

MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
July 16, 2008

At 8:30 a.m. President Clark called to order the Regular Meeting of the Municipal Water District of Orange County in the Board Room at the District facilities located in Fountain Valley. Director Hinman led the Pledge of Allegiance and Secretary Goldsby called the roll.

MWDOC DIRECTORS

Ergun "Eric" Bakall
Brett R. Barbre
Wayne A. Clark
Larry Dick
Joan C. Finnegan
Susan Hinman
Ed Royce, Sr.

STAFF

Kevin Hunt, General Manager
Karl Seckel, Assistant Gen. Mgr.
Dan Payne, Legal Counsel
Maribeth Goldsby, Board Secretary
Phil Letrong, Finance/Info. Systems Mgr.
Matt Stone, Associate General Manager
Keith Lyon, Principal Analyst
David Cordero, Dir. of Governmental Affairs
Joe Berg, Water Use Efficiency Prog. Mgr.
Cathy Harris, Admin. Services Manager

ALSO PRESENT

Linda Ackerman
Lee Pearl
Dick Dietmeier
Mike Dunbar
Peer Swan
Diana Leach
Terry Spragg
John Kennedy
Bob Hill

MWDOC MET Director
Mesa Consolidated Water District
South Coast Water District
South Coast Water District
Irvine Ranch Water District
Golden State Water Company
Spragg & Associates
Orange County Water District
El Toro Water District

PUBLIC PARTICIPATION/PUBLIC COMMENT

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. President Clark asked whether there were any comments on other items which would be heard at this time.

No comments were received.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

Determine need and take action to agendize items(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.)

General Manager Hunt advised that subsequent to the posting of the agenda, MWDOC learned that amendments to AB 885 (Calderon re MET) were agreed to between MET and the bill's author. Prior to the amendments, the Board had opposed the legislation. Upon MOTION by Director Bakall, seconded by Director Dick, and carried (6-0), the Board determined that a need for immediate action exists with respect to AB 885, and that this need became known to MWDOC subsequent to the posting of the agenda. President Clark added the item to the Action Calendar. Director Barbre was absent.

CONSENT CALENDAR

President Clark stated all matters under the Consent Calendar would be approved by one MOTION unless a Director wished to consider an item separately.

Upon MOTION by Director Dick, seconded by Director Finnegan, and carried (6-0), the Board approved the Consent Calendar items as follows (Director Barbre was absent):

MINUTES

The following minutes were approved as presented.

May 21, 2008 Regular Board Meeting
June 4, 2008 Workshop Board Meeting

COMMITTEE MEETING REPORTS

The following Committee Meeting reports were received and filed as presented.

Administration & Finance Committee Meeting: June 11, 2008
Public Affairs & Legislation Committee Meeting: May 19, 2008
Executive Committee Meeting: June 19, 2008
MWDOC/OCWD Joint Planning Committee: May 28, 2008

TREASURER'S REPORTS

The following items were ratified as presented.

MWDOC Revenue/Cash Receipt Register as of June 30, 2008
MWDOC Disbursement Register as of June 30, 2008

The following items were received and filed as presented.

MWDOC Summary of Cash and Investment and Portfolio Master Summary Report (Cash and Investment report) as of May 31, 2008

Water Use Efficiency Projects Cash Flow

FINANCIAL REPORT

The following items were received and filed as presented.

Financial Statement and Budget Comparative Report for the Period Ending May 31, 2008

END CONSENT CALENDAR

In an effort to accommodate schedules, the Action Calendar was reorganized as follows:

ACTION CALENDAR

DANA POINT OCEAN DESALINATION PROJECT, PHASE 3 EXTENDED PUMPING AND PILOT PLANT TESTING, FINAL DESIGN FOR MOBILE TEST FACILITY

Director Bakall advised that the Planning & Operations Committee unanimously approved this item. Upon MOTION by Directors Bakall and Dick, seconded by Director Royce, and carried (6-0), the Board authorized the final design for the procurement of the mobile test facility from Williams-McCaron, Inc. in the amount of \$64,480. WMI was previously awarded the preliminary design report work. This award is contingent upon approval by the Project Participants at their committee meeting on August 1. Director Barbre was absent from voting.

(Director Barbre arrived at 8:40 a.m.)

DANA POINT OCEAN DESALINATION PROJECT PHASE 3 EXTENDED PUMPING AND PILOT PLANT TESTING SUBMERSIBLE PUMP PROCUREMENTS

Director Bakall advised that the Planning & Operations Committee unanimously recommended approval of this item.

Upon MOTION by Director Bakall, seconded by Director Finnegan, and carried (7-0), the Board authorized the procurement of one submersible pump (Super Duplex Stainless Steel), factory witness test and certificates, and 300 feet of power cable in the amount of \$75,067 from Orange County Pump for supplying an INDAR submersible pump. This award is contingent upon approval by the Dana Point Ocean Desalination Project Participants at their committee meeting on August 1.

AGREEMENT WITH METROPOLITAN FOR THE RECYCLED HOOK-UP PORTION OF METROPOLITAN'S PUBLIC SECTOR PROGRAM

General Manager Hunt advised that this program is part of MET's overall plan to combat the drought conditions and that the MET Directors have been diligently working in support of the program. Director Bakall advised that the Planning & Operations Committee recommended approval.

Upon MOTION by Director Bakall, seconded by Director Royce, and carried (7-0), the Board authorized the General Manager to execute agreement number 78215 for Public Sector Recycled Water Retrofit Program with MET, substantially in the form presented, and authorized the General Manager to enter into agreements with MWDOC's Client Agencies as they apply under the program.

ADJUSTMENT OF RATES (MCCORMICK, KIDMAN & BEHRENS)

General Manager Hunt advised that the new rates proposed by McCormick, Kidman & Behrens appear to be in keeping with the legal services' market rates.

Upon MOTION by Director Bakall, seconded by Director Royce, and carried (7-0), the Board approved the rate increase in legal billing as presented.

ATTENDANCE AT "SOLUTIONS FOR THE WATER ECONOMY" CONFERENCE, AUGUST 5, 2008, SAN FRANCISCO

Director Barbre advised that the Administration & Finance Committee reviewed this item and requested further information on the organization hosting the conference (IncreMental Advantage). He noted that although the write-up in the packet provided some additional information, it did not outline some of the information he was interested in knowing (its board of directors, etc) and he stated he did not feel comfortable approving attendance without the information.

It was noted that General Manager Hunt was scheduled to speak at the conference.

Director Bakall noted that although he shared some of Mr. Barbre's concerns, he believed that if the conference is well-attended, it may be positive for MWDOC.

It was noted that in addition to Mr. Hunt, Director Clark wished to attend the conference.

Upon MOTION by Director Royce, seconded by Director Bakall, and carried (6-1), the Board authorized attendance by General Manager Hunt and Director Clark at the "Solutions for the Water Economy" conference to be held August 5, 2008 in San Francisco.

MWDOC RESPONSE TO GRAND JURY REPORT ON "WATER BUDGETS, NOT WATER RATIONING"

Director Bakall reported that the Planning & Operations Committee unanimously recommended approval of MWDOC's response to the Grand Jury Report on "Water Budgets, Not Water Rationing."

Discussion ensued regarding Grand Jury Recommendation R2b regarding developing a tiered-pricing structure with the first tier based on individual customer water allocation priced at a commodity rate, and subsequent tiers priced significantly higher to encourage conservation.

Assistant Manager Seckel advised that MWDOC's response was drafted through cooperative meetings with the District's client agencies. Mesa Consolidated Water District General Manager Lee Pearl and Director Hinman both commented on the process and the positive approach staff took with completing this process.

Upon MOTION by Director Bakall, seconded by Director Royce, and carried (7-0), the Board authorized staff to complete and send the required response to the May 20, 2008 Grand Jury Report, substantially in the form presented.

EVALUATION OF DEFERRED COMPENSATION PLAN

President Clark advised that a proposal to retain a consultant (Arnerich, Massena and Associates) in the amount of \$7500 to evaluate the District's current Deferred Compensation Plan (including its plan administration) was before the Board for consideration.

Director Barbre advised that the Administration & Finance Committee reviewed this item and recommended that the consultant (Arnerich) include all vendors of interest in its review. Mr. Barbre believed it prudent that Arnerich not only develop the Request for Proposal (RFP), but also evaluate the RFPs. He also believed that the time allowed to conduct the evaluation should be increased to approximately 90 days.

Upon MOTION by Director Barbre, seconded by Director Hinman, and carried (7-0), the Board authorized the General Manager to enter into a contract with Arnerich, Massena and Associates in the amount of \$7500 for the following services, pursuant to the

proposal presented:

- Review the current provider's investments and fees
- Review proposals from various vendors (fees and investments)
- Assist in developing a contract with the new provider
- Present a recommendation to the Board in approximately 90 days

UPDATES ON AB 885 (CALDERON)

Director of Governmental Affairs David Cordero advised that the Public Affairs & Legislation Committee reviewed AB 885 (Calderon re MET) and suggested that due to recent amendments to the legislation, the Board change its position from "oppose" to "support."

Responding to comments regarding how proxy voting would work, Legal Counsel Payne advised that it may be prudent to outline a process in the District's Administrative Code in the event the bill is approved.

Upon MOTION by Director Hinman, seconded by Director Finnegan, and carried (7-0) the Board revised its position on AB 885 (Calderon re MET) to "support."

The Board then discussed AB 2175 (Laird/Feuer re Water Conservation). Considerable discussion ensued regarding the legislation, with Director Bakall commenting that it would be more effective to adopt a "support if amended" position rather than an "oppose unless amended" position. Others present, including Directors Barbre and Dick, disagreed as they believed the legislation problematic.

Following discussion and upon MOTION by Director Barbre, seconded by Director Dick, and carried (4-3), the Board maintained its current "oppose unless amended" position on AB 2175 (Laird/Feuer re Water Conservation). Directors Hinman, Barbre, Dick and Royce voted in favor; Directors Finnegan, Bakall and Clark voted in opposition.

INFORMATION CALENDAR

GENERAL MANAGER'S REPORT, JULY 2008

General Manager Hunt advised that the General Manager's report was included in the Board packet.

Director Hinman referenced the OC Water Summit poll and requested an update be made at the next Public Affairs & Legislation Committee meeting.

Director Dick commented on a typographical error that listed him in attendance at a meeting with representatives from the City of Fountain Valley (the report should be corrected to note it was Director Clark in attendance at that meeting).

Responding to an inquiry by Director Barbre, staff advised that the final agreement on the IRWD Interconnection agreement would be presented at an upcoming Planning & Operations Committee meeting.

The Board received and filed the report as presented.

MWDOC GENERAL INFORMATION ITEMS

BOARD OF DIRECTORS

In addition to the regular MWDOC Board and Committee meetings attended by the Directors, the following reports were made on conferences and meetings attended on behalf of the District.

Director Barbre reported on a meeting he had with representatives from the Golden State Water Company regarding various issues/challenges. He stated that he would be attending Yorba Linda Water District's headquarters grand opening later in the day.

Director Dick had no further information to report.

Director Royce reported on his attendance at WACO, the IRWD Natural Treatment System dedication, the OCBC Infrastructure Committee meeting, IRWD's water recycling meeting, and the meeting with representatives from Golden State Water Company (with Director Barbre).

Director Finnegan announced that the next ISDOC quarterly luncheon would be held on July 31, 2008 at 11:30 am.

Director Bakall stated that he attended the MET meetings as well as the IRWD Board meeting, the WACO meeting, a meeting with IRWD General Manager Paul Jones on various issues as well as a meeting with MET Chairman Tim Brick on various issues.

Director Hinman reported on attending the San Juan Basin Authority Commission meeting, as well as a meeting with Karl Seckel, Mike Dunbar, and Dick Dietmeier regarding the Dana Point Desalination project.

Director Clark advised that he had no further information to report.

ADJOURNMENT

There being no further business to come before the Board, President Clark adjourned the meeting at 10:00 a.m.

APPROVED

Wayne A. Clark, President

Maribeth Goldsby, Secretary