

MINUTES

REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

NOVEMBER 8, 2011

48860 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, November 8, 2011.

Chairman Foley called the Meeting to order at 12:05 p.m.

48861 The Meeting was opened with an invocation by Annette Eckhardt, Occupational Safety & Health Specialist, Water System Operations Group.

48862 The Pledge of Allegiance to the Flag was given by Director James T. Edwards.

48863 Board Secretary Morris called the roll. Those answering present were: Directors Abdo, Ackerman, Ballin, Barbre, Blake, Brick, Brown, Camacho, Chavez, De Jesus, Dick, Edwards, Evans, Foley, Friedman, Grandsen, Griset, Hawkins, Heidel, Lewinger, Morris, J. Murray, K. Murray, Peterson, Record, Sanchez, Steiner, Wright, and Wunderlich.

Those not answering were: Directors Bowersox, Fleming, Gray, Grunfeld, Little, Lowenthal, Montalvo, and Quiñonez.

Chairman Foley declared a quorum present.

48864 Chairman Foley invited members of the public to address the Board on matters within the Board's jurisdiction.

Bob Feenstra, Agricultural Concepts, Inc., commented on Agenda Item 8-1, the ground lease agreement for approximately 7,000 gross acres of Metropolitan's Palo Verde property; and on behalf of his clients, he requested that the Board fully consider the responses to the Request for Proposals (RFP).

Dale Tyson, HayDay Farms, Inc., also commented on Agenda Item 8-1, and stated that as the current tenant on the property, he also responded to the RFP and thanked the Board for its consideration.

48865 There being no objection, Chairman Foley ordered the reading of the Minutes of the Meeting of October 11, 2011, dispensed with, a copy having been mailed to each Director.

Director Blake moved, seconded by Board Vice Chairman J. Murray and carried, approving the foregoing Minutes as mailed.

48866 A written report of meetings attended by Directors at Metropolitan expense during the month of October was distributed, which was received and filed.

48867 Chairman Foley reported there were no new committee assignments.

48868 Chairman Foley reported on events in which he participated, as follows:

- October 12 - Attended the Colorado River Board meeting
- October 19 - Attended the Southern California Leadership Council meeting in Los Angeles
- Attended the Water Policy Forum of Orange County

48869 Director Steiner introduced Richard Smith, Secretary of the board of directors of San Diego County Water Authority.

48870 Chairman Foley stated that with the challenges Metropolitan is facing in the San Gabriel Valley on the issues of replenishment water, the cost thereof, the availability thereof, and the equity and other principles agreed to in committee, and to help restore that valley, he is appointing Director David De Jesus as the fourth Vice Chairman of the Board. Chairman Foley stated that Director De Jesus has more than 30 years experience in that valley, was the Watermaster, and has currently been on Metropolitan's Board for nine years.

Director Blake moved, seconded by Director Wright and carried, approving the recommendation of the Chairman to appoint Director David De Jesus as the fourth Vice Chairman of the Board.

48871 Regarding matters relating to Metropolitan's operations and activities, General Manager Kightlinger referred to the activity report for October dated October 31, 2011, which was posted to the Directors' website.

General Manager Kightlinger reported that storage was on track with about 3 million acre-feet of water accumulated by the end of the year.

General Manager Kightlinger reminded the Directors of the upcoming meeting of the Southern California Water Committee on November 17, 2011, where U.S. District Court Judge Oliver Wanger will serve as the keynote speaker and tell firsthand his compelling observations and insights on California water law, regulations and politics.

General Manager Kightlinger reported on the recent Employees Service Awards luncheon with over 100 honorees from 20 to 45 years of service at Metropolitan. Mr. Kightlinger announced the retirement of Arlene Kokuga, Business System Manager, at the end of the month.

48872 Regarding Legal Department activities, Interim General Counsel Scully referred to the General Counsel's activity report for October dated November 1, 2011, which was posted to the Directors' website.

Interim General Counsel Scully had no further report.

48873 General Auditor Riss referred to the Audit Department's activity report for the month of October, dated October 31, 2011, which was posted to the Directors' website.

General Auditor Riss stated that two audit reports were issued on Physical Security Management - Colorado River Aqueduct and Pumping Plants Audit Report and Sukut Construction, Incorporated Agreement 1688 Audit Report. The Physical Security Management report received an opinion of generally satisfactory internal control structure, whereas Sukut's opinion was that of a satisfactory internal control structure.

General Auditor Riss reported that an Audit Quality Assurance - Audit Plan Update was also reviewed to identify significant changes in risk profiles or resource levels which could result in any adjustments to the Plan, but found that no adjustment was necessary at this time.

General Auditor Riss reported that a review was also done on the Remarketing Statement for the Water Revenue Refunding Bonds, 2009 Series A1, which was undertaken to provide the issuer of the bonds "comfort" that the Remarketing Statement was complete and in accordance with agreed-upon procedures by the underwriter, and letters were issued to the underwriter describing the procedures and the results obtained.

48874 The Ethics Officer's activity report for October dated October 31, 2011, was posted to the Directors' website. No further report was given.

48875 Director Edwards requested that Agenda Item 7-3, the adoption of a resolution to establish a new retirement health benefit vesting requirement for future retirees; and Agenda Item 7-4 to adopt a resolution enacting the reduction in Metropolitan health benefits premium contained in the newly authorized Memoranda of Understanding, be taken off the Consent Calendar for separate discussion.

Director Blake moved, seconded by Director Ballin and carried, and the Board approved the Consent Calendar Items, **M.I. 48876** through **M.I. 48878**, as follows:

48876 Adopted the California Environmental Quality Act (CEQA) determinations and (a) appropriated \$1.12 million (Appropriation No. 15441, No. 36, from the Revenue Bonds, Replacement and Refurbishment or General Funds); (b) awarded \$274,000 contract to Unique Performance Construction, Inc. to install current drain stations on West Valley Feeder No. 2; and authorized (c) construction of current drain stations on Lake Skinner Bypass Pipeline No. 2; (d) final design of current drain stations for the Sepulveda Feeder North and Second Lower Feeder; and (e) preliminary design of cathodic protection for the Orange County Feeder, as set forth in the letter signed by the General Manager on October 26, 2011.

48877 Adopted the CEQA determination and approved the additions to The Metropolitan Water District of Southern California Contracting Rules (new Administrative Code Sections 8170-8180) and amendments to Administrative Code Sections 8140 and 8142 as set forth in Attachment 1 in the letter signed by the General Manager on October 27, 2011.

48878 Adopted the CEQA determination and **Resolution 9129** providing for change in Metropolitan's system of paying the employees' Public Employees Retirement system (PERS) contribution by continuing to pay the 7 percent PERS contribution for existing employees and not paying the employees' 7 percent contribution for employees hired after January 1, 2012 (until the employee accrues five years of total service), as set forth in the letter signed by the General Manager on October 27, 2011, said resolution entitled:

**RESOLUTION FOR EMPLOYER PAID MEMBER CONTRIBUTIONS WITH
TIME-IN-GRADE EXCEPTION**

48879 Regarding Agenda Item 7-3, the adoption of a resolution to establish a new retirement health benefit vesting requirement for future retirees; and Agenda Item 7-4 to adopt a resolution enacting the reduction in Metropolitan health benefits premium contained in the newly authorized Memoranda of Understanding, Director Edwards moved, seconded by Director Barbre, that these two items be tabled and taken back to the committee.

Chairman Foley called for a vote on the motion to table Items 7-3 and 7-4.

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

Ayes: 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 (Aye: Dir. Hawkins. Absent: Dir. Montalvo. 10,955 votes), Foothill Municipal Water District (Dir. Edwards, 1,313 votes), Fullerton (Dir. Blake, 1,465 votes), Glendale (Dir. Friedman, 2,296 votes), Municipal Water District of Orange County (Dirs. Barbre 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), San Marino (Dir. Morris, 439 votes), Torrance (Dir. Wright, 2,238 votes). Total 86,773 votes.

Noes: Anaheim (Dir. K. Murray, 3,436 votes), Compton (Dir. Sanchez, 321 votes), Eastern Municipal Water District (Dir. Record, 5,342 votes), Inland Empire Utilities Agency (Dir. Camacho, 7,971 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,929 votes), Los Angeles (No: Dir. J. Murray. Absent: Dirs. Fleming, Grunfeld, and Quiñonez. 40,008 votes), Municipal Water District of Orange County (Dir. Dick, 8,677.50 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), Upper San Gabriel Valley Municipal Water District (Dir. Chavez, 7,408 votes), Western Municipal Water District of Riverside County (Dir. Evans, 7,426 votes). Total 91,930.50 votes.

Abstain: Municipal Water District of Orange County (Dir. Ackerman, 8,677.50 votes). Total 8,677.50 votes.

Absent: Long Beach (Dir. Lowenthal, 3,765 votes), West Basin Municipal Water District (Dirs. Gray and Little, 13,904 votes). Total 17,669 votes).

The Chair declared the motion to table Items 7-3 and 7-4 failed by a vote of 86,773 ayes, 91,930.50 noes, 8,677.50 abstain, and 17,669 absent.

There was a discussion among the Directors regarding the items and whether they should be taken up as one action or by separate votes.

Board Vice Chairman J. Murray then moved, seconded by Director Camacho, that the Board approve Items 7-3 and 7-4, as follows:

Item 7-3

Adopt the CEQA determination and **Resolution 9130** establishing a new retirement health benefit vesting requirement for future employees and changing the percentage of employer contributions payable for post-retirement health benefits for each retired employee to be based on the employees' years of credited service pursuant to Government Code Section 22893, as set forth in the letter signed by the General Manager on October 27, 2011, and on the revised Attachment 1 to the letter, said resolution entitled:

RESOLUTION ELECTING TO ESTABLISH A HEALTH BENEFIT VESTING REQUIREMENT FOR FUTURE RETIREES UNDER THE PUBLIC EMPLOYEES' MEDICAL AND HOSPITAL CARE ACT

Item 7-4

Adopt the CEQA determination and **Resolution 9131** reducing Metropolitan's health benefits premium contribution for employees and annuitants under Government Code Section 22892(a), as set forth in the letter signed by the General Manager on October 27, 2011, and on the revised Attachment 1 to the letter, said resolution entitled:

RESOLUTION FIXING THE EMPLOYER'S CONTRIBUTION UNDER THE PUBLIC EMPLOYEES' MEDICAL AND HOSPITAL CARE ACT

Chairman Foley called for a vote on the motion to approve Items 7-3 and 7-4.

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), Central Basin Municipal Water District (Aye: Dir. Hawkins. Absent: Dir. Montalvo. 10,955 votes), Compton (Dir. Sanchez, 321 votes), Eastern Municipal Water District (Dir. Record, 5,342 votes), Fullerton (Dir. Blake, 1,465 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), Los Angeles (Aye: Dir. J. Murray. Absent: Dirs. Fleming, Grunfeld, and Quiñonez. 40,008 votes), Municipal Water District of Orange County (Dirs. Dick and Foley, 17,355 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), Upper San Gabriel Valley Municipal Water District (Dir. Chavez, 7,408 votes), Western Municipal Water District of Riverside County (Dir. Evans, 7,426 votes). Total 117,597 votes.

Noes: Burbank (Dir. Brown, 1,805 votes), Calleguas Municipal Water District (Dir. Grandsen, 7,849 votes), Foothill Municipal Water District (Dir. Edwards, 1,313 votes), Municipal Water District of Orange County (Dir. Barbre, 8,677.50 votes), Pasadena (Dir. Brick, 2,103 votes), San Diego County Water Authority (Noes: Dirs. Heidel, Lewinger, and Steiner. Absent: Dir. Bowersox. 36,682 votes), San Marino (Dir. Morris, 439 votes), Torrance (Dir. Wright, 2,238 votes). Total 61,106.50 votes.

Abstain: Municipal Water District of Orange County (Dir. Ackerman, 8,677.50 votes). Total 8,677.50 votes.

Absent: Long Beach (Dir. Lowenthal, 3,765 votes), West Basin Municipal Water District (Dirs. Gray and Little, 13,904 votes). Total 17,669 votes).

The Chair declared the motion to approve Items 7-3 and 7-4 carried by a vote of 117,597 ayes, 61,106.50 noes, 8,677.50 abstain, and 17,669 absent.

48880 Real Property and Asset Management Committee Chairman Hawkins moved, seconded by Director Peterson and carried, that the Board adopt the CEQA determination and authorize the General Manager to enter into a ground lease agreement with HayDay Farms, Inc. for Metropolitan Water District's Parcel Nos. PVID-1-110 and PVID-1-130, as set forth in the confidential revised letter signed by the General Manager on November 4, 2011.

48881 Real Property and Asset Management Committee Chairman Hawkins moved, seconded by Director Steiner and carried, that the Board adopt the CEQA determination and authorize the General Manager to enter into a two-year option agreement, leading to a long-term lease, with Silex Systems Limited for ten acres of Metropolitan's Potrero Creek property in the city of Beaumont for a concentrated photovoltaic solar project, subject to project approvals, as set forth in the confidential letter signed by Assistant General Manager Ivey on behalf of the General Manager on October 27, 2011, as amended. The Board also approved the recommendation of the committee directing staff to require the tenant to carry a bond to cover future facility demolition and site restoration costs.

Directors Barbre, Blake, and Dick requested to be recorded as voting no.

48882 Finance and Insurance Committee Vice Chairman Blake moved, seconded by Director Ballin and carried, that the Board adopt the CEQA determination and authorize the General Manager to execute a withdrawal of Compton's Purchase Order effective January 1, 2003, and assess Compton an administrative fee of \$5,000, as set forth in the letter signed by the General Manager on October 25, 2011.

Director Sanchez thanked the Board and the staffs of both Metropolitan and Compton for their assistance in this matter.

Director Steiner commented that the City of Compton was doing the right thing in better managing their local water supplies and decreasing reliance on imported water. However, the San Diego County Water Authority's concern was on how Metropolitan determined it could sustain multibillion dollar investments without having take-or-pay contracts. Director Steiner stated the Authority believed that it is critical that Metropolitan has take-or-pay contracts with firm commitments from the member agencies so that Metropolitan can do a meaningful budget and know how much water sales would be needed based on those firm commitments. Director Steiner further remarked that the current proposal before the Board allowed any member agency to withdraw from purchase order commitments if it simply paid an administrative fee of \$5,000, and the Authority was concerned that the purchase orders were not real commitments

that can be relied upon to ensure that Metropolitan can pay its current and future expenses.

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

48883 Engineering and Operations Committee Chairman Evans moved, seconded by Director Lewinger and carried, that the Board adopt the CEQA determination and (a) appropriate \$3.7 million (Appropriation No. 15441, No. 37, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) award \$2,556,618 contract to J. F. Shea Construction, Inc. to rehabilitate the gates at Eagle Rock Tower and Puddingstone Spillway, as set forth in the letter signed by the General Manager on October 25, 2011.

48884 Engineering and Operations Committee Chairman Evans moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and (a) appropriate \$4.53 million; and award (b) \$886,200 contract to Fibrwrap Construction, LP for carbon fiber joint repairs on the Allen-McColloch Pipeline; and (c) \$1,696,023.23 contract to Fibrwrap Construction, LP for carbon fiber joint repairs on the Foothill and Sepulveda Feeders, as set forth in the letter signed by the General Manager on October 26, 2011.

48885 Engineering and Operations Committee Chairman Evans moved, seconded by Director Lewinger and carried, that the Board adopt the CEQA determination and (a) appropriate \$2.28 million (Appropriation No. 15438, No. 16 from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) award \$1,784,495 contract to Abhe & Svoboda, Inc. for repairs to three siphons on the Colorado River Aqueduct, as set forth in the letter signed by the General Manager on October 25, 2011.

48886 Engineering and Operations Committee Chairman Evans moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and (a) appropriate \$4.4 million (Appropriation No. 15373, No. 15, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) award \$3,348,791 contract to W. M. Lyles Co. for replacement of transition and manhole structure covers on the Colorado River Aqueduct, as set forth in the letter signed by the General Manager on October 25, 2011.

48887 Water Planning and Stewardship Committee Chairman De Jesus stated that two letters were received from member agencies on the Policy Principles for a Replenishment Program: (1) a joint letter dated November 4, 2011 from Inland Empire Utilities Agency, Eastern Municipal Water District, and Western Municipal Water District, and signed by Directors Camacho, Record, and Evans; and (2) a letter from San Diego County Water Authority dated November 4, 2011, signed by Directors Heidel, Lewinger, and Steiner. Committee Chairman De Jesus then reported that the committee considered and amended the Proposed Policy Principles for a new program on page 2 of the letter to read:

Regional Water Management Benefits:

The program shall provide regional water management benefits, including: (1) dry-year supplies at Metropolitan's call, (2) flexibility to manage delivery of available supplies in a way that would provide additional storage beyond Metropolitan's regional storage capability, and (3) delivery of supplies available to Metropolitan that are otherwise at risk of spill or loss.

Equity for Member Agencies:

The program shall be available to all member agencies and provide quantifiable regional benefits.

Financial Integrity:

The program options shall support the stability of Metropolitan's revenues and coverage of costs. Program incentives shall be based on sound economic principles and be proportional to the regional water management benefits provided.

Operational Flexibility:

The program shall enhance opportunities for Metropolitan to effectively manage water supplies under varied water supply conditions.

Complementary with Other Storage Programs:

Features of the program shall be complementary with existing storage programs, so that past investments in local and regional groundwater and surface water storage continue to yield reliability benefits.

Committee Chairman De Jesus then moved, seconded by Committee Vice Chairman Wright and carried, that the Board adopt the CEQA determination and approve the proposed Policy Principles for a Replenishment Program, as amended by the committee, and set forth in the letter signed by the General Manager on October 27, 2011.

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

48888 Legal and Claims Committee Chairman Wunderlich moved, seconded by Director Steiner and carried, that the Board adopt the CEQA determination and authorize an increase of \$500,000 for a total of \$1,650,000 in maximum amount payable under contract with Ellison, Schneider & Harris to represent Metropolitan and other participating state water contractors in *Solano County Water Agency, et al. v. Department of Water Resources*, Sacramento Superior Court Case No. 34-2008-0001338 CU-BC-GDS, as set forth in the confidential letter signed by the Interim General Counsel on October 26, 2011.

48889 On behalf of the Legal and Claims Committee, Director Steiner moved, seconded by Director Ballin and carried, that the Board adopt the CEQA determination and authorize (1) an increase in the maximum amount payable under contract with Manatt, Phelps & Philips, LLP for legal services by \$750,000 to an amount not to exceed \$2,090,000; and (2) an increase in the maximum amount payable under contract with Shaw Environmental for expert services by \$300,000 to an amount not to exceed \$400,000 for representation of Metropolitan in *Orange County Water District v. Northrop Corporation*, Orange County Superior Court Case No. 04CC00715, as set forth in the confidential letter signed by the Interim General Counsel dated November 1, 2011.

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

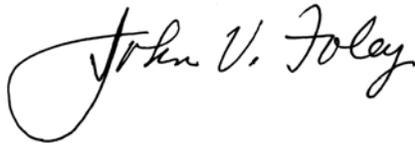
48890 The following communication was submitted to the Board for information:

- a. Report on Local Resources Development Strategy Task Force, signed by the General Manager on October 27, 2011.

48891 There being no objection, the Chairman adjourned the Meeting at 12:48 p.m.



JOHN T. MORRIS
SECRETARY



JOHN V. FOLEY
CHAIRMAN