

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

December 16, 2010

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, December 16, 2010, 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
JOAN ARNESON	District Secretary and Legal Counsel
ROB HANFORD	Golden State Water Company
FRED ADJARIAN	City of Orange
PAUL KAYMARK	Charles Z. Fedak & Co.
SANJAY GAUR	Raftelis Financial Consultants, Inc.
ART VALENZUELA	City of Tustin
CHERYL BROTHERS	Orange County Vector Control District
MIKE REED	
JERRY MENDZER	Maintenance & Operations Superintendent
RANDY DUNN	Distribution Worker III
MATT PLUMMER	Distribution Worker I

2. Board of Directors.

A. Oath of Office. Ms. ARNESON administered the oath of office to Directors BARRETT, BELL and DULEBOHN, who were appointed by the Board of Supervisors in lieu of election as a result of the number of persons filing a declaration of candidacy being equal to the number of positions to be filled on November 2, 2010.

B. Election of Officers. Directors VANDERWERFF and CHAPMAN were nominated for the offices of President and Vice President, respectively. Nominations were closed.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (CHAPMAN absent), Directors VANDERWERFF and CHAPMAN were elected as President and Vice President, respectively.

C. Committee/Designated Representative Assignments. President VANDERWERFF stated that he would leave the current assignments in place, but if anyone would like any changes they should let him know.

3. Public Communications to the Board. None at this time.

4. Items Arising After Posting of Agenda. None.

9. Miscellaneous Matters.

D. Employee Recognition.¹ Ms. OHLUND recognized the employees of the District, and commented on the contributions of each of them, including those present and Office Manager Denise Dobson and Accountant Carolyn Mackall. President VANDERWERFF expressed the Board's appreciation to the District's employees for their dedication and efforts. Director BARRETT added an expression of appreciation to Ms. OHLUND.

8. Financial Matters.

C. Audited Financial Statements.¹ Mr. KAYMARK highlighted various items in the statements, including revenues and expenses, differences from 2009, unaccounted for water and the combining schedules. Director CHAPMAN said there were no comments on behalf of the Finance Committee. Ms. OHLUND noted that the management letter was clean.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the audited financial statements and management letter for the fiscal year ended June 30, 2010 were received and filed.

¹ Taken out of agenda sequence.
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7. Operation, Management and Construction Matters.

A. Budget-Based Water Rates. /B. Purchase of Water Billing Software Module.
Ms. OHLUND summarized this year's budgeted revenues and expenses and illustrated the effect of normal and low water sales years on revenue shortfall including replacement funding of \$50,000, with rate adjustments necessary to get to a positive position.

Mr. GAUR made a powerpoint presentation on the development of a budget-based rate structure from the first-phase rate study results. He reviewed indoor water allocation, noting that 55 gallons per capita per day is a well-recognized figure in current conservation legislation. He also reviewed options for defining landscape area: digital mapping (GIS), 30 percent of lot size, and bins of lot sizes, and discussed the pros and cons of each. Mr. GAUR then compared four scenarios for fixed and variable cost recovery, using District data and different rate structures, and solicited the Board's feedback on goals and objectives. Director BELL expressed concern that there may not be enough capability in the landscape area methodologies to address the District's large variation in lot sizes and situations. After further discussion of the comparison matrix, it was the consensus that GIS would be the preferred method. Discussion followed on the timing of proceeding with rate structure development, and the need to move to budget based structures at this time was questioned in light of MWD's recent actions. Director DULEBOHN noted the current discrepancies with AWWA meter charge structure ratios. He disagreed with continuing a uniform structure, and said the District needs to align with conservation rate structures, the direction the industry is moving.

ACTION TAKEN:

Following further discussion, upon a motion duly made, seconded and carried 4-1, (1) direction was given to staff to stay with a uniform structure and add the recommended replacement funding; (2) the purchase of a water billing software module from CUSI was approved in the amount of \$10,000; (3) staff was directed to proceed with adding water budget information (based on GIS) developed in the first phase of the rate study to customers' bills on an informational basis; and (4) in the development of recommended rate adjustments, staff was directed to begin moving the meter charge structure toward AWWA ratios over a time frame of approximately five years.

3. Public Communications to the Board. CHERYL BROTHERS, a member of the Orange County Vector Control Board, introduced herself as a candidate for the LAFCO special district regular seat, and distributed copies of her bio. She said she appreciated the preceding discussion of rate structures, and said as a former member of the City Council of Fountain Valley she recently went through a similar analysis. She said she believed she could fairly represent all special districts in the County. She responded to questions from the Board members on her views of LAFCO's purpose and role, and past criticisms concerning the Commission's unwillingness to correct errors noted in reports and limits on speaking time for principals affected in a proposal.

5. General Manager's Report. Ms. OHLUND noted her and Mr. Mendzer's upcoming schedules during the holidays. Director BARRETT asked if there was any update on Baja

Panorama, and Ms. OHLUND said the County indicates it is about 80% certain the unpaved portion will be included in their paving program.

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 November 18, 2010 were approved as submitted.

7. Operation, Management and Construction Matters.

C. Water Conservation Report. No discussion.

8. Financial Matters.

A. Schedule of Disbursements. The Board reviewed schedules of disbursements in the following amounts: \$228,183.87 from Wholesale and Retail Operating Funds, \$0 from the Chapman Avenue Account, \$2,602.24 for Directors' payroll, and \$32,541.56 for employees' payroll.

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.

ACTION TAKEN:

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

D. Accounting Transition Update. Director CHAPMAN proposed that the Board proceed with staff's recommendation to complete the transition and transfer the financial statement preparation to the staff under the shared accounting staffing arrangement with Serrano Water District. Director DULEBOHN said the recommendation can stand alone, but consideration needs to be given to the oversight role of the auditor. President VANDERWERFF asked that the Finance Committee review the latter question and report back.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the responsibility for the preparation of financial statements was transferred from Schoonover Accountancy Corporation to the accounting staff shared with Serrano water district, effective January 1, 2011.

9. Miscellaneous Matters.

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

B. Directors' Reports on Meetings Attended. None.

D. December 2010 Newsletter. Ms. OHLUND noted that the upcoming newsletters will begin to focus on rate adjustments.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the General Manager was authorized and directed to distribute the newsletter as presented.

10. Informational Items.

11. Closed Sessions. President VANDERWERFF announced that the Board would meet in closed session, as follows: (A) conference with real property negotiators (Government Code Section 54956.8) – property: premises leased for telecommunications at 9312 Jamboree Road, Orange; negotiating parties: AT & T /New Cingular; agency negotiators: Director VanderWerff and General Manager Ohlund; under negotiation: price and terms of lease amendment.

OPEN SESSION

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

12. Adjournment.ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the meeting was adjourned at 7:45 p.m., to Thursday, January 20, 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