

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

June 16, 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, June 16, 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
JOAN ARNESON	District Secretary and Legal Counsel
SANDRA WHEELER	Wells Fargo Advisors
FRED ADJARIAN	City of Orange

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

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

4. **General Manager's Report.** Ms. OHLUND elaborated on the presentation by Debra Mann of Metropolitan Water District at a recent event in the lecture series for professionals and students, Women in Water.

ACTION TAKEN:

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

8. **Financial Matters.**

D. **Investment Program.** SANDRA WHEELER, Wells Fargo Advisors, made a presentation on improving portfolio performance. She gave her background and experience in representing water districts and other special districts. She said that in the current low interest environment, her firm is able to assist districts in maintaining liquidity in the same types of

Government Code-permitted investments that are held in the County's pool and laddering them, such as brokerage CD's. She showed example portfolios, and said her firm will work within the District's policies as well as statutory limitations on investment types. In response to President VANDERWERFF, she said the fees are built into the price markup in the portfolio, rather than a separate advisory fee, and based on a buy-and-hold strategy without a lot of activity. President VANDERWERFF asked that the Finance Committee consider and report back its recommendation on this information.

5. Minutes.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the minutes of the meetings of May 19 and May 25, 2011 were approved as submitted.

6. Updated Urban Water Management Plan.

A. Updated Urban Water Management Plan – Public Hearing. President VANDERWERFF declared the hearing on the proposed 2010 updated Urban Water Management Plan (UWMP) to be open. He asked the Secretary if all requirements for notice had been met. Ms. ARNESON stated the dates and newspaper of publication and presented affidavits of publication.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the affidavits of publication as presented to the Board were received and filed.

Ms. ARNESON briefly explained that the purpose of the hearing was to permit interested persons to comment upon the proposed amendments to the UWMP.

Ms. OHLUND made a powerpoint presentation on the proposed UWMP, explaining that this is the one repository of demand and supply that combines and reconciles the information from the District as well as OCWD, MWDOC and Metropolitan Water District.

She reviewed the major areas of content of the UWMP, including current and projected demands and supplies for the wholesale and retail systems, reliability in normal, single-dry-year and multiple-dry-year conditions, and factors affecting reliability including the Delta, the Quantification Settlement Agreement, declining Santa Ana River base flows, proposed annexations of Anaheim, Irvine Ranch Water District and Yorba Linda Water District to OCWD, organic (infill) growth. She also summarized factors supporting reliability, including the MWD Integrated Resources Plan, OCWD's GRS project expansion, EOCWD's contingency planning, future supply projects, and demand management efforts including the "20 X 2020" state conservation mandate and MWDOC's recommendations for achieving the gallons per capita per day reductions. She said EOCWD has already reached the required 2015 target GPCD.

Public comment was invited. There was no one present who wished to comment.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the hearing was closed and Resolution No. 693 was adopted entitled "Resolution of the Board Of Directors of the East Orange County Water District Adopting Updated Urban Water Management Plan."

7. Operation, Management and Construction Matters.

A. 2011 Retail Zone System Improvements. Ms. OHLUND reported that award of the two phases to two separate contractors is recommended. She noted that this will produce a significant savings, and although construction management may cost a bit more due to the coordination of two contractors, a similar level of effort would have been required with one contractor, because of the aggressive scheduling and the need to pursue work at the two locations simultaneously. In response to Director BARRETT, Ms. OHLUND said that Harvey Gobas had provided some quality assurance review services and Psomas had bid on the management but was not low.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the 2011 Retail Zone System Improvements Phase I Contract was awarded to J.A. Salazar Construction in the amount of \$ 276,800, and the 2011 Retail Zone System Improvements Phase II Contract was awarded to Kana Pipeline in the amount of \$ 275,625.

Upon a motion duly made, seconded and carried unanimously, a contract was awarded to Butier Engineering in an amount not to exceed \$93,760 for construction administration and inspection services during the 2011 Retail Zone System Improvements Phase I and II contracts.

B. Peters Canyon Reservoir Security Improvements. Director CHAPMAN asked the price difference for higher quality in a portion of the equipment, and Ms. OHLUND said she was trying to cover all necessary items within the available funding. It was the consensus that Ms. OHLUND be given the latitude to optimize the improvements.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the contract with United Physical Security in an amount not to exceed \$45,653.03 was approved as presented, and staff was authorized to expend up to \$14,346.87 to purchase supporting materials and equipment, with the components to be optimized in staff's discretion.

C. Water Conservation Report. Ms. OHLUND had no comments to add on the report as presented.

8. Financial Matters, cont'd.

A. Schedule of Disbursements. The Board reviewed schedules of disbursements in the following amounts: \$267,684.25 from Wholesale and Retail Operating Funds, \$0 from the Chapman Avenue Account, \$2,019.58 for Directors' payroll, and \$33,337.10 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.

C. 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, the financial statements were received and filed.

E. 2011-12 Budgets. Director CHAPMAN noted that the Finance Committee had reviewed changes, and that a contingency is built in. Director DULEBOHN added that this includes conservative assumptions on water sales. Director CHAPMAN said the Board will in the near future need to consider MWD's increases in its readiness-to-serve (RTS) charges. Ms. OHLUND said recovery of this is built in, but the District will need to consider recovery of the appropriate cost of IRWD's and the City of Orange's access to the system when they have little or no demand.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, Resolution Nos. 694 and 695 were adopted, entitled: "Resolution of the Board of Directors of East Orange County Water District Adopting Operating Budget and Making Determination Relative To Appropriations Subject To Limitation For 2011/2012 Fiscal Year (Overall District);" and

"Resolution of the Board of Directors of East Orange County Water District Adopting Operating Budget and Making Determination Relative To Appropriations Subject To Limitation For 2011/2012 Fiscal Year (Retail Zone)."

F. Wholesale Rates.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, Resolution No. 696 was adopted, entitled "Resolution of the Board of Directors of East Orange County Water District Establishing Rates For Sale of Water On A Wholesale Basis Within the District."

9. Miscellaneous Matters.

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

B. Directors' Reports on Meetings Attended. None.

C. Smart Timer Agreement. Ms. OHLUND said MWD has cut back its contribution to this program, but the District's would remain the same and is now stated on a per-timer rather than the previous per-valve basis.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the agreement with MWDOC For Participation In The Weather-Based Irrigation Timer (Smart Timer) Rebate Program For Residential And Commercial Properties was approved.

D. Annual Water Quality Report.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the annual water quality report was received and filed.

10. Informational Items. None. In response to a question regarding the Yorba Linda Water District litigation relating to the Freeway Complex fire, Ms. ARNESON said it was her information that the California Supreme Court had declined to hear YLWD's writ seeking a reversal of the decision on its demurrer, and the matter is proceeding in trial.

11. Adjournment.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the meeting was adjourned at 7:35 p.m., to the next regular meeting date and time being Thursday, July 21,

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,

A handwritten signature in black ink, appearing to read "Joan C. Arneson", written over a horizontal line.

Joan C. Arneson