

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

EXECUTIVE COMMITTEE

July 24, 2012

Chair Foley called the meeting of the Executive Committee to order at 10:04 a.m. in the Board Room at Metropolitan's Headquarters.

Committee members present: Chair Foley, Vice Chairs De Jesus, Gray, J. Murray and Record, Secretary Morris, Directors Ackerman, Brick, Griset, Grunfeld, Lewinger, and Wunderlich.

Committee member absent: Director Evans.

Other Directors present: Directors Barbre, Blake, Brown, Dick, Edwards, Friedman, Grandsen, Hawkins, Little, Millard, Montalvo, Peterson, Wilson, and Wright.

Staff present: Arakawa, Bennion, H. Beatty, Breaux, Cable, L. Carrillo, Chin, Gil de Montes, Green, Ivey, Hicks, Jankovic, Kightlinger, Lieu, Man, Mares, Muir, Pellegrini, Riss, Scully, Sotoodeh, Upadhyay, Waade, and Wakiro.

1. OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO ADDRESS THE COMMITTEE ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION

None

2. APPROVAL OF THE MINUTES OF THE EXECUTIVE COMMITTEE HELD June 26, 2012

Motion Carried Moved: Director J. Murray Seconded: Vice Chair Record

Votes: Unanimous

3. BOARD CHAIRMAN'S REPORT

Chair Foley stated that the August Board meeting will be delayed a week as is the custom, to incorporate the tax assessment. Since that meeting will be on the third Tuesday of the month, there will be no meetings on the 4th Tuesday in August. He also stated that following the Finance and Insurance Committee, there will be a Special Board Meeting to consider the adoption of the tax levy, which is required by law to be adopted by August 20, 2012. Additionally there will be a joint meeting of the Water Planning and Stewardship Committee and the Special Committee on Bay-Delta.

4. CONSENT CALENDAR ITEMS – ACTION

None

5. OTHER BOARD ITEMS – ACTION

None

6. BOARD INFORMATION ITEMS – ACTION

None

7. COMMITTEE ITEMS

- a. Subject: Approve draft committee and Board meeting agendas, and schedule for August 2012

Presented by: Chair Foley

Motion Carried Moved: Director J. Murray Seconded: Vice Chair Gray

Votes: Unanimous

- b. Subject: General Manager's report of Metropolitan's activities

Presented by: General Manager Jeffrey Kightlinger

The General Manager reported that the Governor of California and the Secretary of the Interior would be making a joint announcement on July 25, 2012 regarding a proposed Bay Delta Conservation Plan. They will make a presentation and answer questions from the press. The proposed project will be posted on the internet. A draft Environmental Impact Report will be drafted by October of 2012. Final documents should be ready by the spring of 2013 and a final decision made around June of 2013. Metropolitan staff will send a summary of the Governor's announcement to all Directors, and over the next few months there will be discussions at the Water Planning and Stewardship Committee, and the Special Committee on Bay-Delta meetings on this topic.

- c. Subject: General Counsel's report of Legal Department activities

Presented by: General Counsel Marcia Scully

The General Counsel reported that Metropolitan received the decision from the arbitrators in the San Luis Rey matter. Metropolitan prevailed on the escalation of the cost of conserved water. San Luis Rey has 100 days to challenge that ruling.

In 2003, the Navajo and Hopi Nations filled tribal litigation against the Department of Interior challenging the validity of the environmental documents that supported the QSA. At the end of 2011, a settlement was reached and all the Colorado River water provided to the tribes would come from the Arizona allocation. There was a significant cost for the infrastructure to implement that. Senator Kyl of Arizona submitted a request to Congress to fund the infrastructure. The tribe has since rejected the agreement that

was reached and the case is now in limbo. Updates will be provided to the board as further discussion with the tribes continues.

The Court has set a hearing date in September for the Delta Smelt case in Las Vegas, Nevada.

A new judge has been appointed in the QSA cases that were remanded back to the trial court. He has narrowed the scope to two CEQA issues and one Brown Act issue. Trial will begin in November.

The General Counsel announced the appointment of an additional Assistant General Counsel, Heather Beatty.

- d. Subject: General Auditor's report of Audit Department activities

Presented by: General Auditor Gerry Riss

The General Auditor reported that KPMG will begin its audit in August.

Director Friedman presented the Audit Department with a plaque from the Institute of Internal Auditors in recognition of their conformance to professional standards and code of ethics which is the highest rating possible.

- e. Subject: Interim Ethics Officer's report of Ethics Department activities

Presented by: Interim Ethics Officer Jeff Cable

The Interim Ethics Officer stated that the Ethics Department has also commissioned a self-assessment. They are finalizing the scope and the assessment will be carried out in August by a group called The Association for Practical and Professional Ethicists. Directors will be interviewed as part of the process of assessing the Ethics Office.

- f. Subject: Transmittal of biennial budget and General Manager's Business Plan for fiscal year 2012/13 and 2013/14

Presented by: General Manager Jeffrey Kightlinger

The General Manager thanked the Chief Financial Officer for making a smooth transition to the biennial process. The budget and rates for the next two years are set. The strategic priorities of the General Manager's plan are the completion of the Bay Delta Conservation Plan, completion of the rate refinement process including increasing fixed revenues, and dealing with purchase order commitments which will expire at the end of 2012. Another strategic priority is employee development and succession planning, considering the average age of the Metropolitan workforce and the fact that there has been a soft hiring freeze in place for the last three years. The last priority is infrastructure reliability including repairs and replacing old equipment and completing the ozone retrofitting of all our water treatment facilities.

Director Grunfeld expressed thanks to the current and former Chief Financial Officers and Finance and Insurance Committee Vice Chairs for finalizing the biennial budget.

Director Wilson asked for a clarification on actual current employee numbers.

8. REPORTS FROM COMMITTEES

- a. Director Grunfeld, Finance and Insurance Committee Chair, stated that the meeting in August has been extended to provide time for presentation and discussion of the rate refinement process. Another issue for discussion will be setting of the property tax rate. Since the deadline for this item is August 20, 2012, the committee will hold its meeting in the board room and hold a special board meeting directly after to vote on adopting the new tax rates.
- b. Director De Jesus, Water Planning and Stewardship Committee Chair, reported that the August Committee meeting will be a joint meeting with the Special Committee on Bay-Delta.

The committee will hear a presentation by Jay Abbs, Executive Director of the Palo Verde Irrigation District Community Improvement Fund. He will talk about the investments that have been made in the community as result of this program. The committee will also consider approving an agreement for additional recycled water with the Municipal Water District of Orange County and the city of El Toro.

The Bay-Delta Committee will hear a report reviewing the joint state and federal proposal on the Bay Delta Conservation Plan and they will also discuss a six-month outlook of other items that they plan to review and consider.

- c. Director Brown, Engineering and Operations Committee Vice Chair, reported that the committee has ten action items to consider in August. Items for consideration will include five water treatment replacement and refurbishment projects, four conveyance and distribution system replacement and refurbishment projects, and a determination of a subcontractor substitution hearing for the La Verne Machine and Fabrication Shops upgrade construction contract.

In addition the committee will hear a CIP quarterly report for the period ending March 2012.

- d. Director Murray, Organization, Personnel and Technology Committee Chair, reported that in August, Metropolitan will be co-hosting the 7th Annual California Construction Expo in Pasadena. This year's event will bring together more than a thousand businesses to learn about capital improvement funding available from several public agencies throughout the state for planned or current projects.
- e. Director Wunderlich, Legal and Claims Committee Chair, reported that the committee will hear a report regarding the *Lennar Homes of California v. Metropolitan* and *Shapell Industries, Inc. v. Moulton Niguel Water District*. Both lawsuits allege that water is causing pinhole leaks in copper piping.

The committee will be asked to authorize an increase in the legal services contract related to State Water Resources Control Board permits for the state and federal water projects and hear reports on the Bay-Delta and *San Diego County Water Authority v. Metropolitan* litigation.

Director Wunderlich took a moment to recognize Ina Roth, a former Metropolitan board member from the city of Beverly Hills who recently passed away.

- f. Director Ackerman, Communications and Legislation Committee Chair, had no report.

9. FOLLOW UP ITEMS

Chair Foley stated that the election of the next Board Chairman will be held at the October Board meeting. The Administrative Code states that the Executive Committee sends the names of nominees to the Board after determining the nominees at the September Executive Committee meeting. Any director wishing to run for chairman will need to signify so by that meeting date. Nomination from the floor will also be accepted at the October Board meeting.

10. FUTURE AGENDA ITEMS

None.

The Executive Committee meeting went into closed session at 10:43 a.m.

7. COMMITTEE ITEMS

- g. Subject: Direct Reports Performance Evaluations
[Public employees' performance evaluations—General Manager, General Counsel, General Auditor; to be heard in closed session pursuant to Gov. Code Section 54957]

Presented by: Chair Foley

This item was discussed in closed session. No action was taken.

Chair Foley adjourned the meeting at 11:23 a.m.

John V. Foley
Chair of the Board