

MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
June 18, 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 Dick 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
Richard Bell, Principal Engineer
David Cordero, Dir. of Governmental Affairs

ALSO PRESENT

Trudy Ohlig-Hall
Lee Pearl
Dick Dietmeier
Diana Leach
Mike Beverage
Nancy Donovan
Merle Moshiri
Joe Geever
Bob Kellison
Peer Swan
Bob Hill
John Kennedy

Mesa Consolidated Water District
Mesa Consolidated Water District
South Coast Water District
Golden State Water Company
Yorba Linda Water District
Residents for Responsible Desalination
Residents for Responsible Desalination
Surfrider Foundation
City of Fountain Valley
Irvine Ranch Water District
El Toro Water District
Orange County 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.

Mr. Dick Dietmeier (South Coast Water District) reported that South Coast Water District would be holding an open house to celebrate their Groundwater Facility, on June 21, 2008 at 10:00 a.m. Director Hinman suggested that these types of events be highlighted in the District's *eCurrents* newsletter.

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.)

No items were presented.

EMPLOYEE SERVICE AWARDS

President Clark presented awards to Scott Jakubowski for one year of service to the District and Lorraine Roy for ten years of service to the District.

President Clark also presented awards to Karl Seckel and Richard Bell for going “above and beyond” with their service to the District by successfully transitioning the desalination project to five interested agencies.

President Clark then presented “above and beyond” awards to Jessica Hanley, Lorraine Roy, Darcy Burke (absent), as well as Orange County Water District employees Gina DePinto and Eleanor Torres for their efforts with respect to the Orange County Water Summit.

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 Finnegan, seconded by Director Bakall, and carried (7-0), the Board approved the Consent Calendar items as follows:

MINUTES

The following minutes were approved as presented.

April 16, 2008 Regular Board Meeting
May 7, 2008 Workshop Board Meeting

COMMITTEE MEETING REPORTS

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

Planning & Operations Committee Meeting: May 5, 2008
Administration & Finance Committee Meeting: May 14, 2008
Public Affairs & Legislation Committee Meeting: April 21, 2008
Executive Committee Meeting: May 22, 2008
MWDOC/OCWD Joint Planning Committee: April 23, 2008

TREASURER'S REPORTS

The following items were ratified as presented.

MWDOC Revenue/Cash Receipt Register as of May 31, 2008
MWDOC Disbursement Register as of May 31, 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 April 30, 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 April 30, 2008

DISTRICT CONFERENCES/MEETINGS/SEMINARS

- a. Association of California Water Agencies Fall Conference, December 5-12, 2008, Long Beach
- b. Urban Water Institute Conference, August 13-14, 2008, San Diego

The Board authorized attendance by Directors and such members of District staff as approved by the General Manager.

END CONSENT CALENDAR

ACTION CALENDAR

ADOPTION OF MWDOC BUDGET FOR FY 2008/09

General Manager Hunt advised that, in the spirit of the December 2006 Board action, staff began the process of the budget review in January and has been working with both the Board and the client agencies in resolving any issues with respect to the Budget. He advised that most client agencies have expressed support for the proposed Budget which recommends no rate increases.

South Coast Water District (SCWD) Director Dick Deitmeier expressed support for the proposed Budget.

Upon MOTION by Director Bakall, seconded by Director Royce, and carried (7-0), the Board (1) Approved the 2008-09 Budget in the amount of \$127,756,966, as presented; (2)

adopted RESOLUTION NO. 1833, which includes the General Fund, Water Purchases Fund, Water Use Efficiency Budget, WEROC Budget, AMP Budget, and AMP Sales Proceeds Distribution Budget, by the following roll call vote:

AYES: Directors Bakall, Barbre, Clark, Dick, Finnegan, Hinman & Royce
NOES: None
ABSENT: None
ABSTAIN: None

As noted in the staff recommendation adopted by the Board, approval of the budget includes (1) authorization for staff to utilize only the budgeted professional services as marked by an asterisk in Exhibit J (all other professional services will be brought to a Committee and/or the Board in accordance with the Administrative Code), and (2) approval of the memberships listed on the Membership Action Plan (Exhibit K) which are noted for approval during the budget approval (these memberships will require no further action by the Board or Committee; all other memberships will be brought back to the Board).

MWDOC'S WATER RATES AND CHARGES FOR FISCAL YEAR 2008/09

General Manager Hunt provided an overview of the proposed rates and charges for fiscal year 2008/09, noting that MET will implement a significant rate increase in January 2009.

Director Bakall highlighted the fact that although the MET increases (scheduled for January 2009) are fairly significant, much of the money necessary would be taken from the MET rate reserves; without these amounts, the increase would be more dramatic.

Director Hinman commented that due to the MET increases, MWDOC would need to pass-through those increases to the client agencies.

Director Barbre emphasized the need to educate the public on the court-ordered water supply issues so that the public understands why the rates are increasing.

Director Royce commented that rate increases were to be expected in an economy where the population was increasing and resources were not.

Director Dick concurred with Director Barbre, pointing out that the \$25 supply surcharge relates directly to Judge Wanger's decision on the Delta. He also highlighted the increased energy/power costs associated with the court decision and highlighted the need for public education on the court's decision and its effect on the region.

Irvine Ranch Water District (IRWD) Director Swan commented that it may be prudent for the MWDOC Board to re-examine the melded versus tiered rate structure, noting that melded rates take away the incentive to conserve.

SCWC Director Deitmeier noted that it would take more than conservation to solve the region's supply issues; he highlighted the need for additional sources of water.

Responding to all the comments, Mr. Hunt provided a brief overview of MET's five-year action plan, consisting of four phases, to solve the current water supply shortages. The four phases include (1) conservation; (2) local resource development; (3) a Delta fix; and (4) water transfers. The Board requested further information on MET's plan at an upcoming Planning & Operations Committee meeting.

Upon MOTION by Director Royce, seconded by Director Finnegan, and carried (7-0), the Board adopted RESOLUTION NO. 1834, establishing MWDOC's water rates and charges to be effective in either July 2008 or January 2009 (as identified in the Resolution) for fiscal year 2008-09, by the following roll call vote:

AYES: Directors Bakall, Barbre, Clark, Dick, Finnegan, Hinman & Royce
 NOES: None
 ABSENT: None
 ABSTAIN: None

CHANGE IN MEETING TIME FOR THE WORKSHOP BOARD MEETING

Upon MOTION by Director Bakall, seconded by Director Finnegan, and carried (7-0), the Board adopted RESOLUTION NO. 1835, establishing the meeting times for the MWDOC Board meetings, by the following roll call vote:

AYES: Directors Bakall, Barbre, Clark, Dick, Finnegan, Hinman & Royce
 NOES: None
 ABSENT: None
 ABSTAIN: None

By this action, the Board (1) changed the meeting times of the monthly Workshop Board meetings with the MET Directors to 7:30 a.m., the first Wednesday of the month; (2) directed staff to send notice to all appropriate parties as required by the Ralph M. Brown Act, Government Code Section 54954.1; and (3) revised the District's Administrative Code accordingly.

ESTABLISHMENT OF LEGISLATIVE POSITIONS

Director Hinman reported that the Public Affairs & Legislation Committee reviewed this item and recommended a support position on SB 642 (Wolk) and an oppose position on AB 885 (Calderon).

Director Dick commented that time was of the essence on AB 885 as a hearing was scheduled for later in the day. He suggested it would be prudent to immediately contact (via telephone) the local legislators and voice the District's opposition to the legislation. The Board concurred.

Upon MOTION by Director Barbre, seconded by Director Finnegan, and carried (7-0), the Board adopted a "support" position on AB 642 (Wolk re design-build: counties, cities, and special districts); and an "oppose" position on AB 885 (Calderon re MET).

Staff was directed to contact (via telephone) local legislators to convey the District's opposition to AB 885.

MOU BETWEEN POSEIDON RESOURCES, TEN RETAIL AGENCIES AND MWDOC REVIEW AND POTENTIAL PURCHASE OF WATER FROM THE HUNTINGTON BEACH DESALINATION PROJECT

General Manager Hunt reported that Poseidon Resources is seeking participation from various retailers (via the Memorandum of Understanding) to efficiently evaluate the opportunity of an ocean desalination facility in Huntington Beach. Director Hinman advised that the Public Affairs & Legislation Committee reviewed this item, held significant discussion and ultimately recommended this item for approval. She also advised that MWDOC's client agencies support the MOU.

Mr. Joe Geever (Surfrider Foundation) addressed the Board stating that although the Surfrider Foundation was not opposed to desalination, they were uncomfortable with Poseidon's proposal. He also advised that he was supportive of the MOU's intent, but concerned that it could be interpreted as a statement of interest by all signatories. He suggested the following revisions: (1) striking reference to "recent permits/approvals" as he was not aware Poseidon was able to secure any approvals; and (2) adding an express statement that the MOU should not be construed as a statement of interest by the participating agencies (under Section XI (e) of the MOU).

Mr. Hunt stated that he would present this information to the Participation Committee. He suggested the Board approve the MOU in its present form, and either attempt to have the MOU revised, or publish a statement reflecting that the MOU should not be construed as a statement of interest.

Mr. Lee Pearl (Mesa Consolidated Water District) stated that this MOU was created as a result of the problems/lessons learned through the Carlsbad desalination process, noting that this MOU provides both flexibility and control; he encouraged approval.

Director Bakall stated that although he supported the idea of a united front to obtain the best possible terms for a desalination facility (via executing the MOU), he was concerned that high energy and gas costs would have a negative effect on the project. He indicated he would support the MOU.

Mr. Dick Dietmeier (South Coast Water District) indicated that the SCWD Board discussed this issue and ultimately approved participation in the MOU.

Director Barbre indicated he would be voting against the proposal because (1) it creates a wall between MWDOC Directors and Poseidon; and (2) he believed it should be between MWDOC and Poseidon only. He did, however, express his support for desalination and investing in alternative water supplies.

Director Dick expressed his support, noting his belief that MWDOC should be exploring desalination as an alternative supply, as well as locating and preserving potential desalination locations.

Upon MOTION by Director Hinman, seconded by Director Bakall, and carried (6-1), the Board authorized the General Manager to execute the Poseidon/Orange County agencies Memorandum of Understanding, with the caveat that staff would pursue adding language to Section XI(e) of the MOU indicating that execution of the MOU should not be construed as a commitment to pursue the project. Director Barbre voted no.

**DANA POINT OCEAN DESALINATION PROJECT
PHASE 3 EXTENDED PUMPING AND PILOT PLANT TESTING
MISCELLANEOUS AUTHORIZATIONS**

Director Bakall advised that the Planning & Operations Committee reviewed this item and recommended it for approval by the Board.

Upon MOTION by Director Bakall, seconded by Directors Barbre and Royce, and carried (7-0), the Board authorized staff to (1) procure the submersible pumps, (2) form a Technical Advisory Committee for baseline monitoring and technical review, and (3) enter into and amend consultant agreements with HDR and DBB Engineering, respectively, contingent upon approval by the Project Participants at their next meeting. The total amount of this authorization is \$150,000.

**RESOLUTION ADOPTING A MITIGATED NEGATIVE DECLARATION AND
MITIGATION MONITORING AND REPORTING PLAN FOR THE DANA POINT
OCEAN DESALINATION PROJECT PHASE 3 EXTENDED PUMPING AND
PILOT PLANT TESTING PROJECT**

Assistant General Manager Karl Seckel stated that the Planning & Operations Committee reviewed this item and recommended it for Board approval. He noted that an additional response to the Mitigated Negative Declaration from the Marine National Fisheries Service was received by the District (he distributed copies to the Board) and he noted that the comments were consistent with the District's direction.

Upon MOTION by Director Barbre, seconded by Director Finnegan, and carried (7-0), the Board adopted RESOLUTION NO. 1836 adopting a Mitigated Negative Declaration and Mitigation Monitoring and Reporting Plan for the Phase 3 Extended Pumping and Pilot Plant Testing Project, by the following roll call vote:

AYES: Directors Bakall, Barbre, Clark, Dick, Finnegan, Hinman & Royce
NOES: None
ABSENT: None
ABSTAIN: None

INFORMATION CALENDAR**UPDATE RE STATUS OF LAFCO STUDY AND FUNDING ISSUES**

General Manager Hunt advised that LAFCO was soliciting financial participation for the upcoming Governance Study from the agencies within MWDOC service area and that although the Board previously opted for no financial participation, due to recent events, including the exclusion of MWDOC from certain LAFCO communications, he believed it prudent to re-evaluate the issue.

Director Dick agreed with Mr. Hunt, noting that financial participation allows MWDOC to be part of the process. He made a MOTION for the Board to approve a financial contribution of 50% of the study costs, and requested that LAFCO issue a new Request for Proposal (RFP) for potential consultants to conduct the Study. Director Finnegan seconded the MOTION.

Director Hinman agreed with Director Dick, noting her concern with the process (and its ultimate lack of transparency). Director Barbre concurred and suggested all communications with LAFCO should include copies to the Orange County legislative delegation.

By a vote of 6-0, the Board approved Director Dick's MOTION. Director Bakall abstained from voting.

GENERAL MANAGER'S REPORT, JUNE 2008

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

Director Hinman referenced emergency preparedness and suggested staff include tips and information on ways the general public can prepare for a disaster (water storage, etc.) on the District's web site. She also referenced the "Golden Guardian Exercise," noting that lessons learned from the recent Iowa tragedy (flooding, etc.) should be taken into consideration.

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 luncheon he attended with Senator Boxer, wherein he expressed his appreciation for her continued support of the Dana Point Desalination

project. He noted that the Surfrider Foundation expressed support for the Dana Point project and that he had relayed this fact to the Senator.

Director Dick reported on attending various meetings with representatives from Serrano Water District, a speaking engagement at the Rotary Club, a meeting with MET staff regarding upcoming inspection trips, and a meeting with staff from Senator Tom Harmon's office regarding legislation. He also reported that he attended various Board and City Council meetings (within his division) wherein he relayed information on conservation and adjusting clock timers to exclude one day a week from watering; he encouraged each of the Directors to do the same.

Director Royce reported on attending the City of Stanton City Council meeting (wherein the Council expressed support for a water conservation plan), a meeting with Lou Correa regarding the Delta, a speaking engagement (along with Steve Hedges and Joe Berg) at the Westminster Village Homeowners Association, and the Orange County Water District 75th Anniversary event.

Director Finnegan reported on attending the ISDOC Executive Committee meeting, the WACO Planning Committee meeting, and the ACWA Board meeting. She announced that the next ISDOC quarterly luncheon would be held July 31st at 11:30 a.m.

Director Bakall stated that he attended the MET meetings and he had a meeting with MET's Assistant General Manager later in the morning, and would be leaving the Board meeting early to attend that meeting.

Director Hinman reported on attending the WACO meeting, Orange County Water Association meeting, Laguna Beach County Water District and South Coast Water District Board meetings, MET Committee meetings, and tour of the OCWD Groundwater Replenishment System Project. She also reported on attending a school program presentation at Aliso Elementary School, the San Juan Basin Authority meeting, and a meeting with Laguna Niguel's city manager.

(Director Bakall left the meeting at 9:55 a.m.)

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

CLOSED SESSION

At 10:00 a.m., Legal Counsel Payne announced that the Board would adjourn to closed session pursuant to Government Code Section 54956.9(c), for a conference with legal counsel regarding anticipated litigation (one case).

(Director Barbre left the meeting at 11:05 a.m.)

RECONVENE

At 11:10 a.m., the Board reconvened and Legal Counsel Payne announced that no reportable action was taken in closed session.

ADJOURNMENT

There being no further business to come before the Board, President Clark adjourned the meeting at 11:12 a.m.

APPROVED

Wayne A. Clark, President

Maribeth Goldsby, Secretary