

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

May 25, 2011

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 5:10 p.m. on Wednesday, May 25, 2011, in the meeting room of the El Modena Branch, City of Orange Library, 380 S. Hewes Street, 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
DENISE DOBSON	Office Manager
JOAN ARNESON	District Secretary and Legal Counsel
LARRY DICK	Municipal Water District of Orange County

and the following District residents: LYNN THOMPSON, ELAINE THOMPSON, VIRGINIA LOWE, RAY LOWE, HENRY SCHNEIDER, SHIRLEY SCHNEIDER, JULIA WILMOTH, MICHAEL CARI CARI, TINA CARI CARI, and other District residents.

2. **Public Communications to the Board.** None. (See Item 3.)

3. **Adoption of Retail Water Rates – Public Hearing.** President VANDERWERFF declared this to be the date, time and place set for the hearing on the proposed Retail Zone water service rate increases and declared the hearing to be open. He asked the Secretary if all requirements for notice had been met. Ms. ARNESON stated the date of mailing of the notices and presented an affidavit of mailing.

**ACTION TAKEN:**

Upon a motion duly made, seconded and carried unanimously, the affidavit of mailing as presented to the Board was received and filed.

Ms. ARNESON briefly explained that the purpose of the hearing, under the California Constitution ("Proposition 218") was to permit the property owners to comment upon or present objections to the proposed rate increases.

President VANDERWERFF introduced the members of the Board and staff. Chairman of the Finance Committee Director CHAPMAN made some introductory remarks, explaining that rising costs and a shifting of those costs from the state to the local level will cause rates to increase. He explained that conservation of water has been necessary, but fixed costs must still be covered with reduced sales. In response to questions, he said that although the drought has been declared to be over, there are still supply issues. Other Board members noted that the District's system is aging and must be maintained. Director CHAPMAN also noted that the new water bills show water budget information for each property, but the District has not moved to a budget-based rate structure. He said the Board had considered a tiered rate structure and he hopes to avoid it as long as possible but it could still be necessary in the future. The Board responded to questions about water conservation, fixed costs, and system repairs and refurbishments.

General Manager OHLUND then made a presentation using powerpoint slides. She reviewed the District's mission statement, the history of the two operating divisions, wholesale and retail, and the background for the rate study. She said the District has tried to absorb cost increases but cannot defer a rate increase any longer due to several factors impacting the budget. She said that a three year set of increases is proposed, but if the picture improves, it may be possible to delay some of the increases. As water supplies throughout the state have been utilized, new supplies become more difficult and expensive to develop. Ms. OHLUND compared the rate increases of Metropolitan Water District, Orange County Water District and EOCWD since 2002. She then reviewed budget preparation assumptions. In response to a question as to why consolidation efforts have not succeeded, she said that although there are political factors, a big reason is that because of the District's older system, a neighboring agency cannot absorb it without a cost impact on its existing customers. She explained that the proposed rate structure will begin to shift more of the fixed cost to the meter charges. In response to questions about borrowing, she said that this was reviewed for some projects, but debt service would consume a large amount of the available project funds. She said other measures to reduce costs are being explored. Other questions were responded to, including additional groundwater wells, increasing the customer base, and hard water. A comment was made favoring the Board's decision not implementing a tiered rate structure.

Ms. OHLUND placed copies of correspondence containing protests before the Board. Three written protests were received

President VANDERWERFF thanked those in attendance.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the hearing was closed and Resolution No. 691 was adopted, entitled "Resolution of the Board of Directors of East

Orange County Water District Adopting Changes to Rates for the Sale of Water On A Retail Basis Within the District," adopting the increases as proposed.

4. **Local Agency Investment Fund Signature Authorization.**

**ACTION TAKEN:**

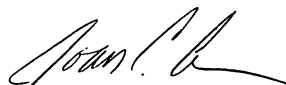
Upon a motion duly made, seconded and carried unanimously, the hearing was closed and Resolution No. 692 was adopted, entitled "Resolution of the Board of Directors of East Orange County Water District Regarding Designation of Officers Authorized To Order Deposit And Withdrawal of District Funds In and From the Local Agency Investment Fund."

5. **Adjournment.**

**ACTION TAKEN:**

Upon a motion duly made, seconded and carried unanimously, the meeting was adjourned at 6:35 p.m., 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,



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Joan C. Arneson