

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

May 19, 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 5:05 p.m. on Thursday, May 19, 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
ROY HERNDON	Orange County Water District
BILL NELSON	California Special Districts Association

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

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

4. **General Manager's Report.** Director BARRETT requested further explanation of several items including the K-rail placement on Baja Panorama. Ms. OHLUND responded that it was to protect the pipeline pending the County repairs to the road. She also responded in regard to the trench-cutting on Crawford Canyon for the 2011 Retail Zone Improvements, that a standard trench cut was approved in lieu of the normal lane-width pavement replacement for the pending pipeline projects despite the County's elimination of this street from its repaving project. In regard to the Viewridge Drive slope movement, Ms. OHLUND explained that an unreinforced block wall constructed by a downslope owner to deflect runoff away from the property shows apparent sliding from the weight of the wall and water. Ms. OHLUND said staff will review options when a geotechnical report has been received. Ms. OHLUND also responded concerning the evaluation of use of goats for vegetation control, which is infeasible for the small size of the District's property, opportunities for solar panel applications for water districts, and recent discussions about potential OCWD-MWDOC consolidation.

ACTION TAKEN:

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

6. Operation, Management and Construction Matters.

A. OCWD Presentation On Future OPA Pumping. A slide presentation was given by Roy Herndon, OCWD's chief hydrogeologist, on basin model scenarios that have been developed to evaluate Irvine Ranch Water District's proposed Orange Park Acres wells. At Ms. OHLUND's request, the model runs included hypothetical drought scenarios impacting the ability to recharge water in the Santiago Recharge basins. He said this condition has not actually been experienced. As background, Mr. HERNDON showed the locations of OCWD's various recharge facilities, the Santiago Creek recharge basins, EOCWD and OPA well locations, recharge operations in typical years and in years when Irvine Lake spills, and graphs of such operations since 1990, as well as graphs of the relationship between the recharge operations and EOCWD well levels.

Mr. HERNDON then presented the model scenarios. The first scenario was OPA pumping at 4600 AFY and Santiago recharge at a baseline level, and the second was the same as the first but with no Santiago recharge for two years. The resulting drawdown at the EOCWD wells was 6 feet in Scenario 1 and 45 feet in Scenario 2 (the second year). Mr. HERNDON then showed hydrographs showing that the EOCWD water levels rise again when recharge resumes, and used view graphs to depict these results relative to the East and West Wells' pump bowl levels. Mr. HERNDON concluded his presentation. Ms. OHLUND said the committee would continue reviewing this and bring its recommendation to the Board. Director BELL left the meeting at this time.

5. Minutes. Director BARRETT inquired as to the status of the request by Director BELL for an update on wholesale metering/billing, and Ms. OHLUND said this has been discussed with all but one of the retailers and will be brought back after that occurs.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (BELL absent), the minutes of the meeting of April 21, 2011 were approved as submitted.

6. Operation, Management and Construction Matters.

B. Water Conservation Report. Ms. OHLUND reported that retail sales will be lower than the historical sales.

7. Financial Matters.

A. Schedule of Disbursements. The Board reviewed schedules of disbursements in the following amounts: \$159,700.79 from Wholesale and Retail Operating Funds, \$0 from the

Chapman Avenue Account, \$4,137.67 for Directors' payroll, and \$33,775.88 for employees' payroll.

ACTION TAKEN:

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

C. Reinvestment of Funds in Morgan Stanley Account to LAIF. Ms. OHLUND summarized the in-depth evaluation in committee of whether the investment strategy can be improved. She said the utilization of the Morgan Stanley account was discussed. Staff was also directed to request proposals from advisers used by public agencies and received two responses. Their fees appeared to be too high to be justified with a portfolio as small as EOCWD's. LAIF and the Orange County pool were also studied and compared, as well as use of Ameritrade to execute purchases. BILL NELSON described his district's use of Wells Fargo Advisers including purchases from inventory to build a laddered portfolio and improve return. He said he would provide the adviser's contact information to Ms. OHLUND. President VANDERWERFF said he would like to see presentations to the Board on each of these prospective investment strategies. Ms. OHLUND said that in the current uncertainty, the thinking was to put the bulk of the funds in LAIF or OCIP to have the benefit of professional management and portfolio diversification. She said she would coordinate the review of additional options as discussed, but recommended that at a minimum, funds be transferred from the Morgan Stanley fund to LAIF.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (Bell absent), the Treasurer was authorized and directed to move funds to the Local Agency Investment Fund as needed from the Morgan Stanley Money Market Account to maintain the balance in the latter account at a level of \$200,000.

D. Budget/Water Rates – Revenue Requirements and Retail Rate Increases – Status Report. Ms. OHLUND said she had prepared a presentation for next Wednesday's hearing and would welcome further input.

E. Water Budget Billing System Implementation. Ms. OHLUND said the feedback to date on the new bill format has been positive.

F. Contract for Treasurer Services. Ms OHLUND said a not to exceed amount for the required regular services was incorporated as discussed at the last meeting.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (Bell absent), the contract with Schoonover Accountancy Corporation for services of District Treasurer on a time and materials basis was approved for execution by the President.

G. Preparation of 2011/12 Budgets. Ms. OHLUND reported that the budgets would be reviewed with the Finance Committee next month and would be presented to the Board for approval in July. She said improvement in the basin production percentage to 65% will help to lower water costs.

H. Financial Statements. Ms. OHLUND presented slides showing the retail and wholesale statements of revenues and expenses and she highlighted various items on the accompanying detail pages. On behalf of the Finance Committee, Director CHAPMAN recommended approval.

ACTION TAKEN:

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

8. Miscellaneous Matters.

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

B. Directors' Reports on Meetings Attended. Director CHAPMAN reported on his attendance of the semi-annual MWDOC elected official forum. He said there was a presentation on the State's budgeting issues and that in the current legislative session enterprise districts are again at risk of losing property tax revenues. Future meetings will focus on regional and state water issues.

C. Independent Special District Selection Committee - Bylaws. Ms. OHLUND said she had discussed the District's concerns with the balloting for the election of LAFCO representatives with LAFCO Executive Officer Joyce Crosswaithe, who said the provisions were generated in the bylaws drafting committee and had heard similar concerns raised by other districts. She suggested that the District send a letter expressing its concerns.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (Bell absent), the District cast its vote to reject the proposed bylaws and staff was directed to return the ballot to LAFCO with a letter outlining the District's concerns prior to the May 26, 2011 deadline.

D. Membership in California Special Districts Association. Ms. OHLUND reported that staff's recommendation was not to join CSDA, and she said that this was unfortunate as CSDA is the only organization devoted solely to the concerns of special districts. Mr. NELSON summarized some of the district official educational programs and other services provided by CSDA in addition to state legislative advocacy. Director CHAPMAN suggested dues might be allocated to retail and wholesale in proportion to budget. He requested a sample newsletter.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (Bell absent), this item was continued to the July meeting.

9. Informational Items. None.

10. 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

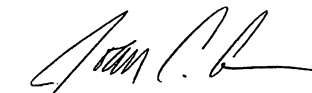
Open session was resumed. Ms. ARNESON reported that on a unanimous vote (Bell absent) the Board approved the Third Amendment to the Lease, providing for an increase in rent, provision for the lessee to reimburse site security improvements costs, modification of the existing lease relocation and termination provisions and other related changes.

11. Adjournment.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the meeting was adjourned at 8:00 p.m., to the next regular meeting date and time being Thursday, June 16, 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