

**MINUTES OF THE FORMAL BOARD OF DIRECTORS' MEETING
SEPTEMBER 23, 2010**

**ADMINISTRATIVE AND FINANCE
CALL TO ORDER/ROLL CALL**

Chair K. Williams called the Administrative and Finance Committee meeting to order at 9:01 a.m. Committee members present were Chair K. Williams, Vice Chairs Hogan and Price, Directors Bond, Dion, Smith, Steiner, and Wight. Committee members absent were Directors Bowersox, Hilliker, Lewis, Pocklington, Smith, H. Williams, and Wornham. At that time, there was a quorum of the Committee. Also present were Directors Boyle, Dailey, Hannan, Knutson, Lewinger, Linden, McIntosh, Petty, Saxod, and Tu. Staff present was General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Director of Finance/Treasurer Sandler, Director of Human Resources Leone, and Director of Administrative Services Young.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no members of the public who wished to speak.

CHAIR'S REPORT

There was no Chair's report.

DIRECTORS' COMMENTS

There were no Directors' comments.

I. CONSENT CALENDAR

1. Treasurer's report.

Staff recommendation: Note and file monthly Treasurer's report.

Vice Chair Price moved, seconded by Director Wight, and the motion passed unanimously to approve the consent calendar.

II. ACTION/DISCUSSION

There were no action/discussion items.

III. INFORMATION

The following items were noted and filed:

1. Controller's report on monthly financial statements.
2. Board calendar.

IV. CLOSED SESSION

There were no closed session items.

V. ADJOURNMENT

There being no further business to come before the Administrative and Finance Committee, Chair Williams adjourned the meeting at 9:03 a.m.

IMPORTED WATER COMMITTEE **CALL TO ORDER/ROLL CALL**

Vice Chair Tu called the Imported Water Committee meeting to order at 9:05 a.m. Committee members present were Directors Blackburn, Bond, Boyle, Heidel, Knutson, Lewinger, Linden, McIntosh, Petty, Price, Saxod, and Wight. Chair McMillan and Director Croucher were absent. Also present were Directors Dailey, Dion, Hannan, Hogan, Jungreis, Lewis, Pocklington, Smith, Steiner, and K. Williams. At that time, there was a quorum of the full Board, and the meeting was conducted as a meeting of the Board, however, only committee members participated in the vote. Staff present included General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Colorado River Program Director Razak, Metropolitan Water District Chief Chen, and others.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no public comments.

CHAIR'S REPORT

Vice Chair Tu stated that binational discussions were now focused on the possibility of storing up to 40,000 af of water for Mexico in U.S. reservoirs this year, to assist Mexico with managing its water supply after the April earthquake damaged the infrastructure in the region. She said an upcoming MWD-sponsored Colorado River inspection trip was available for directors to attend.

4-A Director's comments.

There were no Director's comments.

I. CONSENT CALENDAR

There were no items on the consent calendar.

II. ACTION/DISCUSSION

1. Metropolitan Water District Issues and Activities update.
1-A Metropolitan Water District's Delegates report.

The delegates reported on discussions and actions taken at the recent MWD board meetings.

2. Colorado River Programs.
2-A Colorado River Board representative's report.

Director Knutson reported that due to the capacities of Lake Mead at 39 percent and Lake Powell at 63 percent an equalization of the basins would be initiated in April 2011. He stated that the elevation of Lake Mead was nearing the trigger point at which shortages would be enacted on the lower Colorado River, with Arizona taking shortages followed by Nevada. He also discussed IID's plans to release surplus water to the Salton Sea.

III. INFORMATION

1. Presentation on Colorado River source water quality.

Ms. Razak provided an update on Colorado River water quality issues and discussed excess salinity and the status of remediation efforts on the River.

Following her presentation, directors asked questions and made comments.

2. Update on the Little Hoover Commission's Report on Statewide Water Management

Senior Water Resources Specialist Espe reviewed the Little Hoover Commission's Report on Statewide Water Management, discussing the background and the three main recommendations, including the divesting of the State Water Project from the Department of Water Resources to a separate, new operating entity, the "California Water Authority". She stated that the recommendations would be considered for implementation by the state legislature.

Following her presentation, directors asked questions and made comments.

The following item was noted and filed:

1. Metropolitan Water District program report.

The Committee went into closed session at 10:23 a.m.

IV. CLOSED SESSION

1. CLOSED SESSION:
Conference with Legal Counsel – Potential Litigation
Governance Code §54956.9(b)
Metropolitan Water District Notice of Intention to Enforce Rate Structure
Integrity Clause

2. CLOSED SESSION:
Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(a) – SDCWA v Metropolitan Water District of
Southern California; LASC Case No. BS126888

Mr. Hentschke stated that the committee unanimously authorized filing a request for mediation pursuant to the Rate Structure Integrity clauses in the conservation and local resource funding contracts for which Metropolitan had given or may give a notice of intent to terminate.

V. ADJOURNMENT

There being no further business to come before the Imported Water Committee, Vice Chair Tu adjourned the meeting at 10:36 a.m.

ENGINEERING AND OPERATIONS COMMITTEE

CALL TO ORDER/ROLL CALL

Vice Chair Smith called the Engineering and Operations Committee to order at 10:42 a.m. Committee members present were Vice Chair Smith, Directors Hannan, Hogan, Jungreis, Knutson, McIntosh, Mudd, Pocklington, and Wornham. Absent were Chair Arant and Directors Bowersox, Morrison, and Saunders. At that time there was a quorum of the Committee. Other Board members present were Directors Bond, Dailey, Dion, Heidel, Lewinger, Lewis, Petty, Price, and Saxod.

Staff present was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Kerl and Belock, Assistant General Manager Cushman, Director of Engineering Stiff, Acting Director of Right of Way Busch, Director of Operations and Maintenance Eaton, Operations and Maintenance Manager Stine and Engineering Manager Bousquet.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no members of the public who wished to address the Committee.

CHAIR'S REPORT

Vice Chair Smith provided a report on the special Engineering and Operations Committee meeting held on September 9th, 2010 regarding the San Vicente Pipeline and Lake Hodges projects.

I. CONSENT CALENDAR

1. Construction contract with Southcoast Heating & Air Conditioning LP for installation of a heating, ventilation, and air conditioning system for the Escondido Operations Center.
Staff recommendation: Authorize the General Manager to award a construction contract to Southcoast Heating & Air Conditioning LP in the amount of \$280,465 for installation of a heating, ventilation, and air conditioning system for the Escondido Operations Center.
2. Change Orders to Archer Western for the ESP-Lake Hodges Pump Station and Inlet/Outlet Structure project.
Staff recommendation: Accept Archer Western Change Orders 38 through 40 for \$247,082; and authorize the General Manager to execute change orders for an amount not-to-exceed \$925,000 for additional lining of the Lake Hodges to Olivenhain Pipeline surge shaft and modifications to the Olivenhain Reservoir trashrack, increasing the contract amount to \$74,598,148.

II. ACTION/DISCUSSION

There were no Action/Discussion agenda items.

III. INFORMATION

There were no Information agenda items.

IV. CLOSED SESSION

1. CLOSED SESSION:
Conference with Legal Counsel – Potential Litigation
Government Code §54956.9(b) - San Vicente Pipeline Mortar Lining Claim
2. CLOSED SESSION:
Conference with Legal Counsel – Potential Litigation
Government Code §54956.9(b)(c) – MWH Contract Performance
Disputes

Mr. Hentschke stated no Closed Session was needed for item 1 and took the Committee into Closed Session for item 2 at 10:45 a.m.

The Committee reconvened at 11:12 a.m. Mr. Hentschke stated there was no reportable action taken during Closed Session.

V. ADJOURNMENT

There being no further business to come before the Engineering and Operations Committee, Vice Chair Smith adjourned the meeting at 11:13 a.m.

LEGISLATION, CONSERVATION AND OUTREACH COMMITTEE

CALL TO ORDER/ROLL CALL

Chair Dailey called the Legislation, Conservation and Outreach Committee to order at 1:01 p.m. Committee members present were Chair Dailey, Vice Chairs Morrison and Saxod, and Directors Blackburn, Dion, Hilliker, Jungreis, Mudd, Muir, Tu, H. Williams, and K. Williams. Committee members absent were Directors Arant, Croucher and Watton. At that time, there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote. Also present were Directors Boyle, Hannan, Heidel, Hogan, Knutson, Lewinger, Lewis, Linden, McIntosh, Petty, Pocklington, Saunders, and Smith.

Staff present was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Director of Public Affairs Foster, Water Conservation Program Executive Rose, and Public Affairs Representative Otero.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no members of the public who wished to address the Legislative, Conservation and Outreach Committee.

CHAIR'S REPORT

Chair Dailey reminded all Directors to have their photograph taken in the Training Room and stated that the photographer would be available until 4:30 p.m.

On September 14, 2010, staff conducted a workshop with the General Managers at the request of the Board to review the Blueprint for Water Conservation in view of today's conditions and to find ways to leverage partnerships to improve regional conservation efforts. Staff would report findings to the Board at the December 9, 2010, meeting.

Chair Dailey announced that Water Lites, the exhibit sponsored by the Water Authority at the 2009 San Diego Spring Home and Garden Show, won an Honor Award from the American Society of Landscape Architects, San Diego Chapter.

Chair Dailey reminded the Board to watch "Liquid Assets: The Big Business of Water," on CNBC on Thursday, September 30, 2010, at 6 p.m. and 10 p.m.

DIRECTORS' COMMENTS

There were no Directors' comments.

I. CONSENT CALENDAR

There were no Consent Calendar items.

II. ACTION/DISCUSSION

1. Legislative issues.

1-A Report by Carpi and Clay.

Mr. Clay reported on issues in Sacramento and stated that Mr. Carpi's report on Washington, D. C., issues was in the packet.

III. INFORMATION

1. Website redevelopment preview presentation.

Ms. Otero provided a presentation including website background, website goals, needs assessment, current design, new design with highlights, and progress status. Ms. Otero stated that the redeveloped website would launch in mid-October, and staff would return to the Board in October to walk them through the live website.

2. Water Conservation Garden report.

There was no report by Director Bowersox.

3. Conservation Action Committee.

Director Hilliker reported that the Committee was provided with seven new irrigation technology presentations by members of the Conservation Action Committee.

4. Quarterly report on Public Affairs outreach activities.

Chair Dailey suggested the Board review Page 138 of the Board packet for dates of upcoming MWD trips and invite guests to attend.

The following items were received and filed:

5. Status report on legislation and legislative positions.

6. Government relations update.

IV. ADJOURNMENT

There being no further business to come before the Legislation, Conservation and Outreach Committee, Chair Dailey adjourned the meeting at 1:29 p.m.

WATER PLANNING COMMITTEE

CALL TO ORDER/ROLL CALL

Chair Saunders called the Water Planning Committee to order at 1:34 p.m. Committee members present were Chair Saunders, Vice Chair Petty and Directors Boyle, Dailey, Hannan, Lewis, Linden and Muir. Directors Lewinger and Watton were absent. Directors Steiner, Heidel and McMillan arrived at 1:40 p.m., 1:50 p.m. and 2:03 p.m. respectively. Also present were Directors Blackburn, Dion, Hilliker, Hogan, Jungreis, Knutson, McIntosh, Morrison, Mudd, Pocklington, Saxod, Smith, Tu, Wight, H. Williams, K. Williams and Wornham. At that time, there was a quorum of the Board and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.

Staff present was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Director of Water Resources Weinberg, Water Resources Managers Purcell, Roy and Yamada and Senior Water Resources Specialist Tegio.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no members of the public who wished to address the Committee.

CHAIR'S REPORT

Chair Saunders reported briefly on the 2012 Master Facilities Plan as one of the Water Planning Committee's goals, focusing on optimizing water storage, treatment and conveyance. He added that a Request for Proposals (RFP) had been issued, and over the proceeding two months, staff would review the proposals and recommend award of a contract at the December meeting.

DIRECTORS' COMMENTS

There were no Directors' comments.

I. CONSENT CALENDAR

There were no Consent Calendar items.

II. ACTION/DISCUSSION

1. PUBLIC HEARING: Mitigated Negative Declaration (MND) for the Pipelines 3 and 4 Relining Project-Pipeline 4: State Route 52 to Lake Murray and Pipeline 3: 30-inch Interconnect to Lake Murray Control Valve.

Chair Saunders opened the public hearing at 1:40 p.m. Mr. Tegio presented information on the project. There were no members of the public who wished to comment. Before closing the public hearing at 1:52 p.m., Chair Saunders stated that written comments would be received as late as 5:00 p.m., October 2, 2010.

2. Authorize submittal of Proposition 84 integrated regional water management planning grant application.
Staff recommendation: Adopt Resolution No. 2010-___ authorizing the General Manager to submit a Proposition 84 integrated regional water management planning grant application.

Ms. Roy presented information on the grant application. Director Steiner moved, Vice Chair Petty seconded, and the motion passed unanimously to submit the Proposition 84 integrated regional water management planning grant application.

3. Add funding to the FY 2011 Water Resources Budget for legal and technical services for the preparation and negotiation of a potential Water Purchase Agreement with Poseidon Resources (Channelside) for desalinated seawater from the Carlsbad Desalination Project and amend the Professional Services Agreement with Clean Energy Capital.
Staff recommendation:
 - (a) Approve the second amendment to the Professional Services Agreement with Clean Energy Capital and increase the not-to-exceed amount from \$149,500 to \$299,500 for financial and economic analysis related to the preparation and negotiation of a Water Purchase Agreement with Poseidon Resources (Channelside).
 - (b) Add \$500,000 from FY 2011 operating reserves to the Water Resources Department FY 2011 budget for specialized legal and financial expertise to support the negotiating team in the development of a Water Purchase Agreement.

Mr. Weinberg presented information on the background, work accomplished and next steps regarding negotiating the draft Water Purchase Agreement (WPA) with Poseidon Resources. Director Petty moved, Director Dailey seconded, and the motion passed unanimously to approve staff recommendation.

III. INFORMATION

1. Presentation on the unit cost of new local water supply alternatives.

Mr. Yamada presented a comprehensive report on the unit cost of a variety of components of local water supply alternatives, as well as cost scenarios on imported water supply for 2010 and 2020. Following clarifying questions and appreciation for the significant effort put into the report, staff was directed to translate it into end-user friendly information for subsequent review by the board.

Upon hearing no objection, Chair Saunders asked for the following item to be moved to the next committee meeting.

2. Presentation on Fiscal Year 2011 Municipal and Industrial supply allocation targets and delivery tracking.

The following item was received and filed:

3. Water Resources report.

IV. CLOSED SESSION

There were no Closed Session items.

IV. ADJOURNMENT

There being no further business to come before the Water Planning Committee, Chair Saunders adjourned the meeting at 3:11 p.m.

FORMAL BOARD OF DIRECTORS' MEETING OF SEPTEMBER 23, 2010

1. **CALL TO ORDER** Chair Lewis called the Formal Board of Directors' meeting to order at 3:20 p.m.
2. **SALUTE TO THE FLAG** Director Linden led the salute to the flag.
3. **ROLL CALL, DETERMINATION OF QUORUM**
Secretary Wornham called the roll. Directors present were Blackburn, Dailey, Dion, Hannan, Heidel, Hilliker, Hogan, Knutson, Lewis, Linden, McIntosh, Wight, H. Williams, and Wornham. Directors absent were Arant, Bond, Bowersox, Boyle, Croucher, Jungreis, Lewinger, Price, Watton, K. Williams and Representative Slater-Price.

3-A **Report on proxies received.** Director Knutson was the proxy for Director Arant, Director Hogan for Director Bond, Director Dailey for Director Bowersox, Director Muir for Directors Croucher and Watton, Director Petty for Lewinger.
4. **ADDITIONS TO AGENDA** There were no additions to the agenda.
5. **APPROVAL OF MINUTES** Director Smith moved, Director Dion seconded, and the motion carried at 90.56% of the vote to approve the minutes of the Formal Board of Directors' meeting of August 26, 2010.
6. **OPPORTUNITY FOR MEMBERS OF THE PUBLIC WHO WISH TO ADDRESS THE BOARD ON MATTERS WITHIN THE BOARD'S JURISDICTION**
Dr. John Hunter with the Citizens for All-American Canal Safety spoke regarding his safety concerns. Ms. Laura Hunter with the Citizens for All-American Canal Safety also spoke regarding safety.
7. **PRESENTATIONS AND PUBLIC HEARINGS**
7-A Presentation of Directors' service certificates.

- 7-B Reappointment of Director. Reappointment of Kenneth R. Williams, city of San Diego. Term expires July 15, 2016.

Chair Lewis presented service certificates to the following Directors: Bond, Hilliker, Knutson, Lewis, Linden, McMillan, Smith, K. Williams, and noted Director K. Williams had been reappointed.

8. **REPORTS BY CHAIRS**

- 8-A Chairs report: There was no Chair's report.

- 8-B Report by Committee Chairs.
Administrative and Finance Committee. Director Hogan reviewed the committee meeting and actions taken.
Imported Water Committee. Director Tu reviewed the meeting and stated no actions were taken.
Engineering and Operations Committee. Director Smith reviewed the meeting and the actions taken.
Legislation, Conservation and Outreach Committee. Director Dailey reviewed the meeting and stated no actions were taken.
Water Planning Committee. Director Saunders reviewed the meeting and the actions taken.

9. **CONSENT CALENDAR**

Director Mudd moved, Director Smith seconded, and the motion carried at 90.56% of the vote to approve the consent calendar. Directors voting no or abstaining are listed under the item number.

- 9-1. Treasurer's report.

The Board noted and filed the monthly Treasurer's report.

- 9-2. Construction contract with Southcoast Heating & Air Conditioning LP for installation of a heating, ventilation, and air conditioning system for the Escondido Operations Center.

The Board authorized the General Manager to award a construction contract to Southcoast Heating & Air Conditioning LP in the amount of \$280,465 for installation of a heating, ventilation, and air conditioning system for the Escondido Operations Center.

- 9-3. Change Orders to Archer Western for the ESP-Lake Hodges Pump Station and Inlet/Outlet Structure project.
The Board accepted Archer Western Change Orders 38 through 40 for \$247,082; and authorized the General Manager to execute change orders for an amount not-to-exceed \$925,000 for additional lining of the Lake Hodges to Olivenhain Pipeline surge shaft and modifications to the Olivenhain Reservoir trashrack, increasing the contract amount to \$74,598,148.
- 9-4. Authorize submittal of Proposition 84 integrated regional water management planning grant application.
The Board adopted **Resolution No. 2010-17** authorizing the General Manager to submit a Proposition 84 integrated regional water management planning grant application.
- 9-5. Add funding to the FY 2011 Water Resources Budget for legal and technical services for the preparation and negotiation of a potential Water Purchase Agreement with Poseidon Resources (Channelside) for desalinated seawater from the Carlsbad Desalination Project and amend the Professional Services Agreement with Clean Energy Capital.
The Board approved the second amendment to the Professional Services Agreement with Clean Energy Capital and increased the not-to-exceed amount from \$149,500 to \$299,500 for financial and economic analysis related to the preparation and negotiation of a Water Purchase Agreement with Poseidon Resources (Channelside). The Board added \$500,000 from FY 2011 operating reserves to the Water Resources Department FY 2011 budget for specialized legal and financial expertise to support the negotiating team in the development of a Water Purchase Agreement.

10. **ACTION/DISCUSSION**
Election of Board Officers for October 1, 2010 – September 30, 2012.

The following Board members were nominated:

Chair: Mike Hogan
Vice Chair: Tom Wornham
Secretary: Richard Smith

Director Muir moved, Director Petty seconded and the motion carried at 90.56% of the vote to elect the nominated Board Officers for the October 1, 2010 – September 30, 2012 term.

Chair Lewis thanked the Delta Group, MWD Delegates and the Committee Chairs for their hard work during his term.

11. **CLOSED SESSION(S)**

11-A **CLOSED SESSION:**

Conference with Legal Counsel – Potential Litigation
Government Code §54956.9(b)
Metropolitan Water District Notice of Intention to Enforce Rate Structure Integrity Clause

11-B **CLOSED SESSION:**

Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(a) – SDCWA v Metropolitan Water District of
Southern California;
LASC Case No. BS126888

11-C **CLOSED SESSION:**

Conference with Legal Counsel – Potential Litigation
Government Code §54956.9(b) - San Vicente Pipeline Mortar Lining Claim

11-D **CLOSED SESSION:**

Conference with Legal Counsel – Potential Litigation
Government Code §54956.9(b)(c) – MWH Contract Performance Disputes

12. **Action following Closed Session.**

Mr. Hentschke announced action was needed regarding item 11-A.

Director Dailey moved, Director Tu seconded, and the Board unanimously authorized filing a request for mediation pursuant to the Rate Structure Integrity clauses in the conservation and local resource funding contracts for which Metropolitan had given or may give a notice of intent to terminate. The percentage of the passing vote was 90.56%.

13. **SPECIAL REPORTS**

13-A GENERAL MANAGER'S REPORT – Ms. Stapleton announced there was a card for Jim Bowersox in Board Chambers, the committee surveys would be distributed shortly, and the MWD Delegates would be reviewed at the December meeting.

13-B GENERAL COUNSEL'S REPORT – No report was given.

13-C SANDAG REPORT – No report was given.

SANDAG BORDERS/REGIONAL PLANNING COMMITTEE – Director Saxod
No report was given.

13-D AB 1234 COMPLIANCE REPORTS – No reports were given.

14. **OTHER COMMUNICATIONS** - None.

15. **ADJOURNMENT**

There being no further business to come before the Board, Chair Lewis adjourned the meeting at 3:50 p.m.

Claude A. Lewis, Chair

Thomas V. Wornham, Secretary

Doria F. Lore, Clerk of the Board