

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

November 17, 2011

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, November 17, 2011, 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 following Directors were present: RICHARD BARRETT, RICHARD BELL, DOUGLAS CHAPMAN, JOHN DULEBOHN and WILLIAM VANDERWERFF.

Also present were:

LISA OHLUND	General Manager
JERRY MENDZER	Maintenance & Operations Superintendent
JOAN ARNESON	District Secretary and Legal Counsel
JOHN KENNEDY	Orange County Water District
ADAM HUTCHINSON	Orange County Water District
FRED ADJARIAN	City of Orange

2. **Public Communications to the Board.** None.

3. **Items Arising After Posting of Agenda.** None.

4. **Presentation.** Mr. HUTCHINSON gave a slide presentation on the proposed operations of the Santiago Recharge Basins. Ms. OHLUND asked whether he could provide average recharge data and he said he would determine what information he had. It was suggested that this area of the basin be modeled and Mr. KENNEDY said that OCWD could look at compiling monthly information including the levels of the recharge pits.

5. **General Manager's Report.** Director DULEBOHN asked if dissolved oxygen content of well water was available to see if there is a correlation with the matters discussed in OCWD's presentation relative to the recharge pit levels; Mr. MENDZER said this was not measured but an increase in cloudiness can be observed in the well water when the levels are lower.

ACTION TAKEN:

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

6. Minutes.ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the minutes of the meeting of October 20, 2011 were approved as submitted.

7. Operation, Management and Construction Matters.

A. Irvine Ranch Water District Orange Park Acres Wells Mitigated Negative Declaration. Ms. ARNESON recused herself from this item, and the following minutes were taken by Ms. OHLUND: Ms. OHLUND reported that an Ad-Hoc Committee comprised of President VANDERWERFF, Director BELL and General Manager OHLUND met with an IRWD Committee comprised of President Steve LaMarr, Director Doug Rinehart, General Manager Paul Cook and Director of Planning and Water Resources Greg Heiertz to discuss EOCWD's July 15, 2011 comment letter regarding the IRWD Initial Study/Mitigated Negative Declaration for the Proposed OPA Wells. She noted that the meeting was cordial and productive and that the parties had agreed to meet again to discuss the potential for a shared well of some undefined kind. Staff from both agencies will develop outlines for both a Memorandum of Understanding and engineering services that might be needed to assess the potential cost/benefit of a shared well and will be reviewed at the next meeting that was scheduled for November 21, 2011. President VANDERWERFF noted that the meeting went well and that there is a lot of information that has to be put together, but that they will keep the Board informed as they meet with IRWD.

B. Water Demand Status Report. Ms. OHLUND said demands continue to be down, possibly attributable to the combination of cooler weather, increased rates, and the economy. She said MWD and MWDOC/UCI had commissioned separate related studies.

8. Financial Matters.

A. Schedule of Disbursements. Schedules of disbursements in the following amounts were presented: \$624,770.45 from Wholesale and Retail Operating Funds, \$0 from the Chapman Avenue Account, \$1,262.29 for Directors' payroll, and \$34,223.12 for employees' payroll. On behalf of the Finance Committee, Director CHAPMAN 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 CHAPMAN 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 (September 30).

ACTION TAKEN:

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

D. Investment Program. Director CHAPMAN discussed his recommendation that the 5 year maturity limit be modified in the investment policy to allow up to 20 year maturities for the purpose of moving amounts not needed in the near term to 10 and 20 year Treasury Inflation Protection Securities (TIPS) to provide a better return with inflation protection of the principal. He also said his preference would be to use a discount broker. He noted that the recent advantageous rates on long TIPS have moved away. Director DULEBOHN said it was his preference to be more conservative and not to lengthen the maturity of the investments.

Concern was expressed by other Directors regarding the setting of the inflation index and whether changing market circumstances could lead to lack of liquidity should the funds be needed. Director BARRETT suggested it may be wiser to expend funds to construct a well project when costs are still low. Director BELL said he would like to obtain a recommendation on strategy from professional advisors. Following further discussion, President VANDERWERFF said he felt this recommendation was not going to reach consensus and to move the discussion forward, he made a motion to proceed with it, which was seconded and failed on a vote of 1 – 4. He proposed an ad hoc committee of himself and Director BARRETT to study this independently and make a recommendation. It was the consensus that this was an appropriate next step.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the ad hoc committee was asked to review the staff memo on investment program strategy considerations and any other information considered relevant and to report back to the Board.

9. Miscellaneous Matters.

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

B. Directors' Reports on Meetings Attended. None.

C. Designation Of Voting Delegate To ACWA General Session (Fall Conference).

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, Director Dulebohn was designated to attend the ACWA General Session as the District's voting delegate.

10. Informational Items. No discussion.

11. Adjournment.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the meeting was adjourned at 7:15 p.m., the next regular meeting date and time being Thursday, December 15, 2011, 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