

MINUTES

REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

September 13, 2011

48779 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, September 13, 2011.

Chairman Foley called the Meeting to order at 12:07 p.m.

48780 The Meeting was opened with an invocation by Jose Vergara, Engineer, Water Resource Management Group.

48781 The Pledge of Allegiance to the Flag was given by Director Rudy Montalvo.

48782 In the absence of Board Secretary Morris, Chairman Foley designated Director Judy Abdo as Secretary Pro Tem.

48783 Secretary Pro Tem Abdo called the roll. Those answering present were: Directors Abdo, Ackerman, Ballin, Barbre, Blake, Brick, Brown, Camacho, Chavez, De Jesus, Dick, Edwards, Fleming, Foley, Friedman, Grandsen, Gray, Griset, Hawkins, Heidel, Lewinger, Little, Lowenthal, Montalvo, J. Murray, K. Murray, Peterson, Quiñonez, Record, Sanchez, Steiner, Wright, and Wunderlich.

Those not answering were: Directors Bowersox, Grunfeld (entered 12:15 p.m.), and Morris.

Chairman Foley declared a quorum present.

48784 At 12:13 p.m. Chairman Foley called a public hearing to receive comments on the proposed standby charge for Peaceful Valley Annexation to San Diego County Water Authority.

No members of the public responded; and with no protests received from the owners, the Chair closed the public hearing at 12:14 p.m.

48785 Chairman Foley invited members of the public to address the Board on matters within the Board's jurisdiction.

Duane Putnam, Executive President of the Supervisors Association of Metropolitan Water District, thanked the Board for its consideration and urged the Board to approve the Supervisors Association contract which was negotiated in good faith with Metropolitan.

Director Grunfeld took his seat at 12:15 p.m.

48786 On behalf of the City of Glendale, Director Friedman thanked the Board and Metropolitan for the support in helping the city research how to deal with Chromium 6 in its groundwater.

48787 Director Steiner introduced Ray Watson, a member of the board of the San Diego County Water Authority.

48788 There being no objection, Chairman Foley ordered the reading of the Minutes of the Meetings of August 9 and 16, 2011, dispensed with, copies having been mailed to each Director.

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

48789 A written report of meetings attended by Directors at Metropolitan expense during the month of August was distributed, which was received and filed.

48790 The Interim General Counsel's letter signed August 29, 2011, was presented, transmitting the credentials evidencing the appointment by Upper San Gabriel Valley Municipal Water District of Ed Chavez as its representative on Metropolitan's Board for an indefinite term, replacing Anthony R. Fellow.

Interim General Counsel Scully reported the credentials had been examined and found legally sufficient, and that Mr. Chavez was sworn in on August 30, 2011.

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

Shane Chapman, General Manager of Upper San Gabriel Valley Municipal Water District, introduced Mr. Chavez. A ceremonial Oath of Office as a Director of Metropolitan was administered to Mr. Chavez by Robert Katherman, Board Secretary of Water Replenishment District of Southern California.

48791 Chairman Foley assigned Director Chavez to the Engineering and Operations Committee and the Real Property and Asset Management Committee.

48792 Chairman Foley reported on events in which he participated, as follows:

- August 16 - Attended a Quantification Settlement Agreement (QSA) meeting with staff
- August 25-26 - Attended the Urban Water Institute conference in San Diego

Chairman Foley announced that effective immediately the Communications and Education Committee would be dissolved and that the functions of that committee would be consolidated with the Legislation Committee. The new name will be Communications and Legislation Committee.

48793 Regarding matters relating to Metropolitan's operations and activities, General Manager Kightlinger referred to the activity report for August dated August 31, 2011, which was posted to the Directors' website.

General Manager Kightlinger commented on Metropolitan refinancing \$160 million worth of water revenue bonds in the current favorable market, which would save Metropolitan about \$14 million.

General Manager Kightlinger reported that the board of Coachella Valley Water District unanimously approved pre-delivery of water, which Metropolitan delivers to Coachella. With the overflow of water that Metropolitan currently has in its system, Coachella would be receiving about three years'

worth of water at a cost of \$28 million to be paid to Metropolitan.

General Manager Kightlinger announced that the new Chief Financial Officer, Gary Breaux, will begin his employment on October 3, 2011. Mr. Kightlinger thanked the Interim CFO Tom DeBacker for the services he provided.

General Manager Kightlinger presented to Gilbert F. Ivey, Assistant General Manager/Chief Administrative Officer, a pin for his 40 years of service at Metropolitan.

48794 Regarding Legal Department activities, Interim General Counsel Scully referred to the General Counsel's activity report for August dated September 6, 2011, which was posted to the Directors' website.

Interim General Counsel Scully reported that in the federal QSA action the court denied the plaintiffs' request to supplement the record, and that the motion for summary judgment will be heard in February 2012.

Interim General Counsel Scully stated that in the *San Gabriel Valley Water Quality Authority v. Aerojet-General Corporation, et al.* case, it appeared that it would settle and Metropolitan would be out of the case by the end of the year.

48795 General Auditor Riss referred to the Audit Department's activity report for the month of August, dated August 31 2011, which was posted to the Directors' website.

General Auditor Riss stated that one audit report was issued on Employee and Director Expense Reports, with an opinion of generally satisfactory internal control structure.

General Auditor Riss reported that reviews were also done on the Quarterly Financial Analysis - Third Quarter FY 2010/11, and the Audit Department Internal Quality Assessment. The Quarterly Financial Analysis documentation or explanations in support of all variances were obtained and satisfactorily addressed any differences noted. The Internal Quality Assessment of the Audit Department is required by the Institute of Internal Auditors.

48796 The Ethics Officer's activity report for August dated August 31, 2011, was posted to the Directors' website. No further report was given.

Director Blake moved, seconded by Director Fleming and carried, and the Board approved the Consent Calendar Items, **M.I. 48797** through **M.I. 48800**, as follows:

48797 Adopted the California Environmental Quality Act (CEQA) determination and (a) appropriated \$450,000 (Appropriation No. 15377, No. 34, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) preparation of environmental documentation for access and repairs to the Upper Newport Bay Blow-off Structure; and (c) agreement with Dudek, in an amount not to exceed \$285,000, to provide specialized environmental support, as set forth in the letter signed by the General Manager on August 31, 2011.

48798 Adopted the CEQA determination and (a) appropriated \$390,000 (Appropriation No. 15472 from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized preliminary design of new bromate control facilities at each of Metropolitan's treatment plants, as set forth in the letter signed by the General Manager on August 25, 2011.

48799 Adopted the CEQA determination and (a) appropriated \$570,000 (Appropriation No. 15369, No. 36, for \$384,000; and Appropriation No. 15440 for \$186,000; both from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) final design of the Weymouth Washwater Tanks Seismic Upgrades; and (c) preliminary design to refurbish Weymouth Treatment Basins Nos. 5-8, as set forth in the letter signed by the General Manager on August 25, 2011.

48800 Adopted the CEQA determination and approved amendments to the Administrative Code set forth in Attachment 2 as set forth in the revised letter signed by the General Manager on September 6, 2011, to conform to current laws and practices and make corrections.

48801 Engineering and Operations Committee Vice Chairman Brown moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and (a) appropriate \$7.76 million (Appropriation No. 15471 from the Revenue Bonds and Refurbishment or General Funds); and authorize

(b) initiation of the PCCP (prestressed concrete cylinder pipe) Rehabilitation and Replacement Program; (c) final design of carbon fiber repairs for eight PCCP lines; and (d) final agreement with Pure Technologies US, Inc., in an amount not to exceed \$4.18 million, for pipeline inspections, as set forth in the letter signed by the General Manager on August 31, 2011.

48802 Engineering and Operations Committee Vice Chairman Brown moved, seconded by Director Wright and carried, that the Board adopt the CEQA determinations and (a) appropriate \$3.8 million (Appropriation No. 15392, No. 8, from the Revenue Bonds and Refurbishment or General Funds and Proposition 50 Grant Funds); and authorize (b) final design of staged ozonation facilities at the Weymouth plant; (c) preliminary design of hypochlorite and sulfuric acid feed facilities; and (d) increase of \$100,000 to the existing agreement with Tetra-IBI Group, for a new not-to-exceed total of \$2,758,000, as set forth in the letter signed by the General Manager on August 29, 2011.

48803 Water Planning and Stewardship Committee Chairman De Jesus moved, seconded by Director Fleming, that the Board adopt the CEQA determination and approve the proposed adjustments to Metropolitan's Water Supply Allocation Plan, as set forth in the letter signed by the General Manager on August 30, 2011.

Committee Chairman De Jesus commented on the letter received from San Diego County Water Authority addressed to Chairman Foley, dated September 9, 2011, requesting deferral of the proposed adjustments to Metropolitan's Water Supply Allocation Plan pending a board workshop.

The Chair called for a vote on the motion, which carried.

Directors Barbre, Brick, Chavez, Edwards, Hawkins, Heidel, Lewinger, Lowenthal, Montalvo, and Steiner requested to be recorded as voting no.

48804 Legal and Claims Committee Vice Chairman Quiñonez moved, seconded by Director Edwards and carried, that the Board adopt the CEQA determination and authorize an increase of \$600,000 to a maximum of \$1.4 million to Bingham McCutchen's contract for legal services in *San Diego County Water Authority v. Metropolitan Water District of Southern California, et al.*, San Francisco County Superior Court Case No. CPF-10-510830, as

set forth in the confidential letter signed by the Interim General Counsel on September 6, 2011.

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

Directors Heidel, Lewinger, and Steiner requested to be recorded as abstaining.

48805 Legal and Claims Committee Chairman Wunderlich moved, seconded by Director Fleming and carried, that the Board adopt the CEQA determination and authorize an increase of \$600,000 to a maximum of \$700,000 to Theodora Oringer Miller & Richman's contract for legal services in potential litigation relating to termination of certain agreements between Metropolitan and San Diego County Water Authority, as set forth in the confidential letter signed by the Interim General Counsel on September 6, 2011.

Directors Heidel, Lewinger, and Steiner requested to be recorded as abstaining.

48806 Legislation Committee Chair Ackerman moved, seconded by Director Peterson and carried, that the Board adopt the CEQA determination and express support for SB 250 (Rubio, D-Bakersfield) - Sacramento San Joaquin Delta: Delta Plan: conveyance facility, consistent with Metropolitan's board-adopted Delta Action Plan, as set forth in the letter signed by the General Manager on September 7, 2011.

Vice Chair Gray requested to be recorded as abstaining.

48807 The following communications were submitted to the Board for information:

- a. Preliminary analysis of the State Water Project calendar year 2012 charges, signed by the General Manager on August 30, 2011.
- b. Update on Replenishment Program, signed by the General Manager on August 31, 2011.

48808 For the record, Organization, Personnel and Technology Committee Chairman J. Murray read the statement relating to the disclosure of interests of Metropolitan employees negotiating on behalf of management.

General Manager Kightlinger gave a brief summary of the key provisions of the Memorandum of Understanding (MOU) with the Supervisors Association, as follows:

- Multi-year term, effective January 1, 2012 to December 31, 2016
- New hires to contribute 7% to PERS, effective January 1, 2012
- Longer vesting (20 years) for new hires for retiree medical, effective January 1, 2012
- Metropolitan's health care contribution reduced to 100% of PERS Choice/HMO, effective January 1, 2012
- 2% at 60 PERS retirement formula for new hires, if implemented for all bargaining units
- \$6,000 non-PERS, one-time payment per employee, effective April 1, 2012
- Classifications moved up 2 salary grades, effective April 1, 2012
- 0.25% increase plus opportunity for merit-based increase, effective July 1, 2013 and July 1, 2014
- Salary re-openers (negotiated or 50% of 3-year average increases to CPI), effective July 1, 2015 and July 1, 2016
- Additional 0.75% 401(k) match, if 2% at 60 implemented

General Manager Kightlinger reported on the savings to Metropolitan over the 5-year period, and recommended that the Board approve the MOU with the Supervisors Association.

Organization, Personnel and Technology Committee Chairman J. Murray then moved that the Board adopt the CEQA determination and authorize the General Manager to exercise discretion under Administrative Code Sections 6101(k) and (l) to enter into a successor MOU with the Supervisors Association, as set forth in the letter signed by the General Manager on September 13, 2011, subject to ratification by the Supervisors Association. The motion was seconded by Director Quiñonez.

Following a discussion by the Board on components of the MOU, Director Barbre moved a substitute motion to approve the proposed contract with the modification that the

Metropolitan existing matching contribution to the 401(k) program would be eliminated for the Supervisors Association. The substitute motion was seconded by Director Edwards.

Chairman Foley called for a vote on the substitute motion.

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

Ayes: Central Basin Municipal Water District (Dir. Hawkins, 5,477.50 votes), Foothill Municipal Water District (Dir. J. Edwards, 1,313 votes), Municipal Water District of Orange County (Dirs. Ackerman, Barbre, and Dick, 26,032.50 votes), San Diego County Water Authority (Dir. Lewinger, 12,227.33 votes). Total 45,050.33 votes.

Noes: 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. Grandsen, 7,849 votes), Central Basin Municipal Water District (Dir. Montalvo, 5,477.50 votes), Compton (Dir. Sanchez, 321 votes), Eastern Municipal Water District (Dir. Record, 5,342 votes), Glendale (Dir. Friedman, 2,296 votes), Inland Empire Utilities Agency (Dir. Camacho, 7,971 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,929 votes), Long Beach (Dir. Lowenthal, 3,765 votes), Los Angeles (Dirs. Fleming, Grunfeld, J. Murray, and Quiñonez, 40,008 votes), Municipal Water District of Orange County (Dir. Foley, 8,677.50 votes), Pasadena (Dir. Brick, 2,103 votes), San Diego County Water Authority (Noes: Dirs. Heidel and Steiner. Absent: Dir. Bowersox. 24,454,67 votes), San Fernando (Dir. Ballin, 146 votes), Santa Ana (Dir. Griset, 1,987 votes), Santa Monica (Dir. Abdo, 2,447 votes), Three Valleys Municipal Water District (Dir. De Jesus, 4,978 votes), Torrance (Dir. Wright, 2,238 votes), Upper San Gabriel Valley Municipal Water District (Dir. Chavez, 7,408 votes), West Basin Municipal Water District (Dirs. Gray and Little, 13,904 votes). Total 150,669.67 votes.

Abstain: Fullerton (Dir. Blake, 1,465 votes). Total 1,465 votes.

Absent: San Marino (Dir. Morris, 439 votes), Western Municipal Water District of Riverside County (Dir. Evans, 7,426 votes). Total 7,865 votes).

The Chair declared the substitute motion failed by a vote of 45,050.33 ayes, 150,669.67 noes, 1,465 abstain, and 7,865 absent.

Director Hawkins withdrew from the Meeting at 12:55 p.m.

Chairman Foley called for a vote on the original motion.

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

Ayes: Beverly Hills (Dir. Wunderlich, 2,127 votes), Burbank (Dir. Brown, 1,805 votes), Central Basin Municipal Water District (Aye: Dir. Montalvo. Absent: Dir. Hawkins. 10,955 votes), Compton (Dir. Sanchez, 321 votes), Eastern Municipal Water District (Dir. Record, 5,342 votes), Glendale (Dir. Friedman, 2,296 votes), Inland Empire Utilities Agency (Dir. Camacho, 7,971 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,929 votes), Long Beach (Dir. Lowenthal, 3,765 votes), Los Angeles (Dirs. Fleming, Grunfeld, J. Murray, and Quiñonez, 40,008 votes), Municipal Water District of Orange County (Dirs. Ackerman and Foley, 17,355 votes), Pasadena (Dir. Brick, 2,103 votes), San Diego County Water Authority (Ayes: Dirs. Heidel, Lewinger, and Steiner. Absent: Dir. Bowersox. 36,682 votes), San Fernando (Dir. Ballin, 146 votes), Santa Ana (Dir. Griset, 1,987 votes), Santa Monica (Dir. Abdo, 2,447 votes), Three Valleys Municipal Water District (Dir. De Jesus, 4,978 votes), Torrance (Dir. Wright, 2,238 votes), Upper San Gabriel Valley Municipal Water District (Dir. Chavez, 7,408 votes), West Basin Municipal Water District (Dirs. Gray and Little, 13,904 votes). Total 165,767 votes.

Noes: Anaheim (Dir. K. Murray, 3,436 votes), Calleguas Municipal Water District (Dir. Grandsen, 7,849 votes), Foothill Municipal Water District (Dir. J. Edwards, 1,313 votes), Fullerton (Dir. Blake, 1,465 votes), Municipal Water District of Orange County (Dirs. Barbre and Dick, 17,355 votes). Total 31,418 votes.

Abstain: None.

Absent: San Marino (Dir. Morris, 439 votes), Western Municipal Water District of Riverside County (Dir. Evans, 7,426 votes). Total 7,865 votes).

The Chair declared the original motion passed by a vote of 165,767 ayes, 31,418 noes, and 7,865 absent.

48809 At 1:04 p.m. Chairman Foley called the Meeting into closed session pursuant to Government Code Section 54957 to hear reports from the General Manager and the General Auditor on their performance evaluations. (The Ethics Officer was absent from the Meeting.)

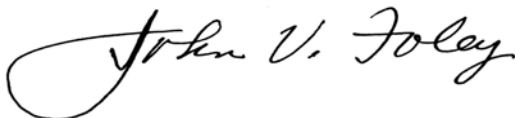
At 1:20 p.m., Chairman Foley called the Meeting into open session and reported that no action was taken.

48810 There being no objection, the Chairman adjourned the Meeting at 1:21 p.m.



JUDY ABDO

SECRETARY PRO TEM



JOHN V. FOLEY

CHAIRMAN