standby charges at a rate of \$9.58 per acre or per parcel of less than one acre, within the proposed annexation area, as set forth in the letter signed by the General Manager on August 1, 2011, said resolutions entitled:

Resolution 9127 RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO CALLEGUAS MUNICIPAL WATER DISTRICT'S ANEXATION NO. 95 AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CLAIFORNIA

Resolution 9128 RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING WATER STANDBY CHARGE CONTINGENT UPON CALLEGUS MUNICIPAL WATER DISTRICT'S ANNEXATION NO. 95

Director Grandsen requested to be recorded as abstaining.

48770 Finance and Insurance Committee Chairman Grunfeld moved, seconded by Committee Vice Chairman Blake and carried, that the Board adopt the CEQA determination and authorize additional payment of up to \$34 million for a total of \$607 million to the Department of Water Resources in calendar year 2011 for Metropolitan's State Water Project charges, as set forth in the letter signed by the General Manager on August 3, 2011.

48771 Engineering and Operations Committee Chairman Evans moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and (a) appropriate \$7.7 million (Appropriation No. 15438, No. 15, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) award \$4,818,000 contract to Southern Contracting Company for replacement of 230 kV disconnect switches on the Colorado River Aqueduct, as set forth in the letter signed by the General Manager on July 29, 2011.

48772 Water Planning and Stewardship Committee Chairman De Jesus moved, seconded by Director Griset, that the Board adopt (a) the CEQA determination; (b) the Long-Term Conservation Plan; and (c) revisions to the water conservation policy principles, as set forth in the letter signed by the General Manager on August 3, 2011, and as amended by the committee directing staff to develop policy principles for the development of recycled water, given that recycled water and conservation can both contribute to 20 percent by 2020 targets.

Regarding the amendment, Committee Chairman De Jesus stated that further consideration would be accomplished by way of a workshop with the committee at a future date to be announced.

Director Brick stressed the importance of this item coming before the Board, but he did not think the Board has had enough time to consider many of the issues that are included in the Plan and the policy changes. Director Brick believed the goals set forth in the Plan lack specifics and the kind of policy direction that the Board should be giving.

Director Brick then offered a substitute motion that the Board schedule a workshop to review the conservation policy before action is taken on the Long-Term Conservation Plan and the revised policy principles on water conservation. The motion was seconded by Director Steiner.

Chairman Foley called for a vote on the substitute motion.

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

Ayes: Beverly Hills (Dir. Wunderlich, 2,127 votes), Burbank (Dir. Brown, 1,805 votes), Calleguas Municipal Water District (Dir. Grandsen, 7,849 votes), Central Basin Municipal Water District (Dirs. Hawkins and Montalvo, 10,955 votes), Foothill Municipal Water District (Dir. J. Edwards, 1,313 votes), Fullerton (Dir. Blake, 1,465 votes), Inland Empire Utilities Agency (Dir. Camacho, 7,971 votes), Long Beach (Dir. Lowenthal, 3,765 votes), Pasadena (Dir. Brick, 2,103 votes), San Diego County Water Authority (Ayes: Dirs. Heidel and Steiner. Absent: Dirs. Bowersox and Lewinger. 36,682 votes), Torrance (Dir. Wright, 2,238 votes), Western Municipal Water District of Riverside County (Dir. Evans, 7,426 votes). Total 85,699 votes.

Noes: Anaheim (Dir. K. Murray, 3,436 votes), Eastern Municipal Water District (Dir. Record, 5,342 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,929 votes), Los Angeles (Dirs. Fleming, Grunfeld, J. Murray, and Quiñonez, 40,008 votes), Municipal Water District of Orange County (Dirs. Ackerman, Barbre, Dick, and Foley, 34,710 votes), San Fernando (Dir. Ballin, 146 votes), Santa Ana (Dir. Griset, 1,987 votes), West Basin Municipal Water District (Dirs. Gray and Little, 13,904 votes). Total 101,462 votes.

Abstain: Three Valleys Municipal Water District (Dir. De Jesus, 4,978 votes). Total 4,978 votes.

Absent: Compton (Dir. Sanchez, 321 votes), Glendale (Dir. Friedman, 2,296 votes), San Marino (Dir. Morris, 439 votes), Santa Monica (Dir. Abdo, 2,447 votes). Total 5,503 votes).

Vacant: Upper San Gabriel Valley Municipal Water District (7,408 votes). Total 7,408 votes.

The Chair declared the substitute motion failed by a vote of 85,699 ayes, 101,462 noes, 4,978 abstain, 5,503 absent, and 7,408 vacant.

Chairman Foley called for a vote on the original motion as amended. The motion carried.

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

Director Steiner requested that the letter addressed to Chairman Foley dated August 15, 2011, from the San Diego County Water Authority Metropolitan's delegation signed by Fern Steiner, regarding the Long Term Conservation Plan, be made a part of the record and attached to the minutes. (Due to their size, the attachments to the letter are not included with the minutes but are on file in the Board Executive Secretary's office and are posted on the website.)

48773 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 authorize the General Manager to execute the first amendment to the Delta Habitat Conservation and Conveyance Plan Memorandum of Agreement and Agreement for Supplemental Funding to prepare and complete the planning, environmental documentation and associated preliminary engineering design for the Bay Delta Conservation Plan, as set forth in the letter signed by the General Manager on August 9, 2011.

Board Vice Chair Gray requested to be recorded as abstaining.

48774 Legal and Claims Committee Chairman Wunderlich moved, seconded by Director Edwards and carried, that the Board authorize an increase of \$600,000 for a total of \$6,325,000 in maximum amount payable under contract with Morrison & Foerster for legal services in the *San Luis & Delta-Mendota Water Authority, et al. v. Salazar, et al.*, USDC Case No. 1:09-CV-407 OWW GSA, and consolidated cases; and *San Luis & Delta-Mendota Water Authority, et al. v. Locke, et al.* USDC Case No. 1:09-CV-1053 OWW DLB, and consolidated cases, as set forth in the confidential letter signed by the Interim General Counsel on July 29, 2011.

48775 Legal and Claims Committee Vice Chairman Quiñonez moved, seconded by Director Edwards and carried, that the Board adopt the CEQA determination and authorize increases in maximum amount payable under contracts with Meyers, Nave, Riback, Silver & Wilson PC for legal services in *Orange County Water District*

v. *Northrop Corporation*, Orange County Superior Court Case No. 04CC00715, by \$700,000 to an amount not to exceed \$800,000; and Manatt, Phelps & Phillips, LLP for legal services in *San Gabriel Basin Water Quality Authority v. Aerojet-General, Corp. et al.*, United States District Court Case No. CV 02-4565 ABC (RCx) and consolidated cases, by \$700,000 to an amount not to exceed \$1 million, as set forth in the confidential letter signed by the Interim General Counsel on August 9, 2011.

Legal and Claims Committee Chairman Wunderlich recused himself and did not participate in this action.

48776 Legal and Claims Committee Chairman Wunderlich moved, seconded by Director Heidel and carried, that the Board adopt the CEQA determination and ratify settlement authority in the *Village Retail Center, LLC v. Metropolitan Water District* lawsuit, Los Angeles County Superior Court Case No. BC439334, as set forth in the letter jointly signed by the General Manager and the Interim General Counsel on August 9, 2011.

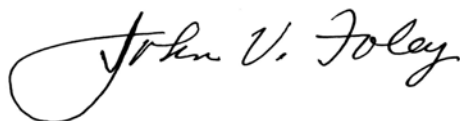
48777 The following communication was submitted to the Board for information:

- a. Report on Local Resources Development Strategy Task Force, signed by the General Manager on August 3, 2011.

48778 There being no objection, the Chairman adjourned the Meeting at 12:41 p.m.



TED GRANDSEN
SECRETARY PRO TEM



JOHN V. FOLEY
CHAIRMAN