

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

May 6, 2009

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

MWDOC DIRECTORS

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

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
Darcy Burke, Director of Public Affairs
Warren Greco, Intern/Limited Term
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

Dick Dietmeier
Mike Dunbar
Ray Miller
Diana Leach
Frank Heldman
Paul Jones
Peer Swan
Doug Reinhart
Steve LaMar
Howard Johnson
Eddie Rigdon
John Kennedy
Karen Johnson
David Shepherd
Julia Valez
William Kahn
Mark Beuhler

South Coast Water District
South Coast Water District
City of San Juan Capistrano
Golden State Water Company
Golden State Water Company
Irvine Ranch Water District
Irvine Ranch Water District
Irvine Ranch Water District
Irvine Ranch Water District
City of Huntington Beach
Aecom
Orange County Water District
KEJ Water Resources Planning
Shepherd Strategies
San Diego County Water Authority
El Toro Water District
HDR

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 comments were made.

OPENING STATEMENTS/REMARKS

Director Foley reported that the last section of pipeline for the Inland Feeder was installed and the project is near completion. He also provided an update on the Diamond Valley Lake property, noting that there is some interest in developing the north property around the lake. Mr. Foley commented that the Integrated Resources Plan process is moving forward but that the December 2009 target completion date may be somewhat premature (due to the fact that the desalination policy has not yet been finalized). He also reported that the Legal & Claims Committee receives continual updates on the labor negotiations and that he would be hosting a Diamond Valley Lake inspection trip on May 29th (of which there is still availability).

Director Bakall reported on attending MET's State Water Contractors workshop, wherein a significant amount of discussion was held regarding payment via property tax revenue (to the State Water Project). He indicated that at one point MET paid 20% of its State Water Project charges (fixed charges) through property taxes and that currently only 12% are paid by taxes. He emphasized the need to remain vigilant in negotiations to have the fixed charges paid by revenue through taxes. Director Dick agreed. Director Bakall also reported the success of a recent Colorado River inspection trip he hosted wherein the Orange County Grand Jury was in attendance. Director Barbre suggested that the Orange County Grand Jury be invited again when the new members take office (at the beginning of their term).

Director Ackerman advised that MET is currently scheduling its Colorado River inspection trips for the next fiscal year, noting that due to budget constraints the number of trips has decreased. She also updated the Board on various pieces of legislation which included brief updates on SB 790, AB 1520, AB 1100, SB 525, SB 555, and SB 42.

Director Dick announced that the Water Forum Expo would be held at MET on May 26, 2009, featuring Grace Napolitano as Honorary Chairperson.

ACTION ITEM

AMENDMENT TO HDR CONTRACT ON MET ISSUES

General Manager Hunt advised that the proposal to augment the District's contract with HDR on MET issues through the end of the current fiscal year was before the Board for consideration.

Upon MOTION by Director Hinman, seconded by Director Finnegan, and carried (7-0), the Board authorized the General Manager to amend the HDR Contract from \$25,000 to \$37,000 to cover activities through the end of the fiscal year.

PRESENTATIONS/ DISCUSSION ITEMS

MET CONSERVATION FUNDING FOR FISCAL YEAR 2009/10

Principal Analyst, Harvey De La Torre presented information regarding MET's conservation funding for fiscal year 2009/10. The presentation included information on resource options, current and projected conservation program budget amounts, the anticipated impacts as a result of a funding shortfall, and the need to highlight water conservation ("why it's important").

A discussion period ensued following Mr. De La Torre's presentation. Specific discussion was held regarding funding (and lack thereof), the current state of the economy, the water supply shortage, and the proposed "reservation based" system to be implemented by MET. The Board also discussed the impact this funding shortfall has on the consumer and those who attempted to participate in the rebate programs, but were turned away (as the funding was depleted). Several Board members highlighted the need to rectify the situation to ensure that programs are properly advertised and procedures followed. Board members expressed general dissatisfaction with the way this program was handled by MET staff.

Upon general consent, it was agreed that the following points would be reviewed and expressed to MET staff:

1. Present findings to the MET Board on a recent survey among member agencies as to their projected water conservation funding need for fiscal year 2009/10 in order to review and discuss how best to structure the MET programs;
2. Review MET's conservation budget and determine which rebates and programs can be reduced or suspended to ensure the most cost effective programs are funded for the upcoming year;

3. Provide for conservation funding to all of those water agencies that have been awarded state and federal grants that included MET conservation funding as part of their matching dollars in order to prevent any loss of grant dollars;
4. For the reservation program, MET should manage the program as a continuous basis instead of monthly allocations until funding runs out. At that time, MET staff can approach the MET board to replenish, suspend, or cancel the program for the rest of the year.

MET'S COST OF SERVICE REVIEW

Principal Analyst, Harvey De La Torre presented information regarding MET's Cost of Service review. His presentation included an overview of MET's adopted rates and charges, as well as revenue projections. Mr. De La Torre advised that even with MET's adopted rate increases, it will still not collect enough revenue to recover MET's full cost of service, and, as a result, the MET Board requested MET staff to review its cost of service methodology and adjust elements of its unbundled rate categories and/or charges, where deemed necessary, to ensure all costs are correctly reflected in each category. Mr. De La Torre advised that under the direction of the MWDOC Board and MET Directors, the MWDOC staff plans to closely follow the cost of service review process this upcoming year and will proactively investigate the costs of service methodology to allocate costs for appropriateness and justification and carefully monitor any proposed changes to the historic methodology.

The Board received and filed the information as presented.

OVERVIEW OF WATER USE EFFICIENCY LEGISLATION EFFORTS

Water Use Efficiency Programs Manager Joe Berg, provided an overview of three state legislative bills that have been introduced this year that seek to implement Governor Schwarzenegger's call for a 20 percent reduction in statewide per capita water consumption by 2020. These bills included AB 49 (Feuer/Huffman), SB 261 (Dutton), and SB 460 (Wolk). Mr. Berg also reviewed MET's legislative matrix on these pieces of legislation.

The Board received and filed the information as presented.

SECOND LOWER CROSS FEEDER

Due to time constraints, President Clark recommended the Board defer this item until June; the Board concurred.

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. **Introduction of Local Water into MET System**
- i. **Participation by MET in the South Orange Coastal Desalination Project**
- j. **Second Lower Cross Feeder**
- k. **IRWD Strand Ranch Water Transfer Through MET**

The Board received and filed the report as presented.

METROPOLITAN (MET) BOARD AND COMMITTEE AGENDA DISCUSSION ITEMS

- a. **Summary regarding April MET Board Meeting**

The Board received and filed the information.

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

The Board received and filed the information.

ADJOURNMENT

There being no further business to come before the Board, the meeting adjourned at 9:15 a.m.

APPROVED:

Wayne A. Clark, President

Maribeth Goldsby, Board Secretary