

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

October 1, 2008

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
Wayne A. Clark
Larry Dick*
Ergun "Eric" Bakall*
Joan Finnegan
Susan Hinman

MWDOC STAFF

Kevin Hunt, General Manager (absent)
Karl Seckel, Assistant General Manager
Maribeth Goldsby, Board Secretary
Dan Payne, Legal Counsel
Darcy Burke, Dir. of Public Affairs
Harvey De La Torre, Principal Analyst
David Cordero, Dir. of Governmental Affairs
Matt Stone, Associate General Manager
Richard Bell, Principal Engineer
Warren Greco, Intern

*Also MWDOC Met Directors

OTHER MWDOC MET DIRECTORS

Jack Foley

MWDOC Met Director

OTHERS PRESENT

Dick Dietmeier
Bob Moore
Mike Dunbar
Diana Leach
Peer Swan
Darryl Miller
Trudy Ohlig-Hall
Lee Pearl
Bob McVicker
John Kennedy
Susan Trager
Francis Logan
Frank Heldman
Dirk Reed
John O'Donnell

South Coast Water District
South Coast Water District
South Coast Water District
Golden State Water Company
Irvine Ranch Water District
Irvine Ranch Water District
Mesa Consolidated Water District
Mesa Consolidated Water District
Mesa Consolidated Water District
Orange County Water District
Law Offices of Susan Trager
Law Offices of Susan Trager
Golden State Water Company
Black & Veatch
City of San Juan Capistrano

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 received.

DISCUSSION ITEMS**PRELIMINARY DISCUSSION OF METROPOLITAN FUNDING OF 5-YEAR WATER SUPPLY PLAN LOCAL PROJECTS**

Principal Analyst Harvey De La Torre presented information relative to MET's preliminary discussions on the funding of 5-Year Water Supply Plan Local Projects. He noted that MET had identified three forms of assistance, which included (1) upfront, reimbursable funding; (2) equity participation; and (3) in-kind non-reimbursable staff participation.

Discussion ensued regarding the options available, the cost of water, the availability of water (or lack thereof), and the economy in general. Staff will continue to apprise the Board as discussions on this subject unfold.

STATUS REPORT ON SECOND LOWER CROSS FEEDER PROJECT

Assistant Manager Karl Seckel provided a status update on the Second Lower Cross Feeder Project (which involves an interconnection between the Second Lower Feeder and the East Orange County Feeder No. 2). Mr. Seckel advised that an increase in cost estimates, as well as other issues pertaining to the urgency of the project (including pushing the Central Pool Augmentation Project out to 2049), caused MET to stop working on the project. In an effort to keep the project moving forward, both staff and the MWDOC MET Directors have been working diligently to develop a study (cost to be shared between MWDOC and MET), to review/resolve the following issues: (1) resolution relative to hydraulics concerns; (2) coordination of shortages with the Los

Angeles portion of the MET system; (3) cost of the system; and (4) integration with other concepts in Orange County to broaden the project objectives.

Considerable discussion ensued among the Board and members of the audience, with specific emphasis on the importance of system reliability and ability to deliver water to South Orange County. The Board also discussed the importance of raising the urgency/need for this project among MET staff. It was noted that this issue would be discussed further by both the Orange County MET Caucus, as well as the MWDOC Planning & Operations Committee.

METROPOLITAN'S LONG RANGE FINANCE PLAN AND WATER RATE PROJECTIONS

Mr. De La Torre presented information regarding MET's Long Range Finance Plan and water rate projections. He advised that MET staff presented two ten-year rate projection scenarios (Base Case and Five Year Supply Plan) for review and discussion (at the last Long Range Finance Plan meeting). Mr. De La Torre then reviewed the current rate projections MET could be facing in the coming years.

The Board discussed the rate increases with Director Bakall expressing support for steady, moderate increases (rather large increases as a result of no increases over several years).

Mr. Peer Swan (Irvine Ranch Water District) commented that MET's rates are among the lowest in the State and that MET should adopt a policy that it will recoup its costs each year (via rate increases); he encouraged rate increases to build and enhance supply reliability.

Directors Dick and Foley commented that some of retail agencies (especially city councils) are not aware of many of the issues surrounding the rate increases; they suggested the presentation be simplified and made to those agencies/cities.

Several audience members present expressed the need for a unified message to the agencies, outlining various scenarios and forecasts (including references to treatment and power cost increases).

Following discussion, the Board requested this item return to the Board in November for further discussion.

ACCELERATED PUBLIC SECTOR PILOT PROGRAM

Due to timing, President Clark asked that this item be deferred to another meeting; the Board concurred.

FOURTH DRAFT DELTA VISION STRATEGIC PLAN

Associate General Manager Matt Stone reported that the fourth draft of the Delta Vision Strategic Plan (Strategic Plan) has been presented to the Governor's Delta Vision Blue Ribbon Task Force (Task Force) and was discussed at their recent meetings (in September). He noted that the final Plan will be presented to the Task Force in October. He then proceeded to review the seven goals outlined in the report.

Mr. Francis Logan, an attorney with the law offices of Susan Trager, commented on the report. He stated his belief that MWDOC needs to raise strong objections to the draft Strategic Plan, and noted his particular concern about giving additional appointment/approval authority to the Coastal Commission. He suggested all the goals outlined in the draft Strategic Plan be deleted, with the exception of Goal 1 (establish the Delta ecosystem and a reliable water supply for California as the primary, co-equal goals for sustainable management of the Delta); and Goal 7 (create an effective governance system with the authority, responsibility and secure funding to achieve the co-equal goals).

Considerable discussion ensued regarding Mr. Logan's comments, with Director Bakall noting that MET has had considerable input in developing the Strategic Plan.

Director Barbre suggested MWDOC Legal Counsel review the issues and report back to the Board; noting the need to avoid an expansion of the Coastal Commission's authority over the Delta. Director Bakall concurred, but requested that Legal Counsel first confer with MET Legal Counsel.

Staff will continue to update the Board and developments progress.

MET ITEMS CRITICAL TO ORANGE COUNTY

- a. **Water Supply Allocation Plan Development**
- b. **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 Dana Point Desalination Project**

The Board received and filed the information as presented.

METROPOLITAN (MET) BOARD AND COMMITTEE AGENDA DISCUSSION ITEMS

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

The Board received and filed the information.

b. Review items of significance for the October MET Board and Committee Agendas

The Board received and filed the agenda.

DIRECTORS' REPORTS

- a. MET Directors**
- b. MWDOC Directors**

Director Barbre referenced the Cadiz negotiations and requested a status report at an upcoming MWDOC Committee meeting.

ADJOURNMENT

There being no further business to come before the Board, the meeting adjourned at 9:45 a.m.

APPROVED:

Wayne A. Clark, President

Maribeth Goldsby, Board Secretary