

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

EXECUTIVE COMMITTEE

June 25, 2013

Chair Foley called the meeting to order at 11:05 a.m. in the Board Room at Metropolitan's Headquarters.

Committee members present: Chair Foley, Vice Chairs De Jesus, Gray and J. Murray, Secretary Morris, Directors Ackerman, Evans, Fleming, Griset, and Lewinger.

Committee members absent: Vice Chair Record and Director Grunfeld.

Other Directors present: Directors Babcock, Ballin, Barbre, Brown, Edwards, Little, Peterson, Pringle, Steiner, Touhey, and Wunderlich.

Staff present: Ardalan, Atkins, Beatty, Bennion, Breaux, L. Carrillo, Chin, Ghaly, Gil de Montes, Green, Ivey, Jankovic, Johnson, Kightlinger, Man, Mares, Patterson, Pellegrini, Phelps, Purkiss, Riss, Scully, Tubbs, Upadhyay, Waade, and Zinke.

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

No members of the public responded.

2. APPROVAL OF THE MINUTES OF THE EXECUTIVE COMMITTEE HELD MAY 28, 2013

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

Votes: Unanimous

3. BOARD CHAIRMAN'S REPORT

Chair Foley had no report.

4. CONSENT CALENDAR ITEMS – ACTION

None

5. OTHER BOARD ITEMS – ACTION

None

6. BOARD INFORMATION ITEMS

None

7. COMMITTEE ITEMS

- a. Subject: Approve draft committee and Board meeting agendas, and schedule for July 2013

Presented by: Chair Foley

Director Lewinger requested an agenda item on the Long Range Finance Plan be added to the Finance and Insurance Committee. Chair Foley stated that Director Grunfeld will bring the next steps to the committee. A workshop on the financial plan is being planned in the future in conjunction with the budget update.

The General Counsel stated that an item will be added to the July Legal and Claims Committee regarding additional funding for the rate litigation.

Motion Carried Moved: Director Griset Seconded: Director Fleming

Votes: Unanimous

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

Presented by: General Manager Jeffrey Kightlinger

General Manager Kightlinger reported that Metropolitan is conducting repair work on our hydroelectric plants. This is typically done on a six-year cycle. The Engineering and Operations Committee will keep the Board informed on the progress.

General Manager Kightlinger showed a news clip on the tunnel explosion that occurred during construction in the Sylmar area in 1971. The sole survivor of that incident will attend a Board meeting in the late summer/early fall so he can be recognized and the event memorialized with a commemorative plaque.

- c. Subject: General Manager's Business Plan—Mid-cycle Update

Presented by: General Manager Jeffrey Kightlinger

General Manager Kightlinger stated that although the business plan had been approved for a two-year period, he thought the board would appreciate a progress report.

The General Manager's Business Plan has four strategic priorities.

The first strategic priority is completing the Bay Delta Conservation Plan and the associated Environmental Impact Report and Impact Statement. The administrative drafts of all three have been released. The public draft is scheduled for release in October 2013 and the final is scheduled for spring of 2014.

The second priority is to conclude the rate refinement process and improve Metropolitan's fiscal standing. Purchase orders have been extended with updated Tier 1 and Tier 2 limits, reserves are fully recovered, funding of OPEB and Pay-Go have been increased and the ad valorem tax rate frozen, all financial metrics are up and exceeding expectations. The focus for the next half of the biennial plan will be preparing the 2014/16 budget, reviewing other components of fixed revenues, and examining the Bay Delta Conservation Plan financials and what impact that will have on rates.

Another strategic priority is employee development. Metropolitan has successfully managed all labor costs within our budget this year. Metropolitan's job descriptions have been updated and finalized across the board and the staffing level has been maintained at 1,780 full-time employees. Metropolitan is now focusing on succession planning, cross training among staff members, and formulating a program to capture all the experience and technical skills that retirees would be taking out of the workforce. This will likely be in the form of videos and updated manuals.

The fourth strategic priority is infrastructure reliability. The Colorado River Aqueduct is running at full-flow capability. Metropolitan just signed off on a 50-year permit for Inland Feeder and that project is now complete. A long term approach is being considered by implementing a prestressed concrete cylinder pipeline rehabilitation program rather than fixing breaks and leaks in the pipes as they occur. Jensen Plant solids handling will be the next focus, and Metropolitan will be completing the Oxidation Retrofit Program for the Diemer and Weymouth plants by the end of this year and spring of 2014, respectively.

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

Presented by: General Counsel Marcia Scully

General Counsel Scully had no report.

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

Presented by: General Auditor Gerry Riss

General Auditor Riss reported that in July, KPMG will attend the Audit and Ethics Committee meeting to discuss their audit plans for this year.

f. Subject: Ethics Officer's report of Ethics Department activities

Presented by: Ethics Officer Deena Ghaly

Ethics Officer Deena Ghaly reported that the Ethics Department proposed business plan has been presented to the Audit and Ethics Committee, and an action item related to that plan will be presented to the Board in August.

8. REPORTS FROM COMMITTEES

- a. Director Barbre, Finance and Insurance Committee Vice Chair, reported that at the July meeting, staff will present the standard reports on investments and financial highlights. An action item to authorize the execution of an agreement with an Other Post Employment Benefits trust provider will be presented to the Board. The Committee will hear a presentation and review of Metropolitan's swap policy and outstanding swaps, and the benefits and risks associated with interest swap agreements.
- b. Director De Jesus, Water Planning and Stewardship Committee Chair, reported that in July, the committee will consider three action items. The first item is considering a Local Resources Program agreement with the city of Anaheim for a recycled water facility. Another item will be to approve Metropolitan's payment in support of the Colorado River Board and Colorado River Authority. The third item will be related to Minute 319 Binational Pilot Project. The committee will hear about improvement in the talks with Imperial Irrigation District that may lead to consideration of their participation in the project.
- c. Director Evans, Engineering and Operations Committee Chair, reported that the committee will consider seven action items in July related to infrastructure reliability, including preliminary design to rehabilitate prestressed concrete cylinder pipes on portions of the Second Lower Feeder and rehabilitation of the San Jacinto East Adit on the Colorado River Aqueduct. The Committee will also hear an oral report on energy management for the State Water Project.
- d. Director J. Murray, Organization, Personnel and Technology Committee Chair, requested that item 8-6, Board approval of Metropolitan Water District's salary schedule, be moved to the consent calendar.

Chair Murray informed directors that on June 30, 2013, an email will be sent from Board Chair Foley launching the Department Head evaluations for FY 2012/13. Evaluations need to be submitted from June 30 through July 12, 2013 to allow enough time for the results to be reviewed at the July Executive Committee meeting. Chair Murray thanked directors for high participation in previous years and stated that reminders will be sent during the evaluation time frame to encourage high participation this year. The committee is also collecting suggestions for improvements in the key areas covered in the performance evaluations so Department Heads can get a sense of the Board members' expectations of them.

In regard to business outreach, President Obama proclaimed June 17-22 to be National Small Business week in America. The state of California celebrated small business owners by hosting them in Sacramento on June 10 for a California small business day. Metropolitan's Business Outreach Group will attend the Construction Management Association of America Water and Waste Water Agency night on July 25, 2013 in Los Angeles.

- e. Director Fleming, Legal and Claims Committee Chair, reported that in July, the committee will hear a report on existing litigation *The Navajo Nation v. United States Department of the Interior et al.*, and consider authorizing an increase in the legal services contract. The committee will also hear reports on the Bay Delta and San Diego County Water Authority litigations.
- f. Director Ackerman, Communications and Legislation Committee Chair, had no report.

9. FOLLOW UP ITEMS

Director Evans requested a clarification on procedure since he thought it was unprecedented to have an additional vote on an item for which a vote had already taken place as was the case at the June Board meeting. General Manager Kightlinger stated that Committee Chairs will be asked to ensure that the intent of each motion is clearly captured, and he further stated that the Legal Department will guide the Board as to procedure for board motions.

10. FUTURE AGENDA ITEMS

None

The meeting was adjourned at 11:33 a.m.

John V. Foley
Chair of the Board