

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

February 19, 2013

1. **Call to Order.** A Special 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 Tuesday, February 19, 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(B), 10(C) 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
RAY BENNETT	Irvine Ranch Water District
MIKE MARKUS	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. **Orange County Water District Annexation Proposal.** President VANDERWERFF recognized OCWD General Manager MIKE MARKUS, who made a powerpoint presentation regarding the pending annexation proposal. Mr. MARKUS reviewed slides covering several topics: the OCWD annexation policy, uniform cost and equal access, non-adjudicated environment, the 1933 map of OCWD, annexations since 1933, the currently requested annexation areas of YLWD, IRWD and Anaheim, the 2010 MOU with the applicants regarding the CEQA document preparation and cost reimbursement, modeling of pumping locations, the annexation fee and annexation agreement business terms, demand table at varying basin production percentages, drainage and incidental recharge from the foothill areas, production

facilities to be used or constructed for the annexation areas, the annexation fee formula, financial impacts not evaluated under CEQA, BPP history, the Board's recently adopted policy to maintain a 75% BPP and the challenges in doing so, variability of factors that impact the BPP, BPP impact of annexation over time and by individual producer, and schedule. President VANDERWERFF asked what issue was most controversial, and Mr. MARKUS responded that it was the cost impact of the shift of production within the BPP, but that was always OCWD's policy. Director BELL asked about the sources of runoff and actual incidental recharge and OCWD's exploration of approaches to the loss of water to the Los Angeles basin, and commented on the history and commonwealth nature of the Orange County basin. Ms. OHLUND expressed appreciation to Mr. MARKUS for presenting timely information on a complex issue.

A. Memorandum of Understanding For Joint Well Feasibility Investigation. Ms. OHLUND introduced RAY BENNETT and explained that the current recommendation grew out of the issues and discussion with IRWD concerning their plan to construct a second well to serve its area in Orange Park Acres and Orange. She said this led to a discussion of a joint well study to evaluate whether EOCWD's or IRWD's site would be more advantageous. The cost sharing would be 50-50, and the team of Richard Slade/Tetrattech has been mutually selected in a request for proposals process as their approach was considered the best. President VANDERWERFF said the Engineering Committee recommended approval with the addition of clarifying text stating that both parties would have access to all data notwithstanding that IRWD would manage the study. Mr. BENNETT responded that this would be acceptable.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the memorandum of understanding for joint well feasibility investigation between the District and IRWD was approved with the revision proposed by the Committee.

4. General Manager's Report. Responding to questions from Director BARRETT, Ms. OHLUND and Mr. MENDZER updated the information about the East Well rehabilitation work. In response to Director DULEBOHN, Ms. OHLUND elaborated on the coastal pumping shift implemented through underpumping and overpumping by the involved producers and equalization of costs.

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 meetings of January 17 and January 25, 2013, were approved as submitted.

6. Operation, Management and Construction Matters.

C. Local Agency Formation Commission 2013-18 Municipal Services Review/Sphere of Influence Report. Ms. OHLUND noted that LAFCO is working on a proposal to extend the length of the municipal services and sphere review cycle and modify the approach so as to be more of a resource.

D. Water Demand Status Report. Ms. OHLUND said with the recent downward trends it remains to be seen whether the upward Fall trends will continue this Spring.

8. Financial Matters.

A. Schedule of Disbursements. Schedules of disbursements in the following amounts were presented: \$334,471.16 from Wholesale and Retail Operating Funds, \$0 from the Chapman Avenue Account (closed), \$1,555.80 for directors' payroll, and \$35,657.35 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. Ms. OHLUND said she had spoken with Mr. Dewane regarding the last reinvestment placement, he was waiting to see if rates will move up and it will probably be placed in the next 30-60 days. 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 (December 31). Ms. OHLUND reviewed newly added summary pages. 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. Municipal Water District of Orange County Refund of Tier 2 Contributions. Ms. OHLUND explained that a stabilization fund was funded by MWDOC using a melded rate, to cover possible purchase of an amount of water at the Tier 2 rates in response to Metropolitan

Water District's take or pay purchase order requirement. The melded rate was discontinued after 2009 and with decreasing sales and decreasing risk of Tier 2 purchases, MWDOC decided on the recommendation of its Managers to refund a portion of the funds to the agencies. She said the wholesale system credit of \$72,318 will be distributed to the retailers in proportion to their 2007, 2008 and 2009 (first six months) purchases.

8. Miscellaneous Matters.

- A. Reports from Committees and Representatives to Organizations. None.
- B. Directors' Reports on Meetings Attended. None.

9. Informational Items. Ms. OHLUND noted that the City of Tustin presented former director DOUG CHAPMAN with a proclamation expressing appreciation for his services to the District.

10. Closed Sessions. President VANDERWERFF announced that the Board would meet in the following closed session as listed in the agenda: (A) conference with legal counsel – anticipated litigation – significant exposure to litigation (Government Code Section 54956.9(d)(2) (one potential case – notice of breach of Crown telecommunications lease, on file with the District).

OPEN SESSION

Open session was resumed. No action was reported from the closed session. Ms. ARNESON was excused and left the meeting.

President VANDERWERFF then announced that the Board would meet in the following closed session as listed in the agenda: (B) conference with labor negotiators (Government Code Section 54957.6), Agency designated representatives: Directors Bell and VanderWerff, Unrepresented employee: General Manager.

OPEN SESSION

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

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the following modifications were approved to the agreement for the General Manager's employment: 1) a 4.8% increase in the hourly rate to \$49.26/hour (estimated exempt annual salary of \$89,653.20) in recognition that this rate has not been increased since January, 2010, and 2) a \$2,000 annual allowance to be used for educational opportunities such as the CSDA Public Agency manager certification, other related training or participation in professional organizations.

President VANDERWERFF then announced that the Board would meet in the following closed session as listed in the agenda: (C) conference with legal counsel – anticipated litigation – initiation of litigation pursuant to Government Code Section 54956.9(d)(4) (two potential cases).

OPEN SESSION

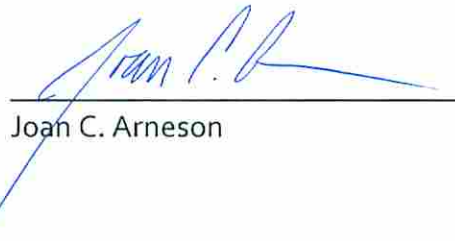
Open session was resumed. No action was reported from the closed session.

11. Adjournment.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the meeting was adjourned at 7:23 p.m., the next regular meeting date and time being Thursday, February 21, 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