

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

September 15, 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, September 15, 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, 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

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

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

**4. General Manager's Report.** Director DULEBOHN commended staff for the lower workers' compensation insurance rate to be in effect. Director BARRETT asked for elaboration on the discussion of alternative Delta bypass configurations, and Ms. OHLUND responded regarding the canal and tunnel alternatives.

**ACTION TAKEN:**

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

**5. Minutes.**

**ACTION TAKEN:**

Upon a motion duly made, seconded and carried unanimously (BELL absent), the minutes of the meeting of August 18, 2011 were approved as corrected.

**6. Operation, Management and Construction Matters.**

A. Peters Canyon (6 MG) Reservoir Water Quality. Ms. OHLUND reported that the recent total coliform violation issues had been resolved with the replacement of the sampling tap. The old sampling tap, nearly occluded with tubercles, was viewed at the meeting. It was suspected as a cause, but not removed until other possible causes were first ruled out. Ms. OHLUND said the reservoir is permitted to be excluded from the routine sampling plan and tested by special sampling and she is pursuing this with Department of Public Health representatives.

B. 2011 Distribution System Improvements - Relocation of 8-Inch Line. Ms. OHLUND reported on the status of the work.

C. Baja Panorama 8-Inch Line Relocation. Ms. OHLUND reported that staff has received the County's plans for the road work after some last minute changes, and design is underway for the water line relocation. Director BARRETT noted the steep slope and the need for care in dealing with the spoils, and Ms. OHLUND said staff will remind the County.

D. Water Conservation Report. Ms. OHLUND said that some demand reduction may be anticipated as the first bills at the new rates have been sent.

**7. Financial Matters.**

A. Schedule of Disbursements. Schedules of disbursements in the following amounts were presented: \$854,703.06 from Wholesale and Retail Operating Funds, \$0 from the Chapman Avenue Account, \$1,550.64 for Directors' payroll, and \$42,086.93 for employees' payroll. 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 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 (BELL absent), the schedules of investments were ratified and approved.

C. Financial Statements (June 30). Director CHAPMAN commented on the manner of showing revenues and expenses, and Ms. OHLUND said this is being refined to provide better clarity. She responded to President VANDERWERFF regarding the timing of property tax distributions. 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.

D. Investment Program. Ms. OHLUND said changes in the current program were discussed at the July Board meeting with a presentation by Wells Fargo Investment Advisers, referred to the Finance Committee and the Committee was now prepared to bring its discussion back to the Board. Director CHAPMAN said he was of the opinion that the District should seek to improve its return while maintaining the existing criteria, and that moving amounts not needed in the near term to 10 and 20 year Treasury Inflation Protection Securities (TIPS) would provide both an improved return and inflation protection of the principal, and can be bought and sold in the secondary market. He added that LAIF and the Orange County Pool are more focused on liquidity and this limits laddering of their portfolios to greater return. He recommended that the 5 year maturity limit be modified in the investment policy to allow up to 20 year maturities for this purpose. He also said his preference would be to use a discount broker.

Director DULEBOHN disagreed with these recommendations. He said his view was that from a broader policy perspective, the District should not be directly managing investments and should be using professionals, including the professionally managed pools. He said safety was important from the standpoint of public accountability, and although TIPS may have adequate safety, it would be preferable to have that determined through a professional, as there may be factors not known to the District that need to be considered. His preference was staff's alternative no. 4 (divide \$2million between Wells Fargo and the Orange County pool, monitor performance and make periodic adjustments).

Ms. OHLUND said that consideration needs to be given to uncertainty in the District's liquidity needs and unknowns that may create volatility in the secondary market and inflation rates established by the federal government.

It was suggested that further discussion be deferred until there is a full Board present, and also that Mr. Schoonover be invited to the meeting to provide input. Director CHAPMAN proposed that the Board at least approve the longer maturity to 20 years, as there is a statutory 90 day waiting period after that. A motion was made by CHAPMAN, seconded by BARRETT, to approve a maturity of up to 20 years for TIPS. After further discussion, the matter was tabled.

E. Wholesale/Retail Cost Allocation Methodology. Director CHAPMAN said the current approach primarily originated between the Finance Committee and Mr. Schoonover several years ago. Ms. OHLUND noted that changes have been made over time, and said revisions were being proposed at this time to clarify and restate the methodology, including direct allocation of expenses specifically attributable to retail or wholesale system or split by connection (SCADA split), equal division of overhead and non-allocable items; bank charges and labor. Ms. OHLUND said labor has been allocated using a rolling 3-month average which is very time-consuming but doesn't provide materially greater accuracy, and it is proposed to change this to an historic 5-year average reset annually. The Finance Committee recommended approval.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (BELL absent), the allocation of expenses between Wholesale and Retail Zone, based upon allocation methodology as presented and use of five-year labor and five-year bank charges methodology as rolling averages to be adjusted and updated annually, was approved.

F. Pay Schedule. Ms. OHLUND said the compensation amounts recently approved by the Board need to be adopted and set forth in the form of a schedule pursuant to PERS requirements. She said ranges can also be used and will be considered in committee for the future. President VANDERWERFF commented that the General Manager's compensation should not be shown as hourly, because it is misleading even though stated that way pursuant to PERS time-base requirements. Revisions were proposed.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (BELL absent), Resolution No. 698 was adopted, entitled "Resolution of the Board of Directors of the East Orange County Water District Adopting Pay Schedule."

**8. Miscellaneous Matters.**

- A. Reports from Committees and Representatives to Organizations. None.
- B. Directors' Reports on Meetings Attended. None.


9. Informational Items. Director DULEBOHN reported that he cast the District's vote for the Region 10 nominating committee's proposed slate of officers and board members.

10. Adjournment.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (BELL absent), the meeting was adjourned at 7:10 p.m., the next regular meeting date and time being Thursday, October 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,



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Joan C. Arneson