

**MINUTES OF THE WORKSHOP BOARD MEETING
OF THE BOARD OF DIRECTORS OF
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY (MWDOC)
WITH THE MWDOC MET DIRECTORS**

February 4, 2009

At 7:30 a.m., President Clark called to order the Regular Workshop Board Meeting of the Board of Directors of Municipal Water District of Orange County (MWDOC) at the District facilities located in Fountain Valley. President Clark led the Pledge of Allegiance and Secretary Goldsby called the roll.

MWDOC DIRECTORS

Ed Royce, Sr.
Brett R. Barbre (absent)
Wayne A. Clark
Larry Dick*
Ergun "Eric" Bakall*
Joan Finnegan
Susan Hinman (via teleconference)

MWDOC STAFF

Kevin Hunt, General Manager
Karl Seckel, Assistant General Manager
Maribeth Goldsby, Board Secretary
Dan Payne, Legal Counsel
Harvey De La Torre, Principal Analyst
Warren Greco, Intern/Limited Term
Darcy Burke, Director of Public Affairs
David Cordero, Dir. of Governmental Affairs
Joe Berg, Water Use Efficiency Prog. Mgr.

*Also MWDOC Met Directors

OTHER MWDOC MET DIRECTORS

Jack Foley
Linda Ackerman

MWDOC Met Director
MWDOC Met Director

OTHERS PRESENT

Diana Leach
Frank Heldman
Bob McVicker
William Kahn
Bob Hill
Dick Dietmeier
Mike Dunbar
Richard Gardner
Lee Pearl
Peer Swan
Doug Reinhart
John Kennedy
Bill Whittenberg
Mark Beuhler
Eddie Rigdon

Golden State Water Company
Golden State Water Company
Mesa Consolidated Water District
El Toro Water District
El Toro Water District
South Coast Water District
South Coast Water District
South Coast Water District
Mesa Consolidated Water District
Irvine Ranch Water District
Irvine Ranch Water District
Orange County Water District
Dudek
HDR
Aecom

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

Determine need and take action to agendize item(s), which arose subsequent to the posting of the Agenda. (ROLL CALL VOTE: Adoption of this recommendation requires a two-thirds vote of the Board members present or, if less than two-thirds of the Board members are present, a unanimous vote.)

No items were presented.

PUBLIC PARTICIPATION/PUBLIC COMMENTS

President Clark announced members of the public wishing to comment on agenda items could do so after the item has been discussed by the Board and requested members of the public identify themselves when called on. Mr. Clark asked whether there were any comments on other items which would also be heard at this time.

No public comments were made.

OPENING STATEMENTS/REMARKS

Director Foley reported on his participation on MET's Engineering & Capital Programs and Legal & Human Resources Committees, noting that the Cadiz settlement negotiations are nearing the end (with MET's position successful). He also reported on the status of the Hyatt Thermalito, the defense against (with the Department of Water Resources) the other State Water Contractors, Cargill (majority of issues settled), and the All American Canal lining (dismissed) lawsuits. He highlighted the Bay-Delta situation, noting that as a result of the pumping restrictions due to fish protection, 250K acre-feet of water was lost to the ocean. He advised that challenges were underway on the biological opinion on the Delta because it is a new opinion based on old facts which fails to recognize other influences affecting the exports from the Delta. He noted that MET is in the process of building two gates to try to impact and control the fish movement. He concluded his report, noting that the lawsuit involving the new access road to the Diemer Plant was dismissed (due to the recent Yorba Linda fire).

Director Bakall advised that he currently Chairs the Engineering & Capital Programs Committee, and serves on the Business & Finance Committee, Water Planning & Stewardship Committee, IRP Steering Committee, and Bay-Delta Special Committee. Mr. Bakall noted that although the Engineering Committee agenda is light this month, staff is proposing to start construction of a new well for testing and evaluation purposes (as there is 100K acre-feet of stored water that MET would like to pump). He advised and expressed concern with the proposal to defer MET's capital projects due to budget constraints. He noted that MET would hold a budget workshop in late February and encouraged attendance. He provided an overview of MET's financial situation and the critical level of MET's reserves level. He advised that there is currently a 50% chance of implementing water allocations (effective July), and that MET has started its Integrated Resources Plan (IRP) process/review. Mr. Bakall highlighted the fact that the Delta pumping restrictions have resulted in a \$100 per acre-foot increase in rates.

Director Dick reported on his participation on the Real Property & Asset Management Committee, expressing his concern with the fact that MET had not yet been able to fully understand and identify its real estate assets; he noted that MET hired a real estate manager to evaluate, identify, and manage its real estate assets. Mr. Dick also sits on the Water Planning & Stewardship Committee, the Legal & Human Resources Committee, and the Communications & Legislation Committee. He commented on some of the various issues under discussion and/or review by his committees, including the rates and charges, the capital improvement projects (currently on hold), the Quagga mussels control measures, and the drought bank. He concluded his report by noting that one full-time equivalent staff position was eliminated from the audit department.

Director Ackerman updated the Board on legislative activities, noting that she attended a legislative session in Sacramento. She stated that the focus in Sacramento right now is on the State budget. She advised that she attended the session with a group of MET delegates to focus on the Delta Vision, noting that installation of the Delta gates is nearing. Ms. Ackerman also highlighted a recent trip to Washington, DC on legislative issues.

PRESENTATIONS

STATE WATER PROJECT SUPPLIES AND MET SUPPLY CONDITIONS

Principal Analyst Harvey De La Torre, along with consultant Eddie Rigdon, presented information on the State Water Project supplies and MET supply conditions. Mr. De La Torre began the presentation with an overview of MET's water supply conditions, which included an overview of 2008 conditions and impacts, general supply conditions, an overview on MET's storage reserves, short-term actions to deal with the shortage, resource options, and an overview of the weather conditions to date.

Mr. Rigdon then presented information regarding the State Water Project. He highlighted the legal/environmental issues impacting the Delta, including the biological opinion and impact it has on the State Water Project allocation, as well as information on additional potential fisheries impacts.

President Clark recommended staff conduct an analysis of the actual cost of the Wanger decision so that the general public would have a better idea of the increased costs resulting from the pumping restrictions.

Following considerable discussion regarding the biological opinion and the State Water Project allocation, the Board thanked staff for the information.

MET PROPOSED BUDGET & RATES FOR FY 2009/10

Mr. De La Torre provided an overview of MET's proposed budget and rates for fiscal year 2009-2010. He reviewed proposed budget expenditures, proposed key cost management actions, projected water sales amounts, a forecast of reserve levels, and the proposed rates and charges. Mr. De La Torre also reviewed with the Board a letter

submitted by San Diego County Water Authority which details recommended actions and/or analysis for the MET Board to consider.

Discussion ensued regarding potential budget cuts, rate increases in the event the allocation plan is implemented, and the timetable for adopting the budget and rates (with Mr. De La Torre advising that a public hearing is scheduled for March, with anticipated Board action in April 2009).

General Manager Hunt reminded those in attendance that MWDOC would host a workshop later in the day regarding Revenue Enhancements & Rates (he encouraged attendance).

The Board received and filed the report.

IMPLEMENTATION OF THREE RELIABILITY PROJECTS IN ORANGE COUNTY

General Manager Hunt advised that MET will consider implementing three reliability projects in Orange County at the February Board Meeting. These projects are (1) the connection of the IRWD system to the AMP at OC-72; (2) the new Baker Water Treatment Plant and connection to the AMP; and (3) the connection of Upper Chiquita Reservoir to the South County Pipeline.

IRWD Director Peer Swan requested a status report on the Second Lower Cross Feeder at the next meeting.

Discussion ensued regarding water reliability, system reliability, the need for supplemental sources of water, and the allocation plan.

Director Foley commented that it may be difficult to implement the allocation plan while the lawsuit with Central Basin Municipal Water District (Central) is pending. The Board discussed the reasons surrounding the lawsuit (Central believes allocations should be based on preferential rights). Director Dick suggested staff prepare an analysis comparison of preferential rights numbers to that of the allocation plan (for the MET Directors to evaluate).

Following discussion, the Board received and filed the report.

DISCUSSION ITEMS

MET ITEMS CRITICAL TO ORANGE COUNTY

- a. **Water Supply Allocation Plan Development**
- b. **MET Integrated Resources Plan**
- c. **Long Range Finance Plan**
- d. **Colorado River Issues**
- e. **Bay Delta/State Water Project Issues**
- f. **Central Pool Augmentation Project**
- g. **MET's Desalination Policy**

- h. MET's Five-Year Water Supply Plan**
- i. Introduction of Local Water into MET System**
- j. Participation by MET in the South Orange Coastal Desalination Project**
- k. Second Lower Cross Feeder**

The Board received and filed the report as presented.

METROPOLITAN (MET) BOARD AND COMMITTEE AGENDA DISCUSSION ITEMS

- a. Summary regarding January MET Board Meeting**

The Board received and filed the information.

- b. Review items of significance for the February MET Board and Committee Agendas**

The Board received and filed the information.

DIRECTORS' REPORTS

No reports were made.

ADJOURNMENT

There being no further business to come before the Board, the meeting adjourned at 9:10 a.m.

APPROVED:

Wayne A. Clark, President

Maribeth Goldsby, Board Secretary