

MINUTES

**REGULAR MEETING OF THE
BOARD OF DIRECTORS**

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

May 8, 2012

49048 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, May 8, 2012.

Chairman Foley called the Meeting to order at 11:38 a.m.

49049 The Meeting was opened with an invocation by Dannelle-Mimi T. Phan, Manager, Audit Department.

49050 The Pledge of Allegiance to the Flag was given by Director Stephen Millard.

49051 Board Secretary Morris called the roll. Those answering present were: Directors Abdo, Ballin, Barbre, Blake, Brick, Camacho, De Jesus, Dick, Edwards, Evans, Foley, Friedman, Grandsen, Griset, Grunfeld, Hawkins, Heidel, Lewinger, Lowenthal, Millard, Morris, J. Murray, Steiner, Wilson, and Wunderlich.

Those not answering were: Directors Ackerman, Brown, Fleming, Gray, Little, Montalvo, K. Murray, Peterson, Quiñonez (entered 11:45 a.m.), Record, Sanchez, and Wright.

Chairman Foley declared a quorum present.

49052 Chairman Foley invited members of the public to address the Board on matters within the Board's jurisdiction. No members of the public responded.

Director Quiñonez took his seat at 11:45 a.m.

49053 General Manager Kightlinger introduced David La France, Executive Director of American Water Works Association. Mr. La France gave a presentation on AWWA's report "Buried No Longer: Confronting America's Water Infrastructure Challenge."

49054 There being no objection, Chairman Foley ordered the reading of the Minutes of the Meeting of April 10, 2012, dispensed with, a copy having been mailed to each Director.

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

49055 A written report of meetings attended by Directors at Metropolitan expense during the month of April was distributed. The report was received and filed.

49056 Chairman Foley reported there were no new committee assignments.

49057 Chairman Foley reported on events in which he participated, as follows:

- April 11 - Attended the Colorado River Board meeting in Ontario
- April 19 - Attended the Southern California Leadership Council meeting in Los Angeles

49058 Regarding matters relating to Metropolitan's operations and activities, General Manager Kightlinger referred to the activity report for April dated April 30, 2012, which was posted to the Directors' website.

General Manager Kightlinger had no further report.

49059 Regarding Legal Department activities, General Counsel Scully referred to the General Counsel's activity report for April dated May 1, 2012, which was posted to the Directors' website.

General Counsel Scully had no further report.

49060 General Auditor Riss referred to the Audit Department's activity report for the month of April dated April 30, 2012, which was posted to the Directors' website.

General Auditor Riss had no further report.

49061 The Interim Ethics Officer's activity report for April dated April 30, 2012, was posted to the Directors' website.

Interim Ethics Officer Cable had no further report.

Board Vice Chairman J. Murray moved, seconded by Director Blake and carried, and the Board approved the Consent Calendar Items, **M.I. 49062** through **M.I. 49064**, as follows:

49062 Adopt the California Environmental Quality Act (CEQA) determination and authorize agreements with (a) Lee & Ro, Inc., Carollo Engineers, CDM Smith, and ARCADIS, each in an amount not to exceed \$1 million per year for an initial term of one year, with an option to renew up to two additional one-year periods, to provide design services; and (b) Butier Engineering, Inc., in an amount not to exceed \$500,000 per year for an initial term of one year, with an option to renew up to two additional one-year periods, to provide construction management and inspection services, in support of board-authorized Capital Investment Plan projects, as set forth in the corrected letter signed by the General Manager on April 24, 2012.

49063 Adopt the CEQA determinations and (a) appropriate \$1.77 million (Appropriation No. 15381, No. 11, for \$680,000; and Appropriation No. 15452, No. 12, for \$1,090,000, both from the Revenue Bonds, Replacement and Refurbishment or General Funds); and award (b) \$622,650 contract to PCC Construction, Inc. to replace sodium hydroxide storage tanks at the Mills plant; and (c) \$298,089 contract to SCW Contracting Corp. to construct the Mills Hazardous Waste Staging and Handling Facility, as set forth in the letter signed by the General Manager on April 24, 2012.

49064 Adopt the CEQA determination and approve the attached salary schedule to the letter signed by the General Manager on April 23, 2012, pursuant to CalPERS regulation.

49065 Real Property and Asset Management Committee Chairman Hawkins reported that the committee considered the purchase of approximately 2,175 acres in Riverside and Imperial Counties and no action was taken by the committee. Committee Chairman Hawkins stated negotiations are continuing, and that no board action is required at this time. He therefore requested that this item be withdrawn.

49066 Finance and Insurance Committee Chairman Grunfeld moved, seconded by Committee Vice Chairman Blake and carried, that the Board adopt the CEQA determination and **Resolution 9143** to continue the water standby charge for fiscal year 2012/13, as set forth in the letter signed by the General Manager on April 23, 2012, said resolution entitled:

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE METROPOLITAN
WATER DISTRICT OF SOUTHERN CALIFORNIA CONTINUING WATER
STANDBY CHARGES FOR FISCAL YEAR 2012/13**

Director Lewinger commented that at Metropolitan's Board Meeting of April 10, 2012, the San Diego County Water Authority opposed the adoption of the water rates and charges, and objected to the cost allocation by Metropolitan, including the Readiness-to-Serve (RTS) Charge, for the reasons stated in the documents and reports the Authority transmitted to Metropolitan for inclusion in the administrative record on March 12 and April 10, 2012.

Director Lewinger stated that the adoption of Metropolitan's Resolution 9143 provided the member agencies the continued ability to have a portion of their RTS Charge offset through Metropolitan's collection of water standby charges within their respective service areas. Director Lewinger stated the Water Authority's vote in favor of Resolution 9143 did not waive any Water Authority objections to Metropolitan's water rates and charges or cost of service allocation.

49067 Finance and Insurance Committee Chairman Grunfeld moved, seconded by Committee Vice Chairman Blake and carried, that the Board adopt the CEQA determination and approve Appropriation No. 15475 to pay costs of issuance of Water Revenue Bonds, Water Revenue Refunding Bonds, other costs associated with securing liquidity for expiring variable rate debt liquidity facilities, and interest rate swap transactions; and authorize reimbursement of expenses paid from the General

Fund by bond proceeds, with the appropriation to expire on May 31, 2014, as set forth in the letter signed by the General Manager on April 23, 2012.

Director Lewinger stated that the San Diego delegation supported steps taken to reduce costs and take advantage of market opportunities to lower the financing costs of the Capital Investment Plan and reduce risks associated with managing Metropolitan's debt and interest rate swap portfolios as described in the board letter signed by the General Manager on April 23, 2012.

Director Lewinger stated the Water Authority's affirmative vote reflected this intent and is separate and apart from the issues and concerns expressed in the Authority's letter of April 9, 2012, regarding Metropolitan's Official Statement.

49068 Water Planning and Stewardship Committee Chairman De Jesus moved, seconded by Director Blake and carried, that the Board adopt the CEQA determination and authorize (a) water conservation program changes effective July 1, 2012; and (b) five-year agreement with Electric and Gas Industries Association to administer Metropolitan's regional conservation rebate program, with the maximum amount payable under the contract for EGIA's services to be \$4 million; and the contract's overall maximum amount include pass-through incentive funding from Metropolitan, member agencies, and third parties to conservation program participants, with the overall contract amount not to exceed \$90 million, as set forth in the letter signed by the General Manager on April 26, 2012.

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

49069 Engineering and Operations Committee Chairman Evans reported that the committee considered Agenda Item 8-6 and approved it.

Director De Jesus therefore moved, seconded by Director Grunfeld and carried, that the Board adopt the CEQA determination and (a) appropriate \$21.2 million (Appropriation No. 15395, No. 6, from the Revenue Bonds, Replacement and Refurbishment or General Funds); (b) award \$16,300,127 contract to Stronghold Engineering, Inc., for the La Verne Machine and Fabrication Shops Upgrades; and (c) authorize increase of

\$500,000 to the existing agreement with Tetra-IBI Group, for a new not-to-exceed total of \$2.35 million, as set forth in the letter signed by the General Manager on April 23, 2012.

Director Evans requested to be recorded as abstaining.

49070 Engineering and Operations Committee Chairman Evans moved, seconded by Director Grunfeld and carried, that the Board adopt the CEQA determination and authorize a new five-year maintenance agreement with Johnson Controls, Inc. for a total amount not to exceed \$3.75 million for routine maintenance of physical security systems at all Metropolitan facilities, with an option for Metropolitan to terminate the agreement on an annual basis, as set forth in the letter signed by the General Manager on April 26, 2012.

49071 Legal and Claims Committee Chairman Wunderlich moved, seconded by Board Vice Chairman J. Murray and carried, that the Board adopt the CEQA determination and authorize an increase in maximum amount payable under contract with Morrison & Foerster for legal services by \$600,000 to a maximum of \$6,925,000, as set forth in the confidential letter signed by the General Counsel on April 18, 2012, for *Consolidated Delta Smelt Cases*, USDC Case No. 1:09-CV-407 LJO-DLB, and *Consolidated Salmonid Cases*, USDC Case No. 1:09-CV-1053 LJO-DLB.

49072 On behalf of the Communications and Legislation Committee, Director Camacho moved, seconded by Board Vice Chairman J. Murray and carried, that the Board adopt the CEQA determination and express support for AB 2443 (Williams, D-Santa Barbara) - Vessels: Registration Fee: Quagga and Zebra Mussels, as set forth in the letter signed by the General Manager on May 2, 2012.

49073 Legal and Claims Committee Chairman Wunderlich moved, seconded by Director Edwards and carried, that the Board adopt the CEQA determination and authorize entering into settlement of *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 General Counsel on May 3, 2012.

49074 The following communication was submitted to the Board for information:

- a. Renewal status of Metropolitan's Property and Casualty Insurance Program, signed by the General Manager on April 24, 2012.

49075 Chairman Foley reported that the Communications and Legislation Committee took action on Agenda Item 9-2. On behalf of the Communications and Legislation Committee, Director Camacho moved, seconded by Director Morris and carried, that the Board express support for AB 2398 (Hueso, D-Chula Vista) - Water Recycling, as set forth in the letter signed by the General Manager on May 2, 2012.

Director Lewinger requested to be recorded as abstaining.

49076 There being no objection, the Chairman adjourned the Meeting at 12:15 p.m.



JOHN T. MORRIS
SECRETARY



JOHN V. FOLEY
CHAIRMAN