

**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 7, 2009

At 8:00 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. Director Hinman led the Pledge of Allegiance and Secretary Goldsby called the roll.

MWDOC DIRECTORS

Brett R. Barbre
Wayne A. Clark
Larry Dick*
Joan Finnegan
Susan Hinman
Ed Royce, Sr.
Jeffery M. Thomas

MWDOC STAFF

Kevin Hunt, General Manager
Karl Seckel, Assistant General Manager
Maribeth Goldsby, Secretary
Dan Payne, Legal Counsel
Harvey De La Torre, Principal Analyst
Warren Greco, Analyst
Richard Bell, Principal Engineer

*Also MWDOC Met Director

OTHER MWDOC MET DIRECTORS

Jack Foley
Linda Ackerman

OTHERS PRESENT

Diana Leach
Frank Heldman
Bob Moore
Mike Dunbar
Dick Dietmeier
Howard Johnson
Thom Coughran
Bob Kellison
Ray Miller
Michael Hurley
Paul Jones
Paul Weghorst
Peer Swan
Steve LaMar
Bob Hill
William Kahn
John Kennedy
David Shepherd
Peter MacLaggan

Consultant to Golden State Water Company
Golden State Water Company
South Coast Water District
South Coast Water District
South Coast Water District
South Coast Water District
City of Huntington Beach
City of La Habra
City of Fountain Valley
City of San Juan Capistrano
Malcolm Pirnie
Irvine Ranch Water District
Irvine Ranch Water District
Irvine Ranch Water District
Irvine Ranch Water District
El Toro Water District
El Toro Water District
Orange County Water District
Shepherd Strategies
Poseidon Resources

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.

UPDATES BY MET DIRECTORS REGARDING MET COMMITTEE PARTICIPATION

Director Dick advised that the MET Board would consider the proposed MOU on the labor negotiations at the October MET Board meeting.

METROPOLITAN'S POLICY PRINCIPLES FOR DEALING WITH IRWD STRAND RANCH WATER BANKING PROGRAM

Assistant Manager, Karl Seckel presented information on the principles for delivery of State Water Project supplies (procured by Irvine Ranch Water District). His presentation included an overview of MET's objectives, the key principles (including financial), a summary of the project's benefits, and an outline of the next steps in finalizing the water banking program.

The Board received and filed the information.

MET LABOR MEMORANDUM OF UNDERSTANDING (MOU)

General Manager Hunt updated the Board with respect to MET's labor union negotiations, noting that the proposed Memoranda of Understanding (MOUs) provides (among many issues) an increase of CalPERS benefits (from 2% to 2.5% at age 55), as well as a series of "givebacks" by the employees to MET (relating to holiday pay, Other Post Employment Benefits (OPEB), reduced 401K contributions, etc). Mr. Hunt expressed his belief that in the current financial climate it was not prudent to increase pension benefits, however, he noted, there was room to evaluate various alternatives to the current proposal.

Director Dick provided an overview of the MOUs, the labor negotiation process, the "giveback" terms, and the proposed increase to the CalPERS retirement formula. He emphasized his belief that it was difficult to continue supporting defined benefit retirement plans, and he had concerns with the MOUs' retroactive provisions.

Director Ackerman commented that the proposed pension increases have been received poorly by the general public and she could not support the increases due to the current

economic climate. She further commented that she was disappointed that the MET Board of Directors was not more involved in the negotiation process.

Director Foley advised that since many provisions were acceptable, he believed due to the nature of the public outpouring of concern, there may be an opportunity to fine-tune various issues in the MOUs, for example, extending the contract period from five years to ten. He suggested that rather than oppose the proposed MOUs, the MET Directors may seek additional time to negotiate and offer amendments. He noted the fact that the negotiations are with all four bargaining units simultaneously, which is very beneficial.

Director Dick concurred with Director Foley, noting that although he personally opposes the propose MOUs, the negotiation process has proceeded well and it may be prudent to offer amendments. He highlighted several possible revisions (e.g., rather than increasing CalPERS contributions, use the 2% OPEB employee contribution to purchase individual annuities for each employee).

Mr. Thom Coughran (City of La Habra) agreed with the discussion, noting that MET's base salary and benefits are higher than most agencies, and, therefore, a further increase in benefits would not be prudent.

Director Thomas encouraged the MET Directors to do the right thing (oppose the proposed MOUs), and not buckle under pressure from the unions. He noted that unfunded retirement liability issues are becoming a significant problem for cities throughout the country.

Mr. Dietmeier (South Coast Water District) encouraged the MET Board to negotiate an extended contract (similar to Director Foley's comments), highlighting the potential impact the MOUs could have on retail agencies (and their subsequent labor negotiations).

Director Barbre commented that, in essence, the proposed MOUs were poor timing; he offered several amendments, namely (1) seek legislation to make the pension increases prospective, rather than retroactive; (2) have the employees pay any increased costs of going from 2% to 2.5%; (3) place contributions to OPEB (8% by new employees and 2% by currently employees) into an irrevocable trust so that they cannot be used for other purposes.

Director Hinman then made a MOTION directing the MWDOC MET Directors to seek an extension to the contract to allow additional time to negotiate some of the more problematic terms, and to oppose the proposed MOUs if an extension is not granted. Said MOTION was seconded by Director Royce.

Considerable discussion ensued regarding Director Hinman's MOTION, and whether to simply adopt an "oppose" position, or to offer specific amendments to the MOUs. Director Barbre expressed preference to offer his three amendments.

Director Ackerman commented that although she supports many of the issues discussed, she believes the general public would not understand the complexity of the negotiations and she could not support an increase in CalPERS benefits at this time.

Director Thomas agreed with Director Ackerman, suggesting the Board take a simple vote to oppose the proposed provisions of the MOU (offering no amendments). Director Dick

expressed concern with a simple “no” vote, noting that although he could not support the MOU as currently written, it would be prudent to remain flexible, with more room for negotiation. Mr. Dick expressed support for Director Hinman’s MOTION.

Upon SUBSTITUTE MOTION by Director Barbre, seconded by Director Thomas, and carried (5-2), the Board directed the MWDOC MET Directors to oppose the proposed MOUs (with no suggested amendments) between MET and the AFSCME Local 1902, the Management and Professional Employees’ Association, the Association of Confidential Employees, and the Supervisors Association, as currently written. President Clark took a roll call vote, with Directors Barbre, Thomas, Hinman, Royce, and Finnegan voting in favor; Directors Dick and Clark voting in opposition to the MOTION.

Director Barbre suggested it would be prudent to develop a list of significant items (as discussed today) that MWDOC would prefer to see in the MOU; he also suggested the Cities of Anaheim, Santa Ana, and Fullerton be notified of the Board’s action.

Mr. Steve LaMar (Irvine Ranch Water District) said he believed it would be prudent to follow up with a letter to MET’s General Manager outlining MWDOC’s priorities with respect to the MOUs.

The following is a summary of the list of ideas discussed among the MWDOC Board and the MWDOC MET Directors:

1. Make 2.5% at 55 prospective only (through legislation)
2. Increase contract to ten years
3. Keep 2% at 55 and set aside annuities for employees using prospective funding that would have been spent on employees
4. Have employees pay the costs of higher CalPERS retirement formula
5. Place OPEB (8% and 2%) in an irrevocable trust to protect the funds.

UPDATE ON DESALINATION PROJECTS IN THE MET SERVICE AREA

Mr. Michael Hurley (Malcolm Pirnie) updated the Board on desalination projects in MET’s service area. His presentation included information on overall support for desalination, Local Resources Program (LRP) funding, potential roles for MET in desalination, and potential impacts to desalination funding.

Considerable discussion ensued regarding MET’s potential role with respect to desalination, with Director Foley advising that the formation of a Blue Ribbon Panel (to be headed by former MET Director Bob Simon) has been suggested and that potential members are currently being evaluated.

Mr. Dick Dietmeier (South Coast Water District) requested that reference to “Dana Point” desalination project be changed to “South Orange Coastal Desalination Project”.

MWD ITEMS CRITICAL TO ORANGE COUNTY

- a. MWD’s Water Supply Allocation Plan
- b. Integrated Resource Plan 2009 Update
- c. Long Range Finance Plan – Cost of Service Review
- d. Colorado River Issues
- e. Bay Delta/State Water Project Issues

- f. Central Pool Augmentation Project
- g. Introduction of Local Water into the AMP
- h. MET's Ocean Desalination Policy and Potential Participation by MET in the South County Coastal Ocean Desalination Project (formerly Dana Point Desalination Project)
- i. Second Lower Cross Feeder

The Board received and filed the report.

METROPOLITAN (MET) BOARD AND COMMITTEE AGENDA DISCUSSION ITEMS

a. Summary regarding August MET Board Meeting

The Board received and filed the information.

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

The Board received and filed the information.

OTHER

Director Dick commented on the Workshop meeting time, and suggested a poll be taken to determine whether to hold the meeting later in the morning. President Clark conducted a vote (of those in attendance); it was decided that the meetings be held at 8:00 am (rather than 7:30 am).

ADJOURNMENT

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

APPROVED:

Wayne A. Clark, President

Maribeth Goldsby, Board Secretary