

MINUTES

REGULAR MEETING OF THE

BOARD OF DIRECTORS

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MARCH 13, 2012

48974 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, March 13, 2012.

Chairman Foley called the Meeting to order at 12:10 p.m.

48975 The Meeting was opened with an invocation by Olivia Zavala, Human Resources Analyst, Human Resources Group, and Vice President of Metropolitan's Hispanic Employees Association.

48976 The Pledge of Allegiance to the Flag was given by Director Kristine Murray.

48977 Board Secretary Morris called the roll. Those answering present were: Directors Abdo, Ackerman, Ballin, Barbre, Blake, Brick, Camacho, De Jesus, Dick, Edwards, Evans, Fleming, Foley, Friedman, Grandsen, Gray, Griset, Grunfeld, Hawkins, Heidel, Lewinger, Little, Lowenthal, Millard, Morris, J. Murray, K. Murray, Peterson, Record, Sanchez, Wilson, Wright, and Wunderlich.

Those not answering were: Directors Brown, Montalvo, Quiñonez, and Steiner.

Chairman Foley declared a quorum present.

48978 Chairman Foley invited members of the public to address the Board on matters within the Board's jurisdiction.

Dan Hentschke, General Counsel for the San Diego County Water Authority, commented on San Diego County Water Authority's annexation to Metropolitan and distributed a letter to the Board regarding same.

David Stahovich, Chief of Staff to Supervisor Bob Buster of Riverside County, made comments relating to Agenda Item 8-15, Metropolitan's opposition to AB 1686 (Jeffries, R-Riverside) - Waterways: Lake Mathews.

48979 There being no objection, Chairman Foley ordered the reading of the Minutes of the Meeting of February 14, 2012, dispensed with, a copy having been mailed to each Director.

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

48980 A written report of meetings attended by Directors at Metropolitan expense during the month of February was distributed, which was received and filed.

Vice Chairman J. Murray reported that he and General Manager Kightlinger attended the Community Leaders Briefing on February 24, 2012, in Downey, with Assembly Member Ricardo Lara as the honored guest.

48981 Chairman Foley presented to Vice Chairman De Jesus a pin for his ten years of service on Metropolitan's Board, representing Three Valleys Municipal Water District.

Director Dick withdrew from the Meeting at 12:23 p.m.

48982 Director Grunfeld moved, seconded by Director Fleming and carried, approving a 30-day leave of absence for Director Evans, commencing March 28, 2012.

Director Evans noted that he would be participating in the April meeting of the Board via telephone.

Director Friedman requested that the Board approve a 30-day leave of absence for her, as an emergency request.

Director Lowenthal moved, seconded by Vice Chair Gray and carried, approving addition of this matter to the agenda and approving a 30-day leave of absence for Director Friedman, commencing March 28, 2012.

48983 Chairman Foley stated he will be dissolving the Hoover Contract Issues Committee since the major part of that committee's work has been accomplished with the passage of the Hoover Power Allocation Act by the U.S. Congress. Director Blake moved, seconded by Director Fleming and carried, that the Hoover Contract Issues Committee be dissolved, as recommended by Chairman Foley.

48984 Chairman Foley reported on events in which he participated, as follows:

- February 15 - Attended the Colorado River Board meeting
- February 27 - Met with the board of Municipal Water District of Orange County and MWDOC's delegation to Metropolitan

48985 Regarding matters relating to Metropolitan's operations and activities, General Manager Kightlinger referred to the activity report for February dated February 29, 2012, which was posted to the Directors' website.

General Manager Kightlinger thanked the San Diego County Water Authority for its letter and input on its annexation to Metropolitan. Mr. Kightlinger stated that staff will be reporting on this matter.

General Manager Kightlinger commented on the various shutdowns of Metropolitan's facilities, and the increase in water sales during March.

48986 Regarding Legal Department activities, Interim General Counsel Scully referred to the General Counsel's activity report for February dated March 6, 2012, which was posted to the Directors' website.

Interim General Counsel Scully had no further report.

48987 General Auditor Riss referred to the Audit Department's activity report for the month of February, dated February 29, 2012, which was posted to the Directors' website.

General Auditor Riss had no further report.

Director Dick returned to the Meeting at 12:30 p.m.

48988 The Ethics Officer's activity report for February dated February 29, 2012, was posted to the Directors' website. No further report was given.

Vice Chairman J. Murray moved, seconded by Director Blake and carried, and the Board approved the Consent Calendar Items, **M.I. 48989** through **M.I. 48999**, as follows:

48989 Adopted the California Environmental Quality Act (CEQA) determination and authorized the General Manager to grant easements to the California Department of Water Resources, City of Riverside, City of Temecula, and City of Upland, pending project approvals, for infrastructure and utility improvements, as set forth in the letter signed by the General Manager on February 22, 2012.

48990 Adopted the CEQA determinations and authorized the General Manager to enter into lease agreements with New Cingular and Rados Properties, pending project approvals, in the counties of Orange and Riverside, as set forth in the letter signed by the General Manager on February 22, 2012.

48991 Adopted (a) the CEQA determination; (b) **Resolution 9138** granting Calleguas Municipal Water District's request for approval of Annexation No. 96 concurrently to Calleguas and Metropolitan, determine that Metropolitan's interests will not be adversely affected by the existence of a small window, and establishing Metropolitan's terms and conditions for the annexation, conditioned upon approval by Ventura Local Agency Formation Commission, and upon receipt of annexation fee of \$25,308.40; and (c) **Resolution 9139** to impose water standby charge 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 February 29, 2012, said resolutions entitled:

Resolution 9138

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA CONSENTING TO CALLEGUAS MUNICIPAL WATER DISTRICT'S ANNEXATION NO. 96 AND FIXING THE TERMS AND CONDITIONS OF SAID ANNEXATION TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Resolution 9139

RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FIXING AND ADOPTING WATER STANDBY CHARGE CONTINGENT UPON CALLEGUAS MUNICIPAL WATER DISTRICT'S ANNEXATION NO. 96

48992 Adopted the CEQA determination and authorized the General Manager to enter into a Local Resources Program agreement for the North Atwater and Chevy Chase Park Water Recycling Project and the Los Feliz Golf Course Water Recycling Project with the Los Angeles Department of Water and Power for up to 50 acre-feet per year of recycled water under terms included in the letter signed by the General Manager on February 28, 2012.

Director Lewinger requested that a letter from SDCWA dated March 12, 2012 regarding the LRP items be entered into the record. The letter is on file with the Board Executive Secretary.

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

48993 Adopted the CEQA determination and (a) appropriated \$1.7 million (Appropriation No. 15458, No 4, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) final design to rehabilitate the Foothill and Sepulveda Canyon Hydroelectric Plants; and (c) preliminary design to rehabilitate the San Dimas and Venice Hydroelectric Plants, as set forth in the letter signed by the General Manager on February 29, 2012.

48994 Adopted the CEQA determination and (a) appropriated \$930,000 (Appropriation No. 15441, No 40, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and

authorized (b) final design and procurement for seismic retrofit of the Upper Feeder's Santa Ana River Bridge; and (c) increase of \$150,000 to the existing agreement with IDS Group, for a new not-to-exceed total of \$300,000, as set forth in the letter signed by the General Manager on February 29, 2012.

48995 Adopted the CEQA determination and (a) appropriated \$340,000 (Appropriation No. 15373, No 17, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) final design for repair of the San Jacinto Tunnel East Adit; and (c) increase of \$215,000 to the existing agreement with Jacobs Associates, for a new not-to-exceed total of \$365,000, as set forth in the letter signed by the General Manager on February 29, 2012.

48996 Adopted the CEQA determination and (a) appropriated \$170,000 (Appropriation No. 15438, No 18, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized preliminary design of canal improvements for the Colorado River Aqueduct, as set forth in the letter signed by the General Manager on February 28, 2012.

48997 Adopted the CEQA determination and (a) appropriated \$1.74 million (Appropriation No. 15369, No 37, for \$1,150,000; and Appropriation No. 15440, No. 13, for \$590,000, both from the Revenue Bonds, Replacement and Refurbishment or General Funds); (b) awarded \$519,825 procurement contract to Cascade Pump Company for backwash return pumps; and authorized (c) Metropolitan force construction to rehabilitate drive shaft assemblies at the Weymouth washwater reclamation plant; and (d) final design of the Weymouth Dry Polymer System upgrade project, as set forth in the letter signed by the General Manager on February 29, 2012.

48998 Adopted the CEQA determination and (a) appropriated \$650,000 (Appropriation No. 15438, No 19, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) authorized final design and procurement of a standby generator for Iron Mountain Pumping Plant, as set forth in the letter signed by the General Manager on February 29, 2012.

48999 Adopted the CEQA determination and (a) appropriated \$460,000 (Appropriation No. 15369, No 38, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and authorized (b) preliminary design to replace filter valves in

Weymouth Filter Building No. 1; and (c) preliminary design to complete the rehabilitation of the Weymouth plant's drop gates, as set forth in the letter signed by the General Manager on February 29, 2012.

49000 Real Property and Asset Management Committee Chairman Hawkins moved, seconded by Director Grunfeld and carried, that the Board adopt the CEQA determination and affirm the General Manager's surplus determination, and authorize the General Manager to accept offers for the Sunset Parking Structure, as set forth in the confidential letter signed by the General Manager on February 22, 2012.

49001 Real Property and Asset Management Committee Chairman Hawkins moved, seconded by Director Wright and carried, that the Board adopt the CEQA determination and (a) affirm the General Manager's determination that the subject property comprised of 10 acres in Redlands, California, and the subject property comprised of 114 acres in Moreno Valley, California, are surplus to Metropolitan's needs and carry out disposition of the properties in their current conditions; and (b) market the properties for sale on the open market for their fair market value between \$3,760,000 to \$4,760,000, in a form approved by the General Counsel, as set forth in the letter signed by the General Manager on February 22, 2012.

49002 General Manager Kightlinger requested that Agenda Item 8-3, authorization to purchase 2,175 acres in Riverside and Imperial Counties, be discussed in closed session at the end of the Meeting.

49003 Finance and Insurance Committee Chairman Grunfeld reported on the many meetings, workshops, and public hearing that have taken place over the past few months relative to the proposed biennial budget for fiscal years 2012/13 and 2013/14, and the recommended water rates and charges for 2013 and 2014. After much discussion, the committee moved to defer taking action on these items until the April 9 and 10 meetings of the Finance and Insurance Committee and the Board, respectively.

Director Little moved, seconded by Director De Jesus and carried, that Agenda Items 8-4A and 8-4B be deferred to the April meetings.

Director Lewinger thanked the Board for postponing Agenda Items 8-4A and 8-4B to the April meetings, and commented that it was the reduced water sales that are driving up the water rates, and that Metropolitan should downsize its spending to match the reduced revenues. Director Lewinger, therefore, moved, seconded by Director Lowenthal, that another workshop be held with staff presenting other opportunities to reduce costs so there will be a budget that is even lower than what staff has currently proposed.

Chairman Foley called for a vote on the motion by Director Lewinger requesting that another workshop be held.

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

Ayes: Beverly Hills (Dir. Wunderlich, 2,127 votes), Calleguas Municipal Water District (Dir. Grandsen, 7,849 votes), Central Basin Municipal Water District (Aye: Dir. Hawkins. Absent: Dir. Montalvo. 10,955 votes), Compton (Dir. Sanchez, 321 votes), Glendale (Dir. Friedman, 2,296 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, Lewinger, and Wilson. Absent: Dir. Steiner. 36,682 votes), San Fernando (Dir. Ballin, 146 votes), San Marino (Dir. Morris, 439 votes), Santa Ana (Dir. Griset, 1987 votes). Total 76,641 votes.

Noes: Anaheim (Dir. K. Murray, 3,436 votes), Eastern Municipal Water District (Dir. Record, 5,342 votes), Foothill Municipal Water District (Dir. Edwards, 1,313 votes), Fullerton (Dir. Blake, 1,465 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,929 votes), Los Angeles (No: Dirs. Fleming, Grunfeld, and J. Murray. Absent: Dir. Quiñonez. 40,008 votes), Municipal Water District of Orange County (Dirs. Ackerman, Barbre, and Dick, 26,032.50 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. Millard, 7,408 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 117,926.50 votes.

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

Absent: Burbank (Dir. Brown, 1,805 votes). Total 1,805 votes).

The Chair declared the motion to hold another workshop failed by a vote of 76,641 ayes, 117,926.50 noes, 8,677.50 abstain, and 1,805 absent.

Director Lewinger requested that materials from SDCWA distributed at the public hearing held by the Finance and Insurance Committee on March 12, 2012, be made a part of the record. These materials are on file in the Office of the Chief Financial Officer.

49004 Finance and Insurance Committee Chairman Grunfeld moved, seconded by Director Wright and carried, that the Board adopt the CEQA determination and authorize the General Manager to enter into a five-year contract with Richardson and Company for the required State Water Project related audit services commencing March 2012, and for a maximum amount payable of \$3.9 million, as set forth in the letter signed by the General Manager on February 29, 2012.

49005 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 enter into a Local Resources Program agreement for the Harbor Industrial Recycled Water Project with Los Angeles Department of Water and Power for up to 9,300 acre-feet per year of recycled water under the terms included in the letter signed by the General Manager on February 28, 2012.

Director Little requested to be recorded as abstaining.

Directors Heidel, Lewinger, and Wilson requested to be recorded as voting no. Director Lewinger referred to the letter dated March 12, 2012, entered into the record pursuant to M.I. 48992 above. The letter is on file with the Board Executive Secretary.

49006 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 enter into a Local Resources Program agreement for the Hansen Dam Golf Course Water Recycling Project with Los Angeles Department of Water and Power for up to 500 acre-feet per year of recycled water under terms included in the letter signed by the General Manager on February 28, 2012.

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

49007 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 enter into a Local Resources Program agreement for the Griffith Park South Water Recycling Project with Los Angeles Department of Water and Power for up to 450 acre-feet per year of recycled water under terms included in the letter signed by the General Manager on February 28, 2012.

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

49008 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 enter into a Local Resources Program agreement for Eastern Municipal Water District's Recycled Water System Expansion Project with Eastern Municipal Water District for up to 5,000 acre-feet per year of recycled water under terms included in the letter signed by the General Manager on February 28, 2012.

Board Vice Chairman Record requested to be recorded as abstaining.

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

49009 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 enter into a Local Resources Program agreement for the West Basin Water Recycling Program

Phase V Project with West Basin Municipal Water District for up to 8,000 acre-feet per year of recycled water under the terms included in the letter signed by the General Manager on February 29, 2012.

Board Vice Chair Gray and Director Little requested to be recorded as abstaining.

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

49010 Engineering and Operations Committee Chairman Evans moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and (a) appropriate \$5.43 million (Appropriation No. 15446, No. 3, from the Revenue Bonds, Replacement and Refurbishment or General Funds); and (b) award \$3.67 million procurement contract to James Leffel & Company for a turbine-generator at the Yorba Linda Power Plant, as set forth in the letter signed by the General Manager on February 29, 2012.

49011 On behalf of the Legal and Claims Committee, Director Fleming moved, seconded by Board Chairman J. Murray and carried, that the Board adopt the CEQA determination and authorize an increase of \$2,600,000 to a maximum of \$4,000,000 to Bingham McCutchen's contract for legal services in the *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 February 28, 2012.

Legal and Claims Committee Chairman Wunderlich requested that the records show he recused himself and did not vote on this item.

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

49012 Director Blake moved, seconded by Director Fleming and carried, that the Board adopt the CEQA determination and authorize an increase in (1) maximum amount payable under contract with Manatt, Phelps for legal services by \$2 million to an amount not to exceed \$4,090,000; (2) maximum amount payable to Meyers, Nave, Riback, Silver & Wilson, PC by \$1.5 million to an amount not to exceed \$2.3 million; (3) maximum amount payable

under contract with Shaw Environmental for expert services by \$300,000 to an amount not to exceed \$700,000; and (4) maximum amount payable under contract with Jacimaria R. Batista, Ph.D., P.E. by \$200,000 to an amount not to exceed \$300,000 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 on March 5, 2012.

Legal and Claims Committee Chairman Wunderlich requested that the records show he recused himself and did not vote on this item.

49013 Communications and Legislation Committee Chair Ackerman stated that the committee amended the recommendation and therefore moved, seconded by Director Blake, that the Board adopt the CEQA determination and express opposition to H.R. 1837 (Nunes, R-CA) - the Sacramento-San Joaquin Valley Water Reliability Act, as set forth in the letter signed by the General Manager on March 6, 2012.

Following a discussion on H.R. 1837, Director Barbre made a substitute motion, seconded by Director Heidel, that the Board take a "watch" position on H.R. 1837.

The Chair called for a vote on the substitute motion.

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

Ayes: Anaheim (Dir. K. Murray, 3,436 votes), Calleguas Municipal Water District (Dir. Grandsen, 7,849 votes), Central Basin Municipal Water District (Aye: Dir. Hawkins. Absent: Dir. Montalvo. 10,955 votes), Eastern Municipal Water District (Dir. Record, 5,342 votes), Foothill Municipal Water District (Dir. Edwards, 1,313 votes), Inland Empire Utilities Agency (Dir. Camacho, 7,971 votes), Municipal Water District of Orange County (Ayes: Dirs. Ackerman, Barbre, and Dick. Not Participating: Dir. Foley. 34,710 votes), San Diego County Water Authority (Ayes: Dirs. Heidel, Lewinger, and Wilson. Absent: Dir. Steiner. 36,682 votes), San Fernando (Dir. Ballin, 146 votes), Torrance (Dir. Wright, 2,238 votes). Total 110,642 votes.

Noes: Beverly Hills (Dir. Wunderlich, 2,127 votes), Compton (Dir. Sanchez, 321 votes), Fullerton (Dir. Blake, 1,465 votes), Glendale (Dir. Friedman, 2,296 votes), Las Virgenes Municipal Water District (Dir. Peterson, 1,929 votes), Long Beach (Dir. Lowenthal, 3,765 votes), Los Angeles (No: Dirs. Fleming, Grunfeld, and J. Murray. Absent: Dir. Quiñonez. 40,008 votes), Pasadena (Dir. Brick, 2,103 votes), San Marino (Dir. Morris, 439 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. Millard, 7,408 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 92,603 votes.

Abstain: None.

Absent: Burbank (Dir. Brown, 1,805 votes). Total 1,805 votes).

The Chair declared the substitute motion passed by a vote of 110,642 ayes, 92,603 noes, and 1,805 absent.

49014 Communications and Legislation Committee Chair Ackerman moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and express opposition to AB 1686 (Jeffries, R-Riverside) - Waterways: Lake Mathews, as set forth in the letter signed by the General Manager on March 6, 2012.

49015 At 12:54 p.m., pursuant to Government Code Sections 54956.8 and 54957, Chairman Foley called the Meeting into closed session to consider the following agenda items:

8-3 Authorize the purchase of approximately 2,175 acres in Riverside and Imperial Counties

11-1 Designation of Interim Ethics Officer

11-2 Consideration of candidates for the position of General Counsel

After consideration of Items 8-3 and 11-1, interviews were held individually with three candidates for the position of General Counsel.

Director Friedman withdrew from the Meeting at
1:44 p.m.

Director Sanchez withdrew from the Meeting at
2:07 p.m.

Director Wright withdrew from the Meeting at 2:10 p.m.

Director K. Murray withdrew from the Meeting at
3:00 p.m.

Director Grunfeld withdrew from the Meeting at
3:15 p.m.

Director Heidel withdrew from the Meeting at 3:30 p.m.

Director Hawkins withdrew from the Meeting at
3:40 p.m.

At 3:45 p.m., Chairman Foley called the Meeting into open session.

49016 Chairman Foley reported that in closed session the Board adopted the CEQA determination and (a) authorized the General Manager to purchase approximately 2,175 acres of land in the Palo Verde Valley; and (b) appropriated up to \$30 million plus costs to complete the transaction, which include labor, professional and technical, and incidental expenses, as set forth in the confidential letter signed by the General Manager on February 24, 2012.

49017 Chairman Foley announced that in closed session the Board approved the appointment of Jeffrey Cable as the Interim Ethics Officer.

49018 Chairman Foley announced that in closed session the Board selected Marcia Scully for the position of General Counsel, subject to successful negotiation of a contract.

49019 There being no objection, the Chairman adjourned the Meeting at 3:46 p.m.



JOHN T. MORRIS

SECRETARY



JOHN V. FOLEY

CHAIRMAN