

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

September 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 5:05 p.m. on Thursday, September 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

2. **Public Communications to the Board.** None.
3. **Items Arising After Posting of Agenda.** None.
4. **General Manager's Report.**

**ACTION TAKEN:**

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

5. **Minutes.**

**ACTION TAKEN:**

Upon a motion duly made, seconded and carried unanimously, the minutes of the meetings of August 19 and August 26, 2010 were approved as submitted.

## 6. Operation, Management and Construction Matters.

A. Peters Canyon 6MG Reservoir Improvements. Ms. OHLUND presented slides of the vent screens and the installation of perforated screens to cover wooden surfaces. She said the remaining work was to complete the siding.

B. Santa Ana River Groundwater Recharge. Ms. OHLUND presented slides from a recent OCWD Water Issues Committee item shared with the OCWD producers. She said it was important information to be aware of on the health of the basin supplies. She noted graphs showing trends of historical rainfall, base flow and storm flow, including a 36% decline in the base flow since 1998/99. She said this is primarily due to improving water supply management in the Inland Empire, and Director BELL added that this includes better groundwater use, overdrafting and banking practices similar to OCWD's, and reclamation. Ms. OHLUND then noted OCWD's pursuit of accelerated efforts by the Corps of Engineers to raise the storage pool behind Prado Dam; shifting in the makeup of basin recharge sources; and OCWD's consideration of annexations and groundwater cleanup projects, which will impact the replenishment assessment. She said OCWD will consider a modified policy on future cleanup projects after the projects currently proposed by Irvine Ranch Water District and Mesa Consolidated Water District.

C. Water Conservation Report. Ms. OHLUND reported that the cooler summer resulted in a lower demand. She said there has been discussion of Metropolitan's retaining the allocation but not imposing the penalty, which could alleviate the need to accumulate penalty revenue.

## 7. Financial Matters.

A. Schedule of Disbursements. The Board reviewed schedules of disbursements in the following amounts: \$606,171.84 from Wholesale and Retail Operating Funds, \$22,485.36 from the Chapman Avenue Account, \$1,716.10 for Directors' payroll, and \$35,866.29 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 DULEBOHN recommended approval.

### ACTION TAKEN:

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



C. Accounting Transition Update. Ms. OHLUND reported that staff is working with Carl Schoonover on the transition of accounting functions to the shared staffing agreement with Serrano Water District, with some additional input by Paul Kaymark from EOCWD's independent auditors, and it is proceeding smoothly. She said after an interim period of shadow accounting with Mr. Schoonover, the full transition should be possible by January. Director DULEBOHN said the Finance Committee is evaluating the future handling of treasurer and auditor functions, including cost comparisons, as the transition proceeds. Director BELL recommended that separation of treasury and accounting functions be considered in this, given the shared arrangement with another agency.

D. Water Budget Study. Ms. OHLUND said that after the study which has been completed, the next step in the ongoing process of evaluating rates is to determine the actual rate structure in comparison with the existing uniform structure. The Raftelis proposal now before the Board is for the performance of the study for about \$12,000, with an option for development of a web-feature for customers to access their water budget and use information.

Director CHAPMAN suggested that in addition to uniform and budget-based structures, another budget-based option should be evaluated whereby fixed costs would be recovered from fixed revenues in the form of a flat meter charge as currently used, in combination with a new flat charge based on a percentage of the customer's budget allocation and reflecting the expected penalty amount to be paid by EOCWD to MWDOC for total over-allocation use. This could be reconciled and adjusted at the end of the year. Director CHAPMAN added that he doubts the multiple tiers used by some agencies with as many as seven tiers effectively modify behavior. Ms. OHLUND said that with the proposed study, the various approaches that the District will be able to input into the study model can include the approach suggested by Director CHAPMAN. In regard to the Proposition 218 compliance, Ms. ARNESON discussed Proposition 218, Article X of the California Constitution and previous case law examining the validity of tiered rates. She said that under Water Code provisions chaptered two years ago, requirements are specified for budget-based structures to satisfy penalty revenue nexus with conservation and water overuse expenses as well as proportionality among customer allocations and charges. Ms. OHLUND said it is important to have the study documented as support for these determinations, and it should include a revenue analysis, a cost of service analysis and a rate design analysis. Director CHAPMAN suggested that with the rate information already developed through Raftelis' work to date, the District's Treasurer and Engineer can create the allocations at less than the significant cost being proposed. Director BELL said that an analysis of fixed cost allocation to meter sizes is also needed, and Director DULEBOHN said he was in favor of the proposal because Raftelis has performed similar work for El Toro Water District which uses the same billing system as EOCWD. Director BARRETT noted that when the Board first voted to begin this study process, he had not been in favor of incurring the expense to do so, but the decision was made to go ahead. Director DULEBOHN added that at this point it would not make sense to abandon the process without finishing it. Director BARRETT moved, seconded by Director BELL, that Tasks 1 – 4 be authorized and Task 5 be omitted. President VANDERWERFF said only the first two tasks were needed and he was not convinced the entire study including design of a tiered structure is the right way to go.

ACTION TAKEN:

Upon the above motion duly made and seconded, and carried 4-0-1 on a roll call vote (VANDERWERFF abstaining), the contract with Raftelis Financial Consultants, Inc., to perform a water budget rate study (Tasks 1 – 4, only) was approved.

8. Miscellaneous Matters.

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

B. Directors' Reports on Meetings Attended. Director DULEBOHN reported that he had observed staff's work to correct an overflow at the 1 million gallon reservoir on Labor Day, as they identified the cause to be a failed zone valve and retained Doty Brothers to make the repairs which were completed early the next morning. He commended staff, and Ms. OHLUND also expressed thanks to Golden State Water Company and Tustin for their assistance.

9. Informational Items. None.

10. Adjournment.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the meeting was adjourned at 5:40 p.m., to Thursday, October 21, 2010, 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