

MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF
EAST ORANGE COUNTY WATER DISTRICT

March 21, 2013

1. Call to Order. A Regular Meeting of the Board of Directors of the East Orange County Water District was called to order by WILLIAM VANDERWERFF, President of the Board of Directors, at 5:00 p.m. on Thursday, March 21, 2013, in the offices of the East Orange County Water District, 185 N. McPherson Road, Orange, California. JOAN ARNESON, Secretary, recorded the minutes of the meeting (the minutes with respect to Items 10(A) and 11 were recorded by General Manager OHLUND).

The following Directors were present: RICHARD BARRETT, RICHARD BELL, DOUGLASS DAVERT, JOHN DULEBOHN and WILLIAM VANDERWERFF.

Also present were:

LISA OHLUND	General Manager
JERRY MENDZER	Maintenance & Operations Superintendent
JOAN ARNESON	District Secretary and Legal Counsel
DOUG CHAPMAN	Former Director
ROB HANFORD	Golden State Water Company
SCOTT MALONI	Poseidon Resources
DENIS BILODEAU	City of Orange/Orange County Water District

2. Public Communications to the Board. None.

3. Items Arising After Posting of Agenda. None.

6. Operation, Management and Construction Matters.

B. Poseidon Desalination Working Group Participation. Ms. OHLUND said that EOCWD has been participating in the working group. Poseidon has recently released project budgeting information that indicates water will be priced at \$1,796 to \$1,847 per acre foot. It is proposed that MWDOC will not buy the water but instead, individual contracts will be negotiated with the participating agencies. Poseidon has requested non-binding letters of intent (LOI) of each of the agencies to continue participating. Since Poseidon has discontinued their subsidy to the cost of consulting assistance, it is assumed that the agencies signing LOIs

must begin to pay for this as a choice activity, for which MWDOC was budgeting \$500,000 in 2013/14. Ms. OHLUND outlined several reservations staff has about the project pricing, contractual terms, reliability and cost effectiveness, and recommended that, although she believes desalination can be viable, the District's participation in the working group be discontinued.

President VANDERWERFF recognized Mr. MALONI and invited him to address the Board. A letter from him responding to Ms. OHLUND's concerns was distributed. Mr. MALONI acknowledged that evaluating the cost was difficult and that Poseidon would respect EOCWD's decision. He provided some background, noting that the project has one permit left to go, the coastal development permit. He said that with a guiding term sheet in place, costs to continue the evaluation will be more significant and it is necessary to determine who wants to continue so that negotiations can proceed around specific quantities of water. Mr. MALONI said the option of having MWDOC or OCWD or other single purchaser was not yet precluded. It was asked whether Metropolitan Water District might also act as a single purchaser. Director DAVERT questioned the meaning of "non-binding" and Mr. MALONI said that it meant agencies can still back out, but significant staff and legal resources will need to be committed to proceed from this point. Responding to several questions, Mr. MALONI concurred that an exchange would be necessary for EOCWD and it would not receive "wet water," but that would just be part of the contract terms to be determined.

Discussion followed as to a letter to be sent to MWDOC, that would reserve the question of viability and indicate the interest of EOCWD in further discussion (without budgeting funds), but would suggest that an agency such as Metropolitan, or MWDOC or OCWD be the preferred purchaser. Ms. OHLUND said the letter could be appropriately drafted in the District's role as a wholesaler interested in remaining involved and informed about the future supply. Director DAVERT suggested clarification also be sought on the methodology for sharing of the \$500,000 choice activity budget.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, staff was directed to draft a letter as discussed, for consideration at the next meeting.

4. **General Manager's Report.** Responding to questions, Ms. OHLUND said she would address the extra cost incurred by the District as a result of the contractor's installation of an incorrect pump in the East Well. President VANDERWERFF recommended that staff look at the possibility of bidding the Retail Zone emergency pump and Sidehill Booster backup generator in two parts that could be done sequentially or in parallel.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the General Manager's Report was received and filed.

5. **Minutes.**

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the minutes of the meeting of February 19, 2013 were approved as corrected.

6. **Operation, Management and Construction Matters.**

A. **Peters Canyon Reservoir Roof Rehabilitation.** Ms. OHLUND said the proposed contract was for a design of the rehabilitation work items, which will then be brought back to the Board for approval to bid the work.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, Brady Engineering's proposal for services related to the implementation of short and long-term improvements to the Peters Canyon Reservoir roof was approved, for a not-to-exceed cost of \$33,594, and the General Manager was authorized to execute an agreement for said services.

D. **Water Demand Status Report.** Ms. OHLUND said demand was starting to trend upward but was not expected to go back to historic levels with conservation pricing signals in place.

8. **Financial Matters.**

A. **Schedule of Disbursements.** Schedules of disbursements in the following amounts were presented: \$414,953.86 from Wholesale and Retail Operating Funds, \$0 from the Chapman Avenue Account (closed), \$3,443.77 for directors' payroll, and \$34,431.30 for employees' payroll. On behalf of the Finance Committee, Director DULEBOHN recommended approval.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the schedules of disbursements were approved as submitted.

B. **Investment Activity.** On behalf of the Finance Committee, Director DULEBOHN recommended approval of the investment schedules.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the schedules of investments were ratified and approved.

C. Financial Statements (January 31). On behalf of the Finance Committee, Director DULEBOHN recommended receipt and filing of the financial statements.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the financial statements were received and filed.

D. Amendment to Contract For Special Legal Services.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the Board of Directors approve expanding the scope of work with the legal firm of Meyers Nave and increased the existing contract amount by \$50,000.

8. Miscellaneous Matters.

A. Letter of Support For Legislation to Amend OCWD Act.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the General Manager was authorized to send a letter supporting changes to the OCWD Act groundwater water quality provisions.

B. Letter of Support For San Onofre Nuclear Generating Station Restart.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the General Manager was authorized to send a letter supporting the San Onofre Nuclear Generating Station restart.

C. Authorization of Conference Attendance.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, President VANDERWERFF was authorized to attend the MWDOC Elected Officials Forum and Directors DAVERT, BELL and VANDERWERFF were authorized to attend the 2013 Water Summit.

D. Reports from Committees and Representatives to Organizations. None.

E. Directors' Reports on Meetings Attended. None.

9. Informational Items. None.

10. Closed Session. President VANDERWERFF announced that the Board would meet in the following closed session as listed in the agenda: **(A)** conference with special legal counsel – anticipated litigation – initiation of litigation pursuant to Government Code Section 54956.9(d)(4) (two potential cases). Ms. ARNESON was excused and left the meeting prior to the closed session.

OPEN SESSION

Open session was resumed. No action was reported from the closed session.

11. Adjournment.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the meeting was adjourned at 7:05 p.m., the next regular meeting date and time being Thursday, April 18, 2013, at 5:00 p.m., to be held in the Offices of the East Orange County Water District, 185 N. McPherson Road, Orange, California.

Respectfully submitted,



Joan C. Arneson