

**MINUTES OF THE FORMAL BOARD OF DIRECTORS' MEETING
NOVEMBER 29, 2012**

ADMINISTRATIVE AND FINANCE COMMITTEE

CALL TO ORDER / ROLL CALL

Chair Wight called the Administrative and Finance Committee meeting to order at 9:00 a.m. Committee members present were Chair Wight, Vice Chair Bond, Directors Bailey, Brady, Dion, Douglas, Hilliker*, Price, Saunders, Smith, Topolovac, and Wornham. Committee members absent were Vice Chair Croucher and Director Arant. At that time, there was a quorum of the Board, however only Committee members participated in the vote. Also present were Directors Barnum, Dailey, Hogan, Knutson, Lamb, Lewinger, Madaffer, Mudd, Saxod, Simpson, Steiner, Tu, Weston, and Wilson.

* Director Hilliker arrived at 9:01 a.m.

Staff present was General Manager Stapleton, General Counsel Hentschke, Deputy General Managers Belock and Kerl, Assistant General Manager Cushman, Director of Finance/Treasurer McCraner, Director of Human Resources Leone, Director of Administrative Services Young, Financial Planning Manager Shank, Budget and Analysis Manager Celaya, Controller Greek, and Senior Human Resources Analyst Clement.

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

Chair Wight reviewed the final report on the Administrative and Finance Committee's Goals for 2011 and 2012, highlighting the following activities taken by the Committee:

- 1) Approved two debt refunding transactions of existing debt resulting in net present value savings of \$18.7 million;
- 2) Approved a strategy for dealing with expiring liquidity facilities which backed by the Water Authority's \$460 million Commercial Paper Program, and renegotiated an existing facility, the replacement of expiring facilities, and the issuance of a 5-year fixed rate note to refund \$100 million in Commercial Paper notes;
- 3) Recommended adoption of the Multi-Year Budget for Fiscal Years 2012 and 2013 which included 16 percent reduction in total budgeted expenditures, 42 percent reduction in budgeted CIP expenditures, and a 16 percent reduction in staff.

Chair Wight thanked the Vice Chairs, Committee members, and staff for all their hard work over the past two years. Director Wornham thanked Chair Wight for her leadership on the Committee.

DIRECTORS' COMMENTS

There were no Director's comments.

I. CONSENT CALENDAR

1. Treasurer's Report.
Staff recommendation: Note and file the monthly Treasurer's report.
2. Vote Entitlement Resolution for Calendar Year 2013.
Staff recommendation: Adopt Resolution 2012-17 establishing the vote and representative entitlements of each member agency effective January 1, 2013.
3. Fiscal Years 2012 and 2013 additional litigation expenses.
Staff recommendation: Amend the General Counsel's Fiscal Year 2012 and 2013 Department Budget by an amount not-to-exceed \$3.5 million for additional litigation expenses.
4. Amendment to Professional Services Contract with Mercer Health and Benefits, LLC, to increase the amount by \$150,000 and extend the term by 30 months for providing Health Insurance Broker Services.
Staff recommendation: Authorize execution of an amendment in the amount of \$150,000, for a total contract amount no-to-exceed \$300,000 and extending the term by 30 months.

Director Smith moved, seconded by Director Saunders, and the motion passed unanimously to approve the Consent Calendar.

II. ACTION/DISCUSSION

1. Annual Statement of Investment Policy and continue to delegate authority to the Treasurer to invest Water Authority funds for calendar year 2013.
Staff recommendation: Adopt the Annual Statement of Investment Policy and continue to delegate authority to the Treasurer to invest Water Authority funds for calendar year 2013.

Chair Wight congratulated staff on receiving the Certification of Excellence from the Association of Public Treasurers of the United States and Canada for conformance to the Specified Standards of Investment Policy as established by the association. Chair Wight congratulated David Shank and Patti Cirello for a job well done.

Director Douglas moved, Director Dion seconded, and the motion passed unanimously to approve item 1.

2. Professional services contract with Carollo Engineers Inc. for a Cost of Service Study.

Staff recommendation: Authorize the General Manager to award a professional services contract to Carollo Engineers Inc. for an amount not-to-exceed \$106,000 for a cost of service study.

Mr. Shank provided a presentation on the item, which included an overview of the selection process, Request for Proposals responses, scope of services, and the staff recommendation.

Chair Wornham requested the staff recommendation be amended to include the following statement: *Direct the General Manager to add scope and funding to the contract sufficient to allow robust member agency participation including (Board of Directors, General Managers and Finance Officers) in the review of assumptions and development of a preferred rate structure alternative.*

Directors asked questions and made comments. Ms. Stapleton and Director Wornham provided answers.

Director Smith moved, Director Saunders seconded, and the amended motion passed unanimously.

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 Wight adjourned the meeting at 9:15 a.m.

ENGINEERING AND OPERATIONS COMMITTEE
CALL TO ORDER / ROLL CALL

Chair Knutson called the Engineering and Operations Committee meeting to order at 9:19 a.m. Committee members present were Chair Knutson, Vice Chair Dailey, Directors Bailey, Barnum, Hogan, Lamb, Lewinger, Miller, Mudd, Saxod, Smith, Williams and Wilson. Committee members absent were Vice Chair Pocklington and Director Morrison. Also present were Directors Bond, Boyle, Brady, Dion, Douglas, Hilliker, Price, Saunders, Simpson, Steiner, Topolovac, Tu, Weston, and Wornham. 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 was General Manager Stapleton, General Counsel Hentschke, Deputy General Manager Belock, Deputy General Manager Kerl, Assistant General Manager Cushman, Director of Engineering Rose, Director of Operations and Maintenance Eaton, Engineering Manager Reed, and Principal Construction Manager Kenny.

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

Chair Knutson announced that the Project Delivery Work Group met for the second time November 1, 2012. The next meeting would be in January, and a final report would be given at the January 24, 2013 Board meeting. Chair Knutson announced that the Final Report on the Engineering and Operations Committee's Goals for 2011 and 2012 was included in the Board packet. Chair Knutson thanked the committee members for their input and guidance to staff, and expressed his thanks to Mr. Rose and Mr. Eaton and staff.

Vice Chair Dailey expressed her appreciation to Engineering and Operations and Maintenance staff for their hard work in accomplishing the committee's goals.

DIRECTORS' COMMENTS

There were no Directors' comments.

I. CONSENT CALENDAR

There were no items under Consent.

II. ACTION/DISCUSSION

1. Notices of Completion for the Lake Hodges Pump Station project, Specification 554.
Staff recommendation: Authorize the General Manager to accept the Lake Hodges project as complete and record the Notices of Completion for the Archer Western and Andritz contracts.

Principal Construction Manager Kenny gave a presentation on the Notice of Completion for the Lake Hodges Pump Station Project. Mr. Kenny reviewed the project purpose (water operations and power generation), pump house detail, and the prerequisites for Notices of Completion.

Director Lewinger moved, Vice Chair Dailey seconded, and the motion to approve staff's recommendation passed unanimously.

III. INFORMATION

1. Presentation on San Vicente Dam Raise Project update.

Mr. Reed gave a presentation on the San Vicente Dam Raise which reviewed the work in progress on the top of the dam, the outlet tower, and the downstream control facility. He also went over the upcoming activities including installation of mechanical/electrical systems, site acceptance test, commissioning of new facilities, decommissioning of existing facilities, filling to height of existing dam, DSOD raised dam certification, and construction of the Marina.

IV. CLOSED SESSION

There were no closed session items on the agenda.

V. ADJOURNMENT

There being no further business to come before the Engineering and Operations Committee, Chair Knutson adjourned the meeting at 9:33 a.m.

LEGISLATION, CONSERVATION AND OUTREACH COMMITTEE **CALL TO ORDER/ROLL CALL**

Chair Saxod called the Legislation, Conservation and Outreach Committee to order at 9:40 a.m. Committee members present were Chair Saxod, Vice Chairs Hilliker and Weston, and Directors Boyle, Dailey, Douglas, Madaffer, Miller, Simpson, Topolovac, Tu and Wornham. Committee members absent were Croucher, Mudd, and Sanford. Other Board members present were Directors Bailey, Barnum, Bond, Brady, Dion, Hogan, Knutson, Lamb, Lewinger, Price, Saunders, Steiner and Wilson. 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 were General Manager Stapleton, General Counsel Hentschke, Deputy General Manager Belock, Assistant General Manager Cushman, Director of Public Outreach and Conservation Foster and Management Analyst Schnell.

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 Saxod commented on the LCO committee highlights of the last two years. Some of those highlights included meeting all LCO committee goals, adoption of the Legislative Policy Guidelines for 2012 and sponsoring of several bills. Also accomplished were the adoption of the Water Use Efficiency Policy Principles and several new communication tools.

Chair Saxod thanked Vice-Chairs Hilliker and Weston, former Vice-Chair Jungreis, Directors and staff for their work on the LCO committee.

DIRECTORS' COMMENTS

I. CONSENT CALENDAR

There were no items on the Consent Calendar.

II. ACTION/DISCUSSION

1. Legislative Issues.

1-A Report by Carpi and Clay.

Mr. Clay reported on legislative issues, including the passage of Prop30 and Prop39 and new members of the Legislature being sworn in. He noted half of the Assembly will be new.

1-B Adopt Proposed 2013 Legislative Policy Guidelines.

Adopt the proposed 2013 Legislative Policy Guidelines.

Ms. Schnell presented the proposed 2013 Legislative Policy guidelines. Director Dailey moved, Director Hilliker seconded, and the motion passed unanimously to adopt the proposed 2013 Legislative Policy Guidelines.

1-C Sponsorship of two bills in the State legislature.

Staff recommendation: Sponsor legislation that:

1. Moves augmentation of raw water supplies with advanced treated purified water and direct potable reuse to the Health and Safety Code, instead of defining it as a waste in the Water Code.
2. Requires the California Air Resources Board to develop a program that returns revenues from the purchase of greenhouse gas emission permits by the Metropolitan Water District to retail water agencies that purchase MWD water.

Mr. Cushman presented on two bills in the State legislature, recommending sponsorship of both bills. Director Wornham moved, Director Dailey seconded, to adopt staff recommendation and the motion passed unanimously to sponsor the bills in the State legislature.

1-D Amend agreements with Carpi & Clay, Sacramento; Lang, Hansen, O'Malley and Miller; V. John White Associates; and Carpi, Clay & Smith, Washington D.C., for legislative advocacy and government relations services.

Staff recommendation: Amend the agreements for legislative advocacy services through December 31, 2014, for a period of 24 additional months, for Carpi & Clay; Lang, Hansen, O'Malley and Miller; V. John White Associates; and Carpi, Clay & Smith, increasing total funding for the four agreements by \$1,016,256, to an amount not-to-exceed \$2,970,739.

Mr. Cushman presented a recommendation to amend current agreements with legislative advocacy and government relations services firms by extending the agreements. Director Weston moved, Director Tu seconded, to adopt staff recommendation and the motion passed unanimously to amend agreements with Carpi & Clay, Sacramento; Lang, Hansen, O'Malley and Miller; V. John White Associates; and Carpi, Clay & Smith, Washington D.C., for legislative advocacy and government relations services.

III. INFORMATION

The committee received and filed the following items:

1. Small Contractor Outreach and Opportunities Program Quarterly report.
2. Quarterly report on Public Outreach and Conservation department activities.
3. Government Relations update.

IV. ADJOURNMENT

There being no further business to come before the Legislation, Conservation and Outreach Committee, Chair Saxod adjourned the meeting at 10:00 a.m.

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

Chair Dion called the Water Planning Committee Meeting to order at 10:10 a.m. Committee members present were Chair Dion, Vice Chairs Price and Saunders, Directors Boyle, Hogan, Lamb, Linden, Pocklington, Simpson, Steiner, Watton and Williams. Committee member Sanford was absent. Also present were Directors Arant, Barnum, Bond, Brady, Dailey, Douglas, Hilliker, Knutson, Lewinger, Miller, Mudd, Saxod, Smith, Topolovac, Weston, Wilson 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 Manager Yamada, Principal Water Resources Specialist Frieauf and Water Resources Specialist Dobalian.

PUBLIC COMMENT

There was no public comment.

DIRECTORS' COMMENTS

There were no Directors' comments.

CHAIR'S REPORT

Chair Dion announced this was his last meeting, and thanked Committee and Board members for participating for the last two years, and expressed appreciation to Vice Chairs Saunders and Price for their support and guidance. Chair Dion also thanked staff for their work and professionalism. He reported that emergency water deliveries of Mexican water would be made to Mexico in the days ahead, based on a recent request and consistent with the Mexico's Colorado River Water Treaty. He thanked the Otay Water District staff for their efforts. Chair

Dion announced a Special Meeting of the Water Planning Committee would be held January 10, 2013 for the Water Authority's Master Facilities Plan Update and the Climate Action Plan and Environmental Impact Report. Chair Dion remarked on specific highlights of the 2011-2012 goals and objectives achieved by the Water Planning Committee during the past two years.

I. CONSENT CALENDAR

There were no items for the Consent Calendar.

II. ACTION/DISCUSSION

1. Presentation on water supply and demand conditions.

Ms. Dobalian presented the first report on water supply conditions for the water year, which began October 1, 2012 and would conclude September 30, 2013. Director Pocklington commented that the report supports that supplies were on the decline and demand was increasing based on growing population, adding that Las Vegas and Nevada were building a third intake on Lake Meade for \$1 billion. Directors Knutson and Watton added comments on other predictors and management of water supply on the Colorado River.

III. INFORMATION

The following item was received and filed:

1. Water Resources Report.

IV. CLOSED SESSION

There was not a Closed Session.

V. ADJOURNMENT

On behalf of the Board of Directors, Board Chair Wornham expressed sincere gratitude to Chair Dion for his work on the Board. With no further business, Chair Dion adjourned the meeting at 10:30 a.m.

IMPORTED WATER COMMITTEE
CALL TO ORDER / ROLL CALL

Chair Watton called the Imported Water Committee to order at 10:40 a.m. Committee members present were Vice Chair Arant and Tu, Directors Barnum, Bond, Brady, Knutson, Lewinger, Linden, Madaffer, Steiner, Weston, Wight, and Wilson. Committee member Morrison was absent. Also present were Directors Bailey, Croucher, Dailey, Dion, Douglas, Hilliker, Hogan, Lamb, Miller, Mudd, Pocklington, Price, Saunders, Saxod, Simpson, Smith, Topolovac, Williams, and Wornham. 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, Director of MWD Program Chen, Colorado River Program Director Razak, and others.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no public comments.

DIRECTORS' COMMENTS

There were no comments by Directors.

CHAIR'S REPORT

Chair Watton thanked staff, committee members, and the board for their support to the committee and the Water Authority's efforts. He announced the final report on Imported Water Committee goals for 2011 and 2012 was available in the board packet.

Director Knutson introduced Tanya Trujillo, Executive Director of the Colorado River Board, at the request of Chair Watton.

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 Delegates report.

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

- 1-B Metropolitan Water District's Purchase Order History.

Ms. Chen gave a presentation on Metropolitan Water District's Purchase Order History. Following the presentation, Directors asked questions and made comments.

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

There was no Colorado River Board representative's report.

III. INFORMATION

1. Colorado River Basin Water Supply and Demand study.

This information item was continued to the January 24, 2013 Board meeting.

2. Minute 319: A Binational Agreement for Managing Colorado River Resources.

Ms. Razak provided a presentation on Minute 319 - a binational agreement for managing Colorado River resources.

The following information item was noted and filed:

3. Metropolitan Water District Program report.

Mr. Hentschke took the Committee into closed session at 11:27 a.m.

IV. CLOSED SESSION

1. CLOSED SESSION:

Conference with Legal Counsel – Existing Litigation

Government Code §54956.9(a)

Name of Case: QSA Judicial Council Coordination Proceeding No. 4353

Conference with Legal Counsel – Existing Litigation

Government Code §54956.9(a)

Name of Case: State Water Resources Control Board (SWRCB) Imperial Irrigation District and San Diego County Water Authority Joint Petition for Modification of Revised Order WRO 2002-0013 (Permit 7643, Application 7482)

2. CLOSED SESSION:

Conference with Legal Counsel – Existing Litigation

Government Code §54956.9(a) – SDCWA v Metropolitan Water District of Southern California; Case Nos. CPF-10-510830 and CPF-12-512466

Mr. Hentschke brought the Committee out of Closed Session at 12:08 p.m. and stated the Committee authorized the General Manager, with the concurrence of special counsel, to execute under formal written protest, an extended purchase order with Metropolitan Water District.

V. ADJOURNMENT

There being no further business to come before the Imported Water Committee, Chair Watton adjourned the meeting at 12:09 p.m.

SPECIAL BOARD OF DIRECTORS' MEETING OF NOVEMBER 29, 2012

1. **CALL TO ORDER** Chair Wornham called the Special Board of Directors' meeting to order at 1:00 p.m.

2. **SALUTE TO THE FLAG** Director Dion led the salute to the flag.

3. **ROLL CALL, DETERMINATION OF QUORUM**

Secretary Hogan called the roll. Directors present were Arant, Bailey, Barnum, Bond, Boyle, Brady, Croucher, Dailey, Dion, Douglas, Hilliker, Hogan, Knutson, Lamb, Lewinger, Linden, Madaffer, Miller, Morrison, Mudd, Pocklington, Price, Saunders,

Saxod, Simpson, Smith, Steiner, Topolovac, Tu, Watton, Weston, Wight, Williams, Wilson, and Wornham. Directors absent were Sanford and Representative Slater- Price.

3-A Report on proxies received. There were no proxies received.

4. **PUBLIC COMMENT**

The following members of the public spoke:

1. Carlos Riva from Poseidon Resources stated he hoped the Board would consider the project favorably.
2. Mayor Jerry Sanders, Mayor city of San Diego, spoke in favor of the project. He listed the many groups in support of the project including Mayors and Council members from the region. He stated it was time to move forward on this historic project.
3. Assemblyman Martin Garrick spoke in favor of the project.
4. Mayor Matt Hall, Mayor of the city of Carlsbad spoke in favor of the project.
5. Councilmember Sherri Lightner spoke in favor of the project.
6. Claude "Bud" Lewis, former Mayor of Carlsbad, and former member of the SDCWA Board of Directors stated "Let's stop talking about it and build the damn thing."
7. Lani Lutar from the San Diego County Taxpayers Association spoke in favor of the project. She stated upon review of the Water Purchase Agreement, rate protection for ratepayers and minimized risks were included in the agreement.
8. Paul Webster from the San Diego Regional Chamber of Commerce spoke in favor of the project.
9. Tom Lemmon from the San Diego Building Trades spoke in favor of the project, he stated it would put highly skilled construction workers to work.
10. Marco Gonzalez from the Coastal Environmental Rights Foundation spoke in opposition to the project. He complained about speaking before the presentations were presented. He asked for a 60 day-delay and said the Board should wait for the rate study to be completed before a decision was made.
11. Joni Miringoff from the Flower Fields spoke in favor of the project. She stated they are counting on a new reliable water supply, they and thousands of small farms are counting on this project.
12. Gina McBride from the Carlsbad Chamber of Commerce spoke in support of the project.
13. Shannon Smith from Surfrider spoke in opposition to the project.
14. Stephanie Jungersen from the San Diego North Economic Council spoke in favor of the project.
15. Gus Ayer a resident of Orange County spoke in opposition of the project. He expressed concern about Poseidon Resources and stated they were involved in a smear campaign against a Councilmember.
16. Debbie Cook from Huntington Beach spoke in opposition of the project. She expressed concerns about Poseidon Resources and the history of the Tampa Bay project.

17. Erin Cassidy from Industrial Environmental Association spoke in favor of the project. She stated the project would support hundreds of jobs and reduce the reliance on imported water.
18. Deanna Spehn from the office of State Senator Christine Kehoe read a letter from the Senator that was in support of the project.
19. Lisa Redman from the Aqua Hedionda Lagoon Foundation spoke in favor of the project.
20. Chad Nelson from the Surfrider Foundation spoke in opposition to the project. He expressed concern about the cost overruns, inflation allowances, and environmental concerns.
21. Haley Haggerston from the Surfrider Foundation spoke in opposition to the project.
22. Janelle Riella from the Downtown Partnership spoke in favor of the project. She stated a steady, secure water supply was required for economic growth.
23. Vicky Carson from Surfrider Foundation spoke in opposition to the project. She stated she was a surfer and was concerned about the lobster population. She prefers more focus on conservation.
24. Bret Jones a resident of the city of San Diego spoke in favor of the project. He is concerned about the future water supply of the San Diego region and this project would ensure his children will have safe, clean water for the next 30 years.
25. Bill Riedy from the Maritime Alliance spoke in favor of the project. He stated this project was key to the long-term economic viability of the San Diego Region.
26. Kimberly Thorner General Manager from the Olivenhain Municipal Water District spoke in favor of the project. She stated this would be the first truly reliable water supply in the region. She stated this decision was for the generations to come.
27. Rick Mansur from the Carlsbad Sheraton Hotel spoke in support of the project. He stated without water you won't have tourism.
28. Chris Garrett with Latham & Watkins the permitting and compliance attorney with Poseidon spoke. He responded to a letter the opponents had sent to the Board of Directors the prior day.
29. Conner Everts from the Desal Response Group spoke in opposition to the project. He stated conservation would do enough. He stated it is speculative that desalinated water would be reliable.
30. Clark Dawson from the EverFlow Resources Inc. spoke in favor of the project.
31. Mahgum Asqarian a North Park resident spoke in opposition to the project.
32. Roger Kube from the Surfrider Foundation spoke in opposition to the project.
33. Tom Kunde from the International Brotherhood of the Electrical Workers 589 spoke in favor of the project. He stated this project would create hundreds of new jobs.
34. Angela Howe, Legal Director, Surfrider Foundation spoke against the project. She stated the Surfrider Foundation challenged the Water Board's permit on this project specific to the site design and technology. She stated there had yet to be a ruling, but it was expected within 90 days.

35. Stefanie Seicich-Quinn from the Surfrider Foundation spoke in opposition to the project. Her concern was regarding rates and the rate study not being completed.
36. David Vincent a San Diego citizen spoke in opposition to the project.
37. Jim Peugh a citizen of San Diego spoke in opposition to the project, and stated the decision should not be made until after the rate study was completed.
38. Jerry Boyd from the Surfrider Foundation spoke in opposition to the project, he stated a good portion of the people in the room would be dead before this contract would expire.
39. Sandy Naranjo from the San Diego & Imperial Counties Labor Council spoke in favor of the project. She stated the project would have a positive economic impact on the region.
40. Steven Greenweld a citizen from San Diego stated the project would be a disaster. Due to terrorism and a tsunami raising the water level, this was not the place for it, and saltwater has nuclear material in it. The interest alone would be two billion dollars, not to mention the salaries and pensions of Poseidon which we have no control of. The answer is to have a pipeline from Quebec to bring water to us.
41. Nick Doenges a law student and a resident of the city of San Diego spoke against the project. He spoke in favor of recycling and conservation.
42. Jill Witkowski with the San Diego Coastkeeper spoke in opposition of the project.
43. Kerry Winterson from the Surfrider Foundation spoke in opposition of the project.
44. Matt Kriz from the International Union of Painters and Allied Trades spoke in favor of the project. He stated it would create thousands of jobs and provide a reliable supply of water in San Diego County.
45. Julia Chunn-Heer from the Surfrider Foundation spoke in opposition to the project.
46. Joe Geever from the Surfrider Foundation spoke in opposition to the project. He stated the vote should be postponed until the cost of service study was completed.
47. Livia Borak from the Coastal Environmental Rights Foundation spoke in opposition to the project.
48. Sara Kent from the Coastal Environmental Rights Foundation spoke in opposition to the project. She expressed concern about the ratepayers.
49. Michael Hunsaker from the Property Owner Defense League spoke in favor of the project.
50. Michael Witek from the Teamsters Local 36 spoke in favor of the project. He also is an Avocado grower that lives in Fallbrook. He stated we need the jobs this project will provide and a reliable source of water.
51. Johnny Swanson from Ironworkers 229 spoke in favor of the project. He stated it would provide jobs and reliable water for the region.

5. **CONSENT CALENDAR**

There were no items under the Consent Calendar.

6. **ACTION/DISCUSSION**

1. Carlsbad Desalination Project.

1-A Report on agency participation in Uniform Contract for Member Agency Purchase of Treated Water from the Water Authority-Carlsbad Desalination Project.

Ms. Frieauf presented on the purpose of the purchase contract. She stated it would provide member agencies an opportunity to purchase a local supply directly from the Water Authority. This would be a local drought-proof supply that would provide additional reliability and diversify the agency's portfolio. It would also provide an opportunity for the Water Authority to sell a local supply to the member agency at full cost, providing a fixed revenue stream and reducing the amount of project costs that need to be recovered through the Water Authority rates and charges. She stated two member agencies had committed to purchase Carlsbad Desalination project supplies from the Water Authority: Carlsbad Municipal Water District and the Vallecitos Water District. The next steps were staff would develop individual contracts for each agency and the Board would consider approval of the individual contracts.

1-B Direct the General Manager to refer nine Carlsbad Desalination Rate Structure Alternatives to the Cost of Service Consultant and return to the Board with a recommended alternative to allocate the cost of the Carlsbad Desalination Project costs.

Staff recommendation: Approve the submission of nine requested Carlsbad Desalination Rate Structure Alternatives to the Cost of Service Consultant.

Ms. McCraner presented on the rate structure alternatives for the Carlsbad Desalination Project. She reviewed the history of the process, stated a total of nine alternatives had been proposed and described the Cost of Service collaborative process.

Director Mudd moved and Director Boyle seconded the staff recommendation.

Director Mudd wanted the following statement entered into the written record: "I support the staff recommendation as written, but wish to speak to the Cost of Service Study process. At this morning's Administrative and Finance Committee meeting, the City-10 recommended augmenting the scope of the Cost of Service Study consultant agreement to assure that all agencies are able to fully engage in a robust discussion of the rate structure alternatives. We wish to affirm this intent once again by requesting that the meeting minutes reflect the following statement:"

"The Board supports a Cost of Service Study process that promotes robust member agency engagement in the review of assumptions and development of a proposed rate structure alternative. It is the Board's expectation that sufficient resources and funds will be available to support this goal.

The nine alternatives represent six months of work product from all of our agencies. It will be helpful that the Cost of Service Study Consultant has the benefit of the Board's discussions to date.

It is true that one of the nine alternatives being forwarded to the Cost of Service Consultant, one was submitted by the City of San Diego. However, I would like to be clear that the City of San Diego remains open-minded and is committed to participating in the Cost of Service Study process which will achieve a fair and equitable rate structure...Including the possibility of a rate structure which may not be any of the nine options originally presented." End of statement by Director Mudd.

Director Lewinger stated of the nine alternatives reviewed, he wanted to clarify the consultant was not limited to those nine alternatives. He asked Director Mudd to clarify and Director Mudd stated yes that was correct.

Director Arant stated the original four alternatives were very reasonable for his agency (Valley Center MWD) and the ones that caused concern were the ones submitted by the city of San Diego, which essentially doubled the cost for his agency.

Director Wilson expressed concern about the city of San Diego's preferred option, suggesting it would cost his agency an extra one million dollars per year, he suggested removing the city of San Diego's preferred option reducing the amount to eight alternatives. Director Mudd responded there were nine alternatives and a Cost of Service Study Consultant would look at all the options.

Director Watton stated he supported the option to put all the alternatives on the table and then the fight is on.

Director Steiner stated all alternatives were equal. None were "preferred". The Board would engage in the process, make the policy decisions, everyone was committed, whatever the Cost of Service Study determines, that is what the Board would deal with.

Director Arant asked Director Mudd if the full administrative record, including the full comment and discussion of the meeting would be forwarded to the Cost of Service Consultant. Director Mudd responded yes, that would be happening.

Director Pocklington stated he would support the motion. He declared this was a San Diego County project, and he hoped the cost would be uniform and fair to everybody.

Director Madaffer stated this would be an open process, as discussed in the Administrative and Finance Committee, which every member throughout the entire region would be a part of.

Director Croucher stated the process should be "nonpolitical."

Director Arant stated he seldom read the Water Authority minutes, but he hoped that all the comments would be captured and recorded regarding the discussion. Chair Wornham replied the entire audio would be included in the minutes.

Director Wilson stated he would support the motion, he had initially planned to vote against it, but after Director Steiner's comments, he felt the city's option was not "preferred" but just another option.

Director Topolovac asked if the General Managers and Finance Managers of the member agencies would be included in the process and Chair Wornham stated they would.

The Board voted on the following modified motion as modified by Director Mudd and seconded by Director Boyle:

- 1-B Direct the General Manager to refer nine Carlsbad Desalination Rate Structure Alternatives to the Cost of Service Consultant and return to the Board with a recommended alternative to allocate the cost of the Carlsbad Desalination Project costs. The Board approved the submission of nine requested Carlsbad Desalination Rate Structure Alternatives to the Cost of Service Consultant. The Board supported a Cost of Service Study process that promotes robust member agency engagement in the review of assumptions and development of a preferred rate structure alternative. It is the Board's expectation that sufficient resources and funds would be made available to support this goal.

The vote passed with 95.89% of the Board voting yes, and 4.11% absent.

- 1-C Adopt resolution approving:
- The Water Purchase Agreement with Poseidon Resources (Channelside LP);
 - The Design-Build Agreement for Pipeline Improvements with Poseidon Resources (Channelside LP);
 - Agreements necessary to accomplish tax exempt project financing through the California Pollution Control Financing Authority;
 - Adjustments to the Capital Improvement Program Budget;
 - Supporting contracts and contract amendments;
The Second Addendum to the City of Carlsbad Precise Development Plan and Desalination Project Environmental Impact Report (State Clearinghouse no. 2004041081) and a mitigation monitoring and reporting program;
 - Other actions necessary for implementation of the Carlsbad Desalination Project.

Staff recommendation:

Adopt Resolution No. 2012-__ a resolution of the Board of Directors of the San Diego County Water Authority approving a Water Purchase Agreement and a Design-Build Agreement for pipeline improvements with Poseidon Resources, Channelside LP; approving an installment sale and assignment agreement with the San Diego County Water Authority Financing Agency and other agreements

necessary to accomplish tax exempt project financing through the California Pollution Control Financing Authority; approving adjustments to the Capital Improvement Program Budget; approving supporting contracts and contract amendments; approving the Second Addendum to the City of Carlsbad Precise Development Plan and Desalination Project Environmental Impact Report (State Clearing House no. 2004041081); adopting a mitigation monitoring and reporting program; authorizing the filing of a Notice of Determination; and authorizing the General Manager and General Counsel to execute agreements and take other actions necessary for implementation of the Carlsbad Desalination Project.

Ms. Stapleton began the presentation by reviewing the public deliberation process and the member agency presentations. Mr. Weinberg reviewed the details of the Water Purchase Agreement, and the Design Build Agreement. Ms. Kerl reviewed the Tax-Exempt Financing documents, the Capital Improvement Program Budget Adjustment, and the Supporting contracts and contract amendments. Mr. Purcell reviewed the Second Addendum to the Carlsbad Desalination Project Environmental Impact Report and Mitigation Monitoring and Reporting Program.

Director Arant moved, Director Smith seconded to approve the staff recommendation.

Director Mudd asked if Poseidon failed to produce or provide water per the contract provisions, which agency was responsible for the debt service costs associated with the project pipeline, Poseidon or the Water Authority? Ms. Stapleton responded Poseidon was responsible.

Director Pocklington stated he had been on the Board over 15 years, he thanked staff for their hard work, and he expressed support for the project. He stated there are problems with the Colorado River and stated this was the way to go.

Director Dion stated staff had done a good job. He said the train had not left the station. He stated his agency was concerned about energy costs. He said "Are we trading MWD for SDG&E?" His agency felt this project was too expensive. The debt obligation was driving the water rate increases and would not peak until 2016. This project would become a first obligation to his agency; his district would not grow in water demand in the future. With that, he stated his Board had directed him to cast a no vote on the Water Purchase Agreement.

Director Weston expressed his support for the project.

Director Brady stated it came down to cost, contribution and reliability. He stated in terms of cost it was three times the cost of what we pay from water from MWD. In terms of reliability, he stated we would spend a billion dollars to have a 1 – 3% increase in reliability. He predicted the monthly increase in water bills for residential customers would not be \$5 - \$7 per month, but \$10 – 20 per month. For the avocado grower, the increase would be \$600 per acre annually. He stated it might be a great project ten years from now, but it was premature, and he would be voting no.

Director Lewinger thanked the public for the issues they brought up. He assured them, the Board had been listening. He added the way the agreement was structured, the risk was limited.

Director Watton stated Otay fully supports desalination and a diversified water supply. He expressed concern regarding the structure of the deal, that the Water Authority would eventually buy out the plant, and that it was not truly a “private” deal. He stated desalination would add \$16 per month on an average household by 2017. When other increases are added into that, the total would be an increase of \$24 per month, or an increase of 34%. He stated for the record that for the most part he agreed with Dr. Brady’s analysis. He announced he would be voting no.

Director Madaffer stated he wanted to get some issues on the record about the Preliminary Limited Offering Memorandum and asked who were the individuals responsible for putting the document together. Ms. Stapleton responded: Mr. Hentschke, Ms. Kerl, Ms. McCraner, Dr. Moore, and Mr. Jamison Feheley of JP Morgan, Senior Underwriter for the Carlsbad desalination bonds and Managing Partner of the firm. Director Madaffer asked the following questions:

1. Have you read the Preliminary Official Statement and Official Statement in their entirety?

The entire group listed above responded yes. Ms. Kerl replied the offering document was called a Preliminary Limited Offering Memorandum (“PLOM”).

2. Describe how the Preliminary Limited Offering Memorandum was prepared?

Ms. Kerl replied Drinker Biddle & Reath LLP (Underwriter’s Counsel) drafted the PLOM and it was distributed to all. (Water Authority staff, Poseidon, Bond Counsel, Underwriter’s, and California Pollution Control Financing Authority). Comments received were incorporated by the underwriter’s counsel and a red-line was sent to all for review and comment. A page by page review of the entire document was conducted. This iterative process continued until all parties acknowledged acceptance of the document.

3. Who authored each section?

Ms. Kerl responded, with the exception of the Appendix D which was the Water Authority disclosure and included the FY 2012 audited CAFR the Underwriter’s Counsel drafted the document.

4. Are there particular sections that you authored?

Ms. Kerl replied she authored Appendix D which was the Water Authority disclosure and included the FY 2012 audited CAFR.

5. How was it disseminated for review?

Ms. Kerl replied the CAFR was on the Board's agenda that day for approval and had been approved by the Audit Committee.

6. Has all of the material information concerning the value of the bonds, and our ability to repay the bonds, been accurately and completely disclosed in the Preliminary Limited Offering Memorandum?

Ms. Kerl responded yes.

7. Is there any information in the Preliminary Limited Offering Memorandum that you feel is inaccurate or somehow misleading?

Ms. Kerl replied no.

8. Has any information material to the value of the bonds or the ability to repay the bonds been excluded?

Ms. Kerl replied no.

9. Has anyone expressed any concerns to you that information in the Preliminary Limited Offering Memorandum is inaccurate or misleading, or that some information that should have been included has been excluded?

Ms. Kerl replied no.

10. Have outside professionals (e.g., lawyers, accountants, actuaries and auditors) reviewed it?

Ms. Kerl responded yes: In addition to General Counsel, other attorney's including Project Attorneys, Bond Attorneys, Underwriter's Counsel, California Pollution Control Financing Authority Attorneys, Attorney General's Office and Poseidon's Attorney. Also including other professionals: Underwriter's, Independent Engineers, professional Model Auditor for the pro-forma financial model; professional Insurance Consultant for the insurance provisions. In addition, the Water Authority's outside auditor would review certain Water Authority financial areas in Appendix D and the CAFR was attached.

11. Did they provide any comments or proposed changes?

Ms. Kerl responded yes.

12. Were those comments or changes incorporated into the draft?

Ms. Kerl responded yes.

13. Would you change or add anything to the Preliminary Limited Offering Memorandum?

Ms. Kerl replied no.

14. To the best of your knowledge, are the financial statements contained in the Preliminary Limited Offering Memorandum correct and prepared consistent with the appropriate accounting standards?

Ms. Kerl replied yes.

15. Have you signed a certification regarding the accuracy and completeness of the Preliminary Limited Offering Memorandum?

Ms. Kerl replied all parties have provided, in writing, their acceptance of the Preliminary Limited Offering Memorandum. Prior to its issuance, all parties would provide certification of accuracy and completeness.

16. Is there anything else I should know about the Preliminary Limited Offering Memorandum and the representations contained in it before I vote?

Ms. Kerl replied no.

Director Madaffer stated the importance of the project for our quality of life. He stated we can't conserve water that we do not have. He had heard and read that was a project we can't afford, but he thinks this was a project we couldn't afford not to have.

Director Dailey stated when she became a Board member she was instructed to think regionally. Our mission remains to provide a safe, reliable supply of water. She stated if they went against the project, they were going against their own policy. She stated her city had voted to support the Water Purchase Agreement. She stated if they didn't move ahead they were doing a disservice to their citizens.

Director Price read a letter into the record from the city of Del Mar in support of the project.

Director Douglas stated conservation had already been done and would continue to happen. The city of Carlsbad was investing an additional \$30 million dollars in recycled water. She expressed support for desalination and the need for a holistic approach. She added everyone has a need for reliable water for the future.

Director Topolovac expressed support for the project.

Director Lamb stated his support for the project.

Director Croucher thanked the public for being respectful. He reminded the Board that the Cost of Service Study had not been done, which was a major concern for Otay.

Director Saunders also thanked the public for coming out to speak. He reminded the Board that just two years ago we were in strict allocations from the Metropolitan Water District. He stated the Desalination Plant would project our economy and our quality of life. He said between 2020 and 2030 it was estimated the price of desalinated water would be less than the cost of water from the Metropolitan Water District.

At that time Chair Wornham reminded the Board of the motion that had been made.

Director Arant moved, Director Smith seconded to approve the staff recommendation, and the motion carried at 85.11% of the vote. 10.78% voted no. 4.11% was absent. The following Board members voted no: Barnum, Brady, Croucher, Dion, and Watton.

Chair Watton thanked staff for their hard work on the project. He thanked the outside experts and consultants. Director Hogan thanked the Carlsbad Desalination Project Advisory Group: Directors Arant, Dion, Saunders, and Wornham.

7. **INFORMATION**

There were no items under Information.

8. **CLOSED SESSION**

1. CLOSED SESSION:

Conference with Real Property Negotiator
Government Code §54956.8

Property: Carlsbad Desalination Plant including land, estates or interests in
land, easements, and fixtures of Poseidon Resources (Channelside) LP

Agency Negotiators: Sandra Kerl, Ken Weinberg, David Moore, Eric Petersen

Negotiating Parties: Poseidon Resources (Channelside) LP

Under Negotiation: Price and terms of payment, including timing of
acquisition and price and payment options.

Mr. Hentschke announced there was no need for a Closed Session.

9. **ADJOURNMENT**

There being no further business to come before the Board, Chair Wornham adjourned the Special Board meeting at 5:00 p.m.

FORMAL BOARD OF DIRECTORS' MEETING OF NOVEMBER 29, 2012

1. **CALL TO ORDER** Chair Wornham called the Formal Board of Directors' meeting to order at 5:01 p.m.
2. **SALUTE TO THE FLAG** This took place during the Special Board meeting.
3. **ROLL CALL, DETERMINATION OF QUORUM**
Secretary Hogan called the roll. Directors present were Arant, Bailey, Barnum, Bond, Boyle, Brady, Croucher, Dailey, Dion, Douglas, Hilliker, Hogan, Knutson, Lamb, Lewinger, Linden, Madaffer, Miller, Morrison, Mudd, Pocklington, Price, Saunders, Saxod, Simpson, Smith, Steiner, Topolovac, Tu, Watton, Weston, Wight, Williams, Wilson, and Wornham. Directors absent were Sanford and Representative Slater- Price.

3-A Report on proxies received. There were no proxies that had been filed.
4. **ADDITIONS TO AGENDA** There were no additions to the agenda.
5. **APPROVAL OF MINUTES** Director Tu moved, Director Price seconded, and the motion carried at 95.89% of the vote to approve the minutes of the Special Board of Directors' meeting of October 11, 2012 and the Formal Board of Directors' meeting of October 25, 2012.
6. **OPPORTUNITY FOR MEMBERS OF THE PUBLIC WHO WISH TO ADDRESS THE BOARD ON MATTERS WITHIN THE BOARD'S JURISDICTION**
There were no members of the public that wished to speak.
7. **PRESENTATIONS AND PUBLIC HEARINGS**
 - 7-A Appointment of Director. Jim Madaffer representing city of San Diego. Term expires March 7, 2016.
 - 7-B Reappointment of Director. Reappointment of Barbara Wight, representing city of San Diego. Term expires October 27, 2018.
 - 7-C Recognition of Jeff Stephenson, Principal Water Resources Specialist, Employee of the 1st Quarter.

Chair Wornham announced Director Madaffer had been appointed to the Board of Directors, Director Wight had been reappointed and Jeff Stephenson was recognized as Employee of the 1st Quarter.
8. **REPORTS BY CHAIRS**
 - 8-A Chairs report: Chair Wornham. No report was given.
 - 8-B Report by Committee Chairs.
Administrative and Finance Committee. Director Wight reviewed the meeting and the actions taken.

Engineering and Operations Committee. Director Knutson reviewed the meeting and the single action taken.

Legislation, Conservation and Outreach Committee. Director Saxod reviewed the meeting and the actions taken.

Water Planning Committee. Director Dion reviewed the meeting and stated no action was taken.

Imported Water Committee. Director Watton stated the only item on the agenda was a Closed Session.

9. **CONSENT CALENDAR**

Director Tu moved, Director Weston seconded, and the motion carried at 95.89% 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. Vote Entitlement Resolution for Calendar Year 2013.

The Board adopted **Resolution No. 2012-17** establishing the vote and representative entitlements of each member agency effective January 1, 2013.

9- 3. Fiscal Years 2012 and 2013 additional litigation expenses.

The Board amended the General Counsel's Fiscal Year 2012 and 2013 Department Budget by an amount not-to-exceed \$3.5 million for additional litigation expenses.

9- 4. Amendment to Professional services contract with Mercer Health and Benefits, LLC, to increase the amount by \$150,000 and extend the term by 30 months for providing Health Insurance Broker Services.

The Board authorized the execution of an amendment in the amount of \$150,000, for a total contract amount not-to-exceed \$300,000 and extended the term by 30 months.

9- 5. Annual Statement of Investment Policy and continue to delegate authority to the Treasurer to invest Water Authority funds for calendar year 2013.

The Board adopted the Annual Statement of Investment Policy and continued to delegate authority to the Treasurer to invest Water Authority funds for calendar year 2013.

9- 6. Professional services contract with Carollo Engineers Inc. for a Cost of Service Study.

The Board authorized the General Manager to award a professional services contract to Carollo Engineers Inc. for an amount not-to-exceed \$106,000 for a cost of service study. The Board directed the General Manager to add scope and funding to the contract sufficient to allow robust member agency participation including (Board of Directors, General Managers and Finance Officers) in the review of assumptions and development of a preferred rate structure alternative.

- 9- 7. Notices of Completion for the Lake Hodges Pump Station project, Specification 554.
The Board authorized the General Manager to accept the Lake Hodges project as complete and recorded the Notices of Completion for the Archer Western and Andritz contracts.
- 9- 8. Adopt Proposed 2013 Legislative Policy guidelines.
The Board adopted the proposed 2013 Legislative Policy Guidelines.
- 9- 9. Sponsorship of two bills in the State legislature.
The Board Sponsored legislation that: Moves augmentation of raw water supplies with advanced treated purified water and direct potable reuse to the Health and Safety Code, instead of defining it as a waste in the Water Code. Requires the California Air Resources Board to develop a program that returns revenues from the purchase of greenhouse gas emission permits by the Metropolitan Water District to retail water agencies that purchase MWD water.
- 9- 10. Amend agreements with Carpi & Clay, Sacramento; Lang, Hansen, O'Malley and Miller; V. John White Associates; and Carpi, Clay & Smith, Washington D.C., for legislative advocacy and government relations services.
The Board amended the agreements for legislative advocacy services through December 31, 2014, for a period of 24 additional months, for Carpi & Clay; Lang, Hansen, O'Malley and Miller; V. John White Associates; and Carpi, Clay & Smith, increasing total funding for the four agreements by \$1,016,256, to an amount not-to-exceed \$2,970,739.

10. **ACTION/DISCUSSION**

Audit Committee Annual Report.

Audit Committee recommendation:

1. Accept and file the Audit Committee Annual Report pursuant to the Administrative Code, Section 2.00.066.
2. Accept and file the Comprehensive Annual Financial Report for fiscal year ended June 30, 2012.

Director Steiner moved, Director Saxod seconded, and the motion carried at 95.89% of the vote to approve the Audit Committee recommendation.

11. **CLOSED SESSION(S)**

11-A **CLOSED SESSIONS:**

Conference with Legal Counsel – Existing Litigation

Government Code §54956.9(a)

Name of Case: QSA Judicial Council Coordination Proceeding No. 4353

Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(a)
Name of Case: State Water Resources Control Board (SWRCB)
Imperial Irrigation District and San Diego County Water Authority
Joint Petition for Modification of Revised Order WRO 2002-0013
(Permit 7643, Application 7482)

- 11-B **CLOSED SESSION:**
Conference with Legal Counsel - Existing Litigation
Government Code §54956.9(a)
SDCWA v Metropolitan Water District of Southern California;
Case Nos. CPF-10-510830 and CPF-12-512466

Mr. Hentschke announced there was no need for a Closed Session, however the Board needed to vote on the Imported Water Committee recommendation.

12. **ACTION FOLLOWING CLOSED SESSION**

CLOSED SESSION: The Board authorized the General Manager, with the concurrence of special counsel, to execute, under formal written protest, an extended purchase order with Metropolitan Water District.

Director Steiner moved, Director Lamb seconded and the motion carried at 95.89% of the vote.

13. **SPECIAL REPORTS**

- 13-A GENERAL MANAGER'S REPORT – No report was given.
13-B GENERAL COUNSEL'S REPORT – No report was given.
13-C SANDAG REPORT – Director Saunders – No report was given.
SANDAG BORDERS/REGIONAL PLANNING COMMITTEE – Director Saxod announced there was nothing to report.
13-D AB 1234 COMPLIANCE REPORTS – No reports were given.

14. **OTHER COMMUNICATIONS** - Director Steiner thanked Director Smith for his service and wished everyone Happy Holidays. Chair Wornham also thanked Director Smith and said he would be honored at the January 24, 2013 Board meeting. Director Linden also gave tribute to Director Smith.

15. **ADJOURNMENT**

There being no further business to come before the Board, Chair Wornham adjourned the meeting at 5:20 p.m.

Thomas V. Wornham, Chair

Michael T Hogan, Secretary

Doria F. Lore, Clerk of the Board