

February 24, 2014

Board of Directors  
East Orange County Water District  
185 N. McPherson Road  
Orange, California 92869

Dear Members of the Board,

Please be advised that an adjourned regular meeting of the Board of Directors of the East Orange County Water District will be held on Thursday, **February 27, 2014, at 5:00 p.m.** in the offices of the East Orange County Water District, 185 N. McPherson Road, Orange, California. Enclosed please find the agenda for the meeting.

Very truly yours,

EAST ORANGE COUNTY WATER  
DISTRICT

By:  Joan C. Arneson  
Secretary

JCA/

Enclosures

cc: Mailing List

150473

AGENDA

EAST ORANGE COUNTY WATER DISTRICT  
(EOCWD)

Thursday,  
February 27, 2014  
(Adjourned Regular)

5:00 p.m.

1. **Call Meeting to Order and Pledge of Allegiance – President VanderWerff**
2. **Public Communications to the Board**
3. **Addition of Items Arising After Posting of Agenda Requiring Immediate Action**  
(Requires 2/3 vote or unanimous vote if less than 2/3 of members are present)

**Recommended Motion:** “THAT IT BE DETERMINED THAT THE NEED TO TAKE IMMEDIATE ACTION ON [SPECIFY ITEM(S)] CAME TO THE DISTRICT’S ATTENTION AFTER POSTING OF THE AGENDA AND THAT SUCH ITEM(S) BE ADDED TO THE AGENDA”

4. **Board Vacancy**
  - A. Consideration of candidates and information presented and discussed at February 26 candidate forum (Exhibit “A”)
  - B. Selection – nominations/ voting
  - C. Appointment (Exhibit “B”)

**Recommended Motion:** “THAT RESOLUTION NO. \_\_\_\_ BE ADOPTED, ENTITLED ‘RESOLUTION OF THE BOARD OF DIRECTORS OF THE EAST ORANGE COUNTY WATER DISTRICT APPOINTING \_\_\_\_\_ TO THE OFFICE OF DIRECTOR’”

- D. Administration of oath of office
- E. Account signature authorizations – update authorizations (Exhibit “C”)

**Recommended Motion:** “THAT RESOLUTION NO. \_\_\_\_ BE ADOPTED, ENTITLED: ‘RESOLUTION OF THE BOARD OF DIRECTORS OF THE EAST ORANGE COUNTY WATER DISTRICT AUTHORIZING SIGNATURES FOR ALL ACCOUNTS, AUTHORIZING SELECTION OF DEPOSITORIES, AND RESCINDING PRIOR RESOLUTION’”

**Recommended Motion:** “THAT RESOLUTION NO. \_\_\_\_ BE ADOPTED, ENTITLED: ‘RESOLUTION OF THE BOARD OF DIRECTORS OF THE EAST ORANGE COUNTY WATER DISTRICT REGARDING DESIGNATION OF OFFICERS AUTHORIZED TO ORDER

(Next available Resolution No: 725)

SALE, ASSIGNMENT, TRANSFER, AND/OR DELIVERY OF DISTRICT INVESTMENT SECURITIES (RAYMOND JAMES FINANCIAL SERVICES, INC., ACCOUNT, AND RESCINDING PRIOR RESOLUTION)”

**Recommended Motion:** “THAT RESOLUTION NO. \_\_\_\_ BE ADOPTED, ENTITLED: ‘RESOLUTION OF THE BOARD OF DIRECTORS OF THE 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. General Manager’s Report (Exhibit “D”)**

**Recommended Motion:** “THAT THE GENERAL MANAGER’S REPORT BE RECEIVED AND FILED”

**6. Approval of Minutes of January 16 and February 3, 2014 Meetings (Exhibit “E”)**

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

**A. Orange County Sanitation District #7 (Exhibit “F”)**

**Recommended Motion:** “THAT AGREEMENTS WITH ORANGE COUNTY SANITATION DISTRICT FOR TRANSFER OF AREA OF FORMER COUNTY SANITATION DISTRICT NO .7 AND THE PROVISION OF INTERIM SERVICES BE APPROVED AND THAT STAFF BE AUTHORIZED TO EXECUTE SAID AGREEMENTS AS PRESENTED WITH NON-SUBSTANTIVE CHANGES; THAT ACCEPTANCE OF A QUITCLAIM DEED FROM ORANGE COUNTY SANITATION DEED IN THE FORM PRESENTED BE AUTHORIZED; AND THAT RESOLUTION NO. \_\_\_\_ BE ADOPTED, ENTITLED: ‘RESOLUTION OF APPLICATION BY THE EAST ORANGE COUNTY WATER DISTRICT REQUESTING THE LOCAL AGENCY FORMATION COMISSION TO INITIATE PROCEEDINGS FOR THE REORGANIZATION OF TERRITORY’”

**B. Declaration of drought emergency by Governor Brown (Exhibit “G”)**

**Recommended Motion:** “THAT STAFF BE DIRECTED TO REVIEW THE DISTRICT’S WATER CONSERVATION ORDINANCE AND RETURN WITH RECOMMENDATIONS FOR IMPLEMENTATION STEPS”

**C. Recognition of Harvey Gobas for District Engineer services (Exhibit “H”)**

**Recommended Motion:** “THAT RESOLUTION NO. \_\_\_\_ BE ADOPTED, ENTITLED: ‘RESOLUTION OF THE BOARD OF DIRECTORS OF THE EAST ORANGE COUNTY WATER DISTRICT EXPRESSING APPRECIATION, COMMEMORATING AND INVITING PUBLIC ATTENTION TO THE OUTSTANDING SERVICES RENDERED BY HARVEY R. GOBAS AS THE DISTRICT’S ENGINEER’”

**D. Wholesale and retail water usage report (Exhibit “I”)**

## **8. Financial Matters**

- A. Approval of schedules of disbursements (Exhibit “J”)

**Recommended Motion:** “THAT THE SCHEDULES OF DISBURSEMENTS BE APPROVED”

- B. Report on investments/ ratification of investment activity (Exhibit “K”)

(1) Investment report

**Recommended Motion:** “THAT THE SCHEDULES OF INVESTMENTS BE RATIFIED AND APPROVED”

- C. Receipt and filing of financial statements (December 31) – (Exhibit “L”)

**Recommended Motion:** “THAT THE FINANCIAL STATEMENTS BE RECEIVED AND FILED”

- D. Annual review of investment policy and delegation of authority to effect investment transactions (Exhibit “M”)

**Recommended Motion:** “THAT RESOLUTION NO. \_\_\_\_ BE ADOPTED, ENTITLED: ‘RESOLUTION OF THE BOARD OF DIRECTORS OF THE EAST ORANGE COUNTY WATER DISTRICT APPROVING INVESTMENT POLICY AND AUTHORIZING THE TREASURER TO INVEST FUNDS’”

- E. Reserve fund policy (Exhibit “N”)

**Recommended Motion:** “THAT RESOLUTION NO. \_\_\_\_ BE ADOPTED, ENTITLED: ‘RESOLUTION OF THE BOARD OF DIRECTORS OF THE EAST ORANGE COUNTY WATER DISTRICT APPROVING RESERVE FUNDS POLICY’”

## **9. Miscellaneous Matters**

- A. Reports from committees and representatives to organizations
- B. Directors’ reports on meetings attended

## **10. Informational Items**

- A. General interest publications (Exhibit “1”)

## **11. Closed Sessions**



- A. Closed session – conference with legal counsel – anticipated litigation – initiation of litigation pursuant to Government Code Section 54956.9(d)(4) (one potential case)

### Open Session

Reconvene in open session and report or take action(s) (if any) regarding litigation item

## 12. Adjournment

The scheduled date of the next Regular Meeting of the Board of Directors is **March 20, 2014**, at 5:00 p.m., in the offices of the East Orange County Water District, 185 N. McPherson Road, Orange, California.

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Availability of agenda materials: Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the East Orange County Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board are available for public inspection in the District's office, 185 N. McPherson Road, Orange, California ("District Office"). If such writings are distributed to members of the Board less than 72 hours prior to the meeting, they will be available at the reception desk of the District Office during business hours at the same time as they are distributed to the Board members, except that if such writings are distributed less than one hour prior to, or during, the meeting, they will be available in the meeting room of the District Office.

Disability-related accommodations: The East Orange County Water District Board of Directors meeting room is wheelchair accessible. If you require any special disability-related accommodations (e.g., access to an amplified sound system, etc.) please contact Denise Dobson in the District Office at (714) 538-5815 during business hours at least seventy-two (72) hours prior to the scheduled meeting. This agenda can be obtained in alternative format upon written request to Denise Dobson in the District Office, at least seventy-two (72) hours prior to the scheduled meeting.



# MEMO

**TO: BOARD OF DIRECTORS**  
**FROM: GENERAL MANAGER**  
**SUBJECT: APPOINTMENT TO VACANT BOARD SEAT**  
**DATE: FEBRUARY 27, 2014**

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## **BACKGROUND**

On January 25, 2014, Director Richard Barrett notified the District that he was resigning his position, creating a vacancy on the Board. On February 3, 2014, the Board accepted his resignation with regret and directed staff to notice the vacant position; the Board has 60 days to appoint a successor. An appointed successor will serve until November 2014, at which time the current term would expire.

Notice of the vacancy was advertised in the following areas:

- 1) Published the "Notice of Vacancy" for a seven (7) day period in the public notices section of the *Orange County Register*.
- 2) Published an advertisement of the vacancy in the *Foothill Sentry*; paper published on February 11<sup>th</sup> and released soon thereafter.
- 3) Placed a "Notice of Vacancy" at the Tustin, Orange and El Modena Libraries
- 4) Placed a notice of the vacancy in a front banner of the EOCWD website
- 5) Placed a "Notice of Vacancy" in the marquee at the District Administrative Office.

An application form was designed and placed on the District's website along with other related instructions, including the deadline for submission: Friday, February 21<sup>st</sup>. Applicants have two requirements: be a resident within the District's boundaries and a registered voter within the District. At the time of this memo, the District Secretary was in the process of confirming these requirements for all applicants.

At the time this memo was drafted, interviews were scheduled with seven candidates at the adjourned meeting held at 5:00 p.m. on February 26, 2014; their applications are attached:

1. Chapman, Douglas M.
2. Denny, Mark
3. Everett, Seymour B.
4. Merino, Michael R.
5. Nelson, Richard
6. Schneider, Henry
7. Sears, John L.

Subsequent to those interviews, the Board is scheduled at the regular February 27<sup>th</sup> meeting to vote on the appointment of one of the candidates. A paper ballot will be distributed to each Board Member that lists the name of each of the candidates. In the event of a tie, additional rounds of balloting will occur until one candidate obtains at least three votes. The District Secretary will count the ballots and announce the results.

The Board Secretary will administer the Oath of Office to the appointed candidate and they will take their seat immediately.

Original agenda modified for privacy request reasons.

Original attachments can be viewed at East Orange County Water District office.

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
EAST ORANGE COUNTY WATER DISTRICT  
APPOINTING \_\_\_\_\_ TO THE OFFICE OF  
DIRECTOR**

WHEREAS, there exists a vacancy in the office of Director of the East Orange County Water District as of January 25, 2014, by reason of the resignation of Richard E. Barrett; and

WHEREAS, the East Orange County Water District has complied with all statutory prerequisites to filling the vacancy by appointment by the remaining members of the Board of Directors until the next District general election (November, 2014); and

WHEREAS, the Board of Directors of the District has considered the qualifications for and interest of \_\_\_\_\_ in serving as a member of this Board.

NOW, THEREFORE, the Board of Directors of the East Orange County Water District does hereby RESOLVE, DETERMINE AND ORDER as follows:

Section 1. That \_\_\_\_\_ be and the same is hereby appointed as a member of the Board of Directors of the East Orange County Water District, and shall take office upon execution of the oath of office.

Section 2. That the Secretary of the District be and the same hereby is directed to deliver a certified copy of this resolution to the above-named person.

ADOPTED, SIGNED AND APPROVED this 27<sup>th</sup> day of February, 2014.

\_\_\_\_\_  
President  
EAST ORANGE COUNTY WATER DISTRICT  
and of the Board of Directors  
thereof

\_\_\_\_\_  
Secretary  
EAST ORANGE COUNTY WATER DISTRICT  
and of the Board of Directors  
thereof

I, JOAN C. ARNESON, Secretary of the Board of Directors of the EAST ORANGE COUNTY WATER DISTRICT, do hereby certify that the foregoing Resolution No. \_\_\_\_ was duly adopted by the Board of Directors of said District at an adjourned Regular Meeting of said District held on February 27, 2014, and that it was so adopted by the following vote:

AYES:        BELL, DAVERT, DULEBOHN, VANDERWERFF

NOES:        NONE

ABSENT:     NONE

ABSTAIN:    NONE

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Secretary  
EAST ORANGE COUNTY WATER DISTRICT  
and of the Board of Directors  
thereof



# MEMO

**TO: BOARD OF DIRECTORS**  
**FROM: GENERAL MANAGER**  
**SUBJECT: ACCOUNT SIGNATURE AUTHORIZATIONS**  
**DATE: FEBRUARY 27, 2014**

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## **Background**

Attached to this memo are three resolutions required as a function of the appointment of a new Board Member:

- 1) Authorizing signatures for all accounts, authorizing selection of depositories, and rescinding a prior resolution.
- 2) Authorization to order the deposit and withdrawal of district funds between our bank and the Local Agency Investment Fund (LAIF)
- 3) Designating officers authorized to order the sale, assignment, transfer, and/or delivery of district investment securities (Raymond James Financial Services, Inc. account and rescinding prior resolution)

## **Recommendation**

"That Resolution no. \_\_\_\_ be adopted, entitled: 'Resolution of the Board of Directors of the East Orange County Water District authorizing signatures for all accounts, authorizing selection of depositories, and rescinding prior resolution'"

"That Resolution no. \_\_\_\_ be adopted, entitled: 'Resolution of the Board of Directors of the 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'"

"That Resolution no. \_\_\_\_ be adopted, entitled: 'Resolution of the Board of Directors of the East Orange County Water District regarding designation of officers authorized to order sale, assignment, transfer, and/or delivery of district investment securities (Raymond James Financial Services, Inc., account, and rescinding prior resolution)'"

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE EAST  
ORANGE COUNTY WATER DISTRICT AUTHORIZING  
SIGNATURES FOR ALL ACCOUNTS, AUTHORIZING  
SELECTION OF DEPOSITORIES, AND RESCINDING PRIOR  
RESOLUTION**

WHEREAS, by Resolution No. 714, the Board of Directors authorized signatures for all of the District's accounts at depositories designated by the Auditor; and

WHEREAS, the Board of Directors desires to revise its designation of the authorized signatures.

NOW, THEREFORE, the Board of Directors of EOCWD DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. The Auditor (Treasurer) is authorized and directed, subject to periodic review by the Board of Directors, to designate and redesignate from time to time, a depository or depositories for corporation checking and savings account(s) of the District, which accounts shall be governed by the rules, regulations, bylaws, and practices of the respective depositories including interest, service charges and other matters.

Section 2. Richard B. Bell, Douglass S. Davert, John Dulebohn, William VanderWerff and \_\_\_\_\_ are designated as the officers of the District authorized to draw checks on, withdraw funds from, and endorse and receive payments to the District's accounts at each of said depositories in the manner set forth in Section 3 hereof. The Secretary is hereby authorized to certify their signatures, which certification shall be attached as Exhibit "A" hereto and is incorporated herein by this reference, and is further authorized, where required, to certify their signatures upon an appropriate bank depositor's agreement or card.

Section 3. Signatures of any two (2) of the officers named in Section 2 are required upon any endorsements to, checks or withdrawals from said depositories.

Section 4. Each of the said depositories designated by the Auditor (Treasurer) hereunder is authorized to honor and act in accordance with any such instruments so signed or endorsed and presented to it.

Section 5. The authorities hereby conferred shall continue in full force until written notice of the revocation thereof by the Board of Directors of this District shall have been received

authorized and directed to execute and deliver bank depositor agreements and/or cards, funds transfer agreements, depository or custodial agreements and any and all other documents and instruments necessary to or proper for carrying out the authorities conferred by this Resolution. The District Auditor (Treasurer) is directed to deliver any such agreements, cards, documents and instruments to the respective depositories.

Section 7. The Auditor (Treasurer) of the District is directed to make a monthly report of all such accounts and transactions to this Board of Directors.

Section 8. Resolution No. 714 is hereby rescinded, and all other previous signature authorizations given for depositories of the District are hereby rescinded.

ADOPTED, SIGNED AND APPROVED this 27<sup>th</sup> day of February, 2014.

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President  
EAST ORANGE COUNTY WATER DISTRICT  
and of the Board of Directors  
thereof

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Secretary  
EAST ORANGE COUNTY WATER DISTRICT  
and of the Board of Directors  
thereof



I, JOAN C. ARNESON, do hereby certify that I am the duly appointed, qualified and acting Secretary of the EAST ORANGE COUNTY WATER DISTRICT, a county water district organized and existing under and by virtue of the laws of the State of California, and I further certify that the persons whose names are set forth below are the duly elected and/or appointed members of the Board of Directors of the EAST ORANGE COUNTY WATER DISTRICT and are the persons authorized under Resolution No. \_\_\_\_, by any two (2) of their signatures, to draw checks on, withdraw funds from, and endorse and receive payments to the District's accounts at depositories designated by the Auditor (Treasurer) of the District, and that the signatures set forth opposite their names below are their true and genuine signatures.

\_\_\_\_\_  
Director

RICHARD B. BELL  
Director

DOUGLASS S. DAVERT  
Director

JOHN DULEBOHN  
Director

WILLIAM VANDERWERFF  
Director

Dated: \_\_\_\_\_

\_\_\_\_\_  
JOAN C. ARNESON  
Secretary of EAST ORANGE COUNTY  
WATER DISTRICT and of the Board of  
Directors thereof

**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**

WHEREAS, Section 16429.1 of the Government Code of the State of California provides for the creation, maintenance and operation of the Local Agency Investment Fund in the State Treasury (“LAIF”), into which money of a local agency may be deposited for purposes of investment by the State Treasurer; and

WHEREAS, the Board of Directors has previously authorized and does hereby find that the deposit and withdrawal of East Orange County Water District (District) money in and from LAIF in accordance with the provisions of Government Code Section 16429.1 for the purpose of investment as stated therein is in the best interest of the District; and

WHEREAS, the Board of Directors of the District desires to modify its designation of officers authorized to order the deposit or withdrawal of District funds in and from LAIF;

NOW, THEREFORE, the Board of Directors of the East Orange County Water District DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. The deposit and withdrawal of District money in and from LAIF, in accordance with the provisions of Government Code Section 16429.1 for the purpose of investment as stated therein, is hereby authorized.

Section 2. The individuals holding the following offices or titles of the District or their successors in office shall be authorized, each acting singly, to order the deposit or withdrawal of District money in and from LAIF:

William VanderWerff	President
John Dulebohn	Director
	Director
Carl R. Schoonover	Treasurer
Joyce A. Doran	Assistant to the Treasurer
Denise Dehaan	Office Manager

ADOPTED, SIGNED AND APPROVED this 27<sup>th</sup> day of February, 2014.

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President

EAST ORANGE COUNTY WATER DISTRICT  
and of the Board of Directors  
thereof

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Secretary

EAST ORANGE COUNTY WATER DISTRICT  
and of the Board of Directors  
thereof

I, JOAN C. ARNESON, Secretary of the Board of Directors of the EAST ORANGE COUNTY WATER DISTRICT, do hereby certify that the foregoing Resolution No. \_\_\_\_ was duly adopted by the Board of Directors of said District at an adjourned Regular Meeting of said District held on February 27, 2014, and that it was so adopted by the following vote:

AYES:           BELL, DAVERT, DULEBOHN, VANDERWERFF, \_\_\_\_\_

NOES:           NONE

ABSENT:        NONE

ABSTAIN:       NONE

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Secretary  
EAST ORANGE COUNTY WATER DISTRICT  
and of the Board of Directors  
thereof

**RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE EAST ORANGE COUNTY WATER DISTRICT  
REGARDING DESIGNATION OF OFFICERS AUTHORIZED  
TO ORDER SALE, ASSIGNMENT, TRANSFER, AND/OR  
DELIVERY OF DISTRICT INVESTMENT SECURITIES  
(RAYMOND JAMES FINANCIAL SERVICES, INC., ACCOUNT)**

WHEREAS, the Board of Directors of the East Orange County Water District has adopted the Investment Policy of the District (the "Policy"); and

WHEREAS, the Board of Directors maintains an account with Raymond James Financial Services, Inc. (the "Account"), to provide broker/dealer services as requested with respect to the investment of District funds and the holding of investments in the District's name, as authorized and directed by the Board and the Treasurer pursuant to and in accordance with the Policy; and

WHEREAS, the Board of Directors desires to revise its designation of officers authorized to order the sale, assignment, transfer, and/or delivery of District investment securities in, to and from the Account;

NOW, THEREFORE, the Board of Directors of the East Orange County Water District DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. Richard B. Bell, Douglas S. Davert, John Dulebohn, William VanderWerff and \_\_\_\_\_ are designated as the officers of the District authorized to order the sale, assignment, transfer, and/or delivery of District investment securities in, to and from the Account in the manner set forth in Section 2 hereof. The Secretary is hereby authorized to certify their signatures, which certification shall be attached as Exhibit "A" hereto and is incorporated herein by this reference, and is further authorized, where required, to certify their signatures upon an appropriate account agreement or card.

Section 2. Signatures of any two (2) of the officers named in Section 1 are required upon any orders for the sale, assignment, transfer, and/or delivery of District investment securities in, to and from the Account.

Section 3. Raymond James Financial Services, Inc., is authorized to honor and act in accordance with any such instruments so signed or endorsed and presented to it.

Section 4. The authorities hereby conferred shall continue in full force until written notice of the revocation thereof by the Board of Directors of this District shall have been received

Section 5. The President, Secretary and each other officer of the District is hereby authorized and directed to execute and deliver account agreements and/or cards, funds transfer agreements, depository or custodial agreements and any and all other documents and instruments necessary to or proper for carrying out the authorities conferred by this Resolution.

Section 6. The Treasurer of the District is directed to include information relating to the Account in his monthly report of investments to this Board of Directors.

Section 7. Resolution No.715 is hereby rescinded, and all other previous signature authorizations given for the Account are hereby rescinded

ADOPTED, SIGNED AND APPROVED this \_\_\_\_ day of February, 2014.

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President  
EAST ORANGE COUNTY WATER DISTRICT  
and of the Board of Directors  
thereof

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Secretary  
EAST ORANGE COUNTY WATER DISTRICT  
and of the Board of Directors  
thereof

I, JOAN C. ARNESON, do hereby certify that I am the duly appointed, qualified and acting Secretary of the EAST ORANGE COUNTY WATER DISTRICT, a county water district organized and existing under and by virtue of the laws of the State of California, and I further certify that the persons whose names are set forth below are the duly elected and/or appointed members of the Board of Directors of the EAST ORANGE COUNTY WATER DISTRICT and are the persons authorized under Resolution No. \_\_\_\_, by any two (2) of their signatures, to order the sale, assignment, transfer, and/or delivery of District investment securities in and from the Account (as defined in said Resolution) in the manner set forth in Section 2 thereof, and that the signatures set forth opposite their names below are their true and genuine signatures.

\_\_\_\_\_  
Director

RICHARD B. BELL  
Director

DOUGLASS S. DAVERT  
Director

JOHN DULEBOHN  
Director

WILLIAM VANDERWERFF  
Director

Dated: \_\_\_\_\_

\_\_\_\_\_  
JOAN C. ARNESON  
Secretary of EAST ORANGE COUNTY  
WATER DISTRICT and of the Board of  
Directors thereof

I, JOAN C. ARNESON, Secretary of the Board of Directors of the EAST ORANGE COUNTY WATER DISTRICT, do hereby certify that the foregoing Resolution No. \_\_\_\_ was duly adopted by the Board of Directors of said District at an adjourned Regular Meeting of said District held on February 27, 2014, and that it was so adopted by the following vote:

AYES:        BELL, DAVERT, DULEBOHN, VANDERWERFF, \_\_\_\_\_

NOES:        NONE

ABSENT:     NONE

ABSTAIN:    NONE

\_\_\_\_\_  
Secretary  
EAST ORANGE COUNTY WATER DISTRICT  
and of the Board of Directors  
thereof



I, JOAN C. ARNESON, Secretary of the Board of Directors of the EAST ORANGE COUNTY WATER DISTRICT, do hereby certify that the foregoing Resolution No. \_\_\_\_ was duly adopted by the Board of Directors of said District at an adjourned Regular Meeting of said District held on February 27, 2014, and that it was so adopted by the following vote:

AYES: BELL, DAVERT, DULEBOHN, VANDERWERFF, \_\_\_\_\_

NOES: NONE

ABSENT: NONE

ABSTAIN: NONE

\_\_\_\_\_  
Secretary  
EAST ORANGE COUNTY WATER DISTRICT  
and of the Board of Directors  
thereof

# **EAST ORANGE COUNTY WATER DISTRICT GENERAL MANAGER'S REPORT**

**February 2014**

The following report is a summary of the District's activities over the past month.

## **GENERAL MATTERS**

Reviewed correspondence, conferred with customers regarding billing issues and vendors/other interested parties regarding business with the District, and met with staff members regarding daily activities and on-going projects.

## **WHOLESALE ZONE**

### **A. Peters Canyon (6 MG) Reservoir Status Update**

Security System – Staff is working out some last details with AT&T regarding the installation of the fiber line and internet connection prior to commencement of construction. Delays have been incurred due to the change in ownership from AT&T to Crown Castle; staff is trying to ascertain the status of the issue.

Roof Repair – Engineering and geotechnical work by Brady and AARK Engineering are continuing. A draft report is being prepared that will present three (3) potential options for addressing the roof on the 6 MG reservoir. These options will be: 1) a short term repair (lasting 1 to 5 years), 2) a medium term repair (lasting 5 to 10 years) and 3) a long term repair (lasting 10 + years) efforts. Staff will be meeting with the Engineering Committee in March to review a preliminary report on these options.

In support of this work, on February 10, 2014, American Geotechnical, Inc. performed four (4) soil borings around the 6 MG reservoir site and soil samples were taken at each bore hole. Sample analyses is expected to take 2 to 3 weeks. A report from American Geotechnical assessing the seismic stability of the reservoir will be included in the Brady report.

Proposed Reconstruction of Treatment Plant – Hunt Water Resources is continuing their work on assessing the potential demand and the economics of pursuing the treatment plant. A preliminary discussion regarding the status of the report will be provided at the Engineering Committee's February 25<sup>th</sup> meeting, with the final report presented to the Committee and the Board in March.

### **B. MET Shutdown – Allen-McColloch Pipeline Inspection and Maintenance Work**

The 11-day shutdown of the Allen-McColloch Pipeline (AMP) which occurred from January 13<sup>th</sup> through January 23<sup>rd</sup> so that inspection and maintenance work could be done on the upper region was completed on schedule. EOCWD had adequate storage during the entire shutdown. Additionally, water quality remained good throughout the shutdown. All of EOCWD's retailers were very helpful and cooperative and this allowed our staff to operate smoothly through the pipeline outage.

During the mid-point in the shutdown, a miscommunication occurred and MWDOC staff reported during the monthly MWDOC General Manager's Meeting that the District was having problems meeting demand. After ascertaining the error, MWDOC General Manager Rob Hunt quickly corrected this by sending out an email to all parties present at the meeting and related that

EOCWD did, in fact, have more than adequate supplies to meet demands during this shutdown that was characterized by an extended heat wave.

Staff was also able to complete the inspection, cleaning and other maintenance work on the 6 MG reservoir after the AMP shutdown from January 23-25. After allowing for refilling and the collection and analysis of water quality samples, the reservoir was back online by January 28<sup>th</sup>.

#### **C. Minimum Demand Policy Development**

ID Modeling is continuing their work to identify specific times during the year that seem to present the worst case scenarios based on water quality data provided to them by staff. The report should be completed within the next 2 weeks and will be reviewed with the Operations Committee at their March meeting.

#### **D. WZ Connection Permits**

There were two applications for wholesale connections permits through the City of Tustin. One included a 10,000 square foot commercial development and the other a 2,000 square foot commercial development.

### **RETAIL ZONE**

#### **1) Well / Booster Station Operations**

The East Well is not currently operational due to a motor issue that staff detected on startup. The well was shut-down immediately. This motor was inspected and rebuilt during our well rehabilitation in March, 2013, and is still under the one-year warranty. Staff is proceeding with a warranty claim with Tri-County Pump, the company that performed the work.

The West Well is non-operational and staff are evaluating options for full and partial rehabilitation of the well.

#### **2) Leak Investigation – Stoller Lane**

On February 2, 2014 at 1430 hrs. - Staff responded to a report of a possible leak on Stoller Lane. An area along the south side of Stoller Lane was unusually wet and caught the attention of a resident on the street. Staff responded to the report and could not detect a leak but did find that the mainline was unusually deep (13 feet). Considering the age and type of pipe (1951 steel mortar coated pipe) and depth of the main, staff decided to investigate further to confirm that there was not a leak. Staff also ran some “what if” scenarios and decided that a plan should be in place to address this portion of water main as it is located next to the 16 inch transmission main from the Andres (11.5 MG) Reservoir. Staff will completing an emergency operations/repair plant that will address the situation should a failure occur at this location.

### 3) **Water Smart Home Certification Program**

The District has 13 customers participating in this MWDOC sponsored program. The customers apply online to have a home inspection performed by the Mission Conservation District (MCD). The customers, located on Circula Panorama, Crawford Canyon Road, Miriam Place, Panorama View, Via Aventura, Barrett Lane, El Roy Drive, View Ridge, St. Jude, and Greenwald Lane, met with District and MCD representatives between November 2013 and February 2014 to go through each interior and exterior plumbing fixture and evaluate their water efficiency. The customers will be receiving a water use report next week with recommendations on how to make their home water efficient (assuming they don't meet efficiency standards). The customer then has 90 days to implement the recommendations and provide proof to MWDOC by providing invoices, receipts, and photographs. If all program criteria are met, the homeowner will receive a certificate stating that their home has been certified as being water efficient.

### 4) **Operational Activities**

- Drained, cleaned, inspected, disinfected, filled, and sampled 6 MG reservoir
- Ran highline to Cox Communications during reservoir maintenance work
- Removed and reinstalled 20 INCH mag meter at 6 mg reservoir site to facilitate cleaning
- Exercised 10 wholesale zone valves in Peters Canyon Park and Newport Ave.
- SEDARU training, review and revisions
- Attended WEROC Quarterly meeting (Matt)
- Met with District Engineers (Superintendent)
- Met with American Geotechnical at 6 MG reservoir for soil boring (Superintendent)
- Worked with Matrix Computer Systems to retrieve SCADA Data (Superintendent)
- Worked with ID Modeling to review data for wholesale zone mode (Superintendent)
- Met with County to discuss Old Foothill / Foothill sidewalk project (Superintendent)
- Repaired damaged service line at 12881 Fairhaven Extension
- Alert OC Training (Superintendent)
- Conducted flow test of Retail Zone fire pump
- Met with developers to discuss plans for Old Foothill Lots
- Work orders – Turn off water at 242 CCR Unit 27, 18823 Winwood Lane, 12542 Barrett Lane, 12752 Barrett Lane, 13146 Old Foothill
- Work Orders – Turn on water at 12552 Vista Panorama, 12542 Barrett Lane, 12752 Barrett Lane, 12812 Hewes Ave., 13146 Old Foothill Blvd.
- Work Order – inspect services for leaks at 12593 Vista Pan, 12521 Vista Pan., 12651 Vista Pan., 12471 Vista Pan., 12481 Vista Pan., 12275 Alta Pan., 12696 Vista Pan., 12273 Vista Pan., 12622 Vista Pan., 12642 Vista Pan., 19171 Fairhaven Ext.
- Work Order – final read at 12722 Panorama View, 12276 Alta Panorama, 12284 Media Panorama
- Work Order – replace meter lid at 19611 County Haven, 11211 Newport Ave., 19451 Martin Lane,
- Meter Change-outs at 12749 Barrett Lane, 242 Crawford Canyon Rd. units 1, 19, 38, 27, and 19181 Stoller Lane, 12782 Barrett Lane, 12749 Barrett Lane, 19452 Barrett Lane, 13246 Old Foothill, and 12881 Fairhaven Ext.
- Work Order – high bill at 19181 Stoller Lane, 13301 Orange Knoll, 12574 Barrett Lane

- Exercised 11 valves in Retail Zone on Stoller Lane, Stonehenge, Old Foothill, and Los Timbres
- Replaced Angle meter stop at 145 Los Timbres
- Flushed 19 Retail Zone dead-end hydrants

### **Daily Tasks**

- Attend daily staff meeting with General Manager (Superintendent only)
- Performed well rounds and reservoir rounds
- Performed general administrative, clerical and supervisory tasks
- Obtain price quotes for miscellaneous parts
- Picked up parts from various vendors, Home Depot
- Review incoming USA tickets to verify if there is a conflict.

### **Weekly Tasks**

- Attend weekly safety meetings (All field staff)
- Performed weekly water quality sampling
- Measure static and pumping water levels in wells.
- Performed USA locations
- Responded to utility requests from the County and city of Orange
- Picked up water quality supplies and changed reagent bottles
- Cleanup, organize and restock service trucks
- Cleanup and organized shop
- Vehicle maintenance

### **Monthly Tasks**

- Attend monthly staff meeting with General Manager (all employees)
- Attend committee meetings – Operations and Engineering (Superintendent)
- Prepared monthly CDPH water quality reports
- Prepared monthly CRWQCB report for well discharge
- Performed dead-end flushing
- Read WZ meters
- Check WZ meter data; assist with preparation of WZ Billing
- Delivered Board agenda packages
- Participated in WEROC radio test

## **MISCELLANEOUS ITEMS**

### **1) Meetings**

District Staff attended the following meetings:

#### **A. MWDOC Manager's Meeting, January 16, 2014**

Meeting Summary: A) Update on MWDOC/OCWD Consolidation Discussions – The next meeting between MWDOC and OCWD to discuss this issue will be January 22<sup>nd</sup>; no other meetings have been held since last November. Feedback has been received that member agencies would like to provide input into the consolidation discussions. B) Member Agency Input into MWDOC's Budget Process - MWDOC staff have received some input and are

asking that other agencies also submit comments on the plans and priorities that MWDOC will address in their proposed budget. The February 5<sup>th</sup> MET/MWDOC budget workshop will include a ten (10) year rate forecast from MET. The first draft of MWDOC's budget is due out on March 1. C) Securitized Debt Financing for Local Projects (AB850) – This proposed legislation would allow Joint Powers Authorities (JPAs) to issue securitized debt to finance projects for water conservation or reclamation purposes, or in response to a mandate. WRRDA WIFIA Glitch – the Water Resources Reform & Development Act includes provisions regarding the Water Infrastructure Finance and Innovation Authority; the bill is in a House/Senate conference committee where differences between the House and Senate version are being ironed out. One of the differences may affect Section 5039 – a \$40 million authorization and another will not allow some tax free financing if other tax free financing for another portion of the project has already been obtain. MWDOC has been working with Washington representatives and ACWA to ensure these funds are not dropped in the conference committee. D) Water Supply Update - Drought Message Points were provided by MWDOC Public Information staff and reviewed with the General Managers. Also noted that while California has been very dry, it has been a normal winter in the Rockies. MET has 2.4 MAF in storage right now; allocation from the SWP may be 5% or less. E) Update on SDCWA/MWD Lawsuit – The final hearing on the lawsuit commenced on December 17<sup>th</sup> and concluded on December 23<sup>rd</sup> in San Francisco Superior Court; two remaining civil claims (that MET breached the 2003 rate agreement and that MET violated the MET Act and San Diego's preferential rights) were not scheduled to be heard at that time. The purpose of the final hearing, which is similar to a trial, was for each part to put on its case regarding the validity of MET's rates. A decision by Judge Curtis Karnow is pending. F) Update on AMP Shutdown – MWDOC staff provided an update on how each agency was faring under the 11-day shutdown; incorrect information was provided for EOCWD. G) Water Policy Dinner - Dr. Christopher Thornberg, an economist working for MET, will be speaking on the economics of the BDCP. H) MET/MWDOC Board Workshop – Discussion regarding the MET Biennial Budget for FY 2014/15 & 2015/16 will take place at the February 5<sup>th</sup> workshop meeting.

## **B. Finance Committee Meeting, January 23, 2014**

Meeting Summary – A) Accounting Software – Accountant Cindy Byerrum reported that while the MAS-90 accounting software provided by Serrano Water District was meeting the District's basic needs, it was expensive to operate and maintain due to the fact that it is not designed for fund accounting and that the connection between the districts was very slow and often non-operational. Both District staff and Platinum staff were frequently delayed in their work because of this. Ms. Byerrum was reviewing accounting software packages for 29 Palm Water District and El Toro Water District and recommended that the District include budgeting for replacement software, particularly if the District was contemplating adding more funds (sewers) to the accounting system. Committee Members questioned what the potential cost for such a system would be; Ms. Byerrum indicated that the software costs are between \$10-\$25k, plus another \$25k in costs to convert the systems and train staff. The Committee recommended that staff include these costs in the upcoming budget. B) District Reserve Policy, Second Review – Staff reviewed the draft revised Reserve Policy that clarifies restricted and unrestricted reserves and includes the creation of new categories of reserves including operating, capital, self-insurance and litigation reserves. Discussion ensued regarding prior versions of the reserve policy and including some provisions that were included in those versions; staff will include those provisions, review the policy with legal counsel and return at the next meeting with an updated draft. C) FY 2014/15 Budget Review Schedule – the schedule for the budget review process was provided; budget adoption is set for June. D) Budget Reports – the December 2013 budget reports were reviewed with the Committee.



**C. California Special District's Association (CSDA) Visit, January 30, 2014**

Meeting Summary – Bill Nelson, CSDA Direction for Region 6 and Miryam Mora-Barajas, CSDA Public Affairs Specialist met with President VanderWerff and General Manager Ohlund as they provided an overview of EOCWD's operations and our issues of interest and concern to CSDA. Mr. Nelson and Ms. Mora-Barajas review CSDA programs that may assist the District, including the Special Districts of Distinction Program and Board Member educational seminars for new and long-serving directors.

**D. ISDOC Meeting – January 30, 2014**

Meeting Summary – Aaron Kushner, Publisher of the Orange County Register discussed his purchase of the newspaper in 2012 and the plans he has to increase both the print and digital presence of his papers (they recently acquired the Riverside Press-Enterprise and launched the Long Beach Register; they also have several local periodicals. He noted that local coverage is done through the periodicals and the daily papers are focused on larger issues. His model is to increase the print circulation and require payment at the digital portal in order to support the print edition. Mr. Kushner was asked why the Watchdog is so hard on special districts; he responded that they believe in open and accountable government and that we control a significant amount of money and our projects affect the quality of life in the county. He noted that with public service comes public scrutiny and that it goes with the territory. A questioner noted the papers seeming bias toward big – big government and big business; Kushner acknowledged that there are pros and cons to both. When asked who his target audience is, he stated that if they're doing their job, it's everyone they aren't looking for a certain age group and that the things a great newspaper covers are focused on issues that resonate with people.

**E. Association of California Cities – Orange County BDCP Briefing, February 6<sup>th</sup>, 2014**

Jennifer Pierre, the Bay-Delta Conservation Plan Project Manager and Adam Smith, the BDCP EIR/EIS Deputy Project Manager, provided a critical review of key elements of the BDCP and the associated environmental documents. There are 35 chapters to the draft EIR/EIS and over 26,000 pages. The BDCP is a 50-year comprehensive plan and permitting program to address the co-equal goals of water supply reliability and habitat restoration in the Delta (the statutory Delta includes parts of Yolo, Solano, Contra Costa, San Joaquin and Sacramento counties). The draft EIR/EIS considers 15 action alternatives, including the proposed BDCP and one no-action alternative. Public participation is being conducted through a series of informational meetings being held throughout the state. The public review and comment period extends from December 13, 2013 through June 13, 2014.

**F. Operations Committee Meeting, February 11, 2014**

Meeting Summary – A) Annual Backflow Certification Program Status – Staff reported that the annual backflow certification program, which requires that any customer with a backflow device have it tested and certified as to its compliant operation, had begun. It was noted that any residence with an indoor fire suppression (sprinkler) system was covered under this program – about 200 of the district's customers. Customers have until April to submit these reports. B) Dead-End Flushing/Valve Exercising/Leak Detection Program – Staff has been working on their quarterly water quality/system assessment program and entering the data into Sedaru. Some glitches have been experienced, but Sedaru staff are working diligently to resolve these. C) Emergency Operations Plan/Major Pipe Break – During a routine leak inspection, staff discovered that a 1951 pipe is buried 13 feet deep near a major transmission (16") pipeline. While the pipeline was determined to be stable and not leaking, staff is going to develop an emergency repair/response plan in the event there is a problem with this line

until it can be replaced and abandoned. D) Governor Brown's Conservation Declaration – Governor Brown declared a drought emergency on January 17<sup>th</sup>, directing state officials to take all necessary actions to prepare for extreme drought conditions including assisting farmers and communities to ensure that drinking water is provided to all Californians. The Governor also directed that a 20% voluntary cutback be instituted and that public awareness of water conservation programs be expanded. E) Newsletter – staff indicated that information regarding the drought and conservation would be included in the next billing cycle. F) Final report, MET Shutdown/Reservoir Cleaning – staff reported that the MET shutdown went well as did the cleaning and inspection of the 6 MG reservoir. It was noted that MWDOC staff incorrectly reported at a MWDOC General Manager's Meeting that we were having a problem and would run out of water; this was quickly corrected via an email by MWDOC's general manager to all meeting attendees. G) Status of Emergency Generator Project at OC-70 – District Counsel will be contacting MWDOC to discuss the proposed agreement; there is still one provision that we are questioning. H) Gopher Removal (6 MG Reservoir) – an ongoing gopher problem is starting to become more significant and staff are unable to keep up with trapping and removing the gophers. Bids will be obtained from professional pest control companies to provide a monthly service at the reservoir; staff will return to the Committee with these bids. I) Status of Board Vacancy Advertisement & Appointment Process – Advertising in the OC Register was placed in the Public Notice Section for the period February 6-13. An advertisement was also taken out in the Foothill Sentry; the paper will be delivered around February 12<sup>th</sup>. Notices were placed at the Tustin and Orange Libraries as well as on our website and on the District marquee; no applications have yet been received. J) Draft sewer agreements – staff reviewed the follow draft documents: Transfer Agreement, Transitional Services Agreement, Quitclaim and LAFCO Application and Resolution with the Committee. It was noted that these are about 90% complete, but staff is still negotiating the agreements with OCSD staff; we hope to bring them to the Board in a final form at the February 27<sup>th</sup> meeting.

#### **G. Groundwater Producers Meeting, February 12, 2014**

Meeting Summary: 1) Accumulated Overdraft Update/Purchasing Additional Water from Reserves – OCWD will be buying MET firm untreated (at \$673/AF) for recharge; they will work with MWDOC to ensure the Tier 2 charge isn't triggered by the purchase. This purchase will increase the Replenishment Assessment (RA) up to approximately \$310/AF rather than the \$294 that was estimated, but the BPP will increase to 72%. Mesa Water distributed a Brady report that indicated that for each AF recharged in this manner, the equivalent savings over avoiding purchasing an AF of treated MET water is \$233/AF for 2014 rising to \$279/AF in 2015 (figures include the cost of energy required to pump the water out of the ground). 2) FY 14-15 RA and BPP Estimates – It is estimated that the RA will be \$310/AF and the BPP will be 72%. 3) Consideration of Purchasing Additional Panattoni Property – During a prior purchase of a recharge basin, an option was taken out to purchase another industrial site for a second recharge basin next to the original. OCWD staff indicate that because the first recharge site purchased has performed exceedingly well, the second site is not needed; additionally, the City of Anaheim objects to any further taking of revenue supplying land for recharge purposes. The Producers voted to recommend to the Board that they not exercise the purchase option for this property. 4) Long-Term Facilities Plan Update w/Ocean Desalination Incorporated – OCWD staff plan to engage the Producers in discussions to brainstorm potential recharge projects; a report will be produced by September. 5) Replenishment Assessment for Agricultural Uses – Groundwater agencies are subject to Prop 218 and Prop. 26's requirements that costs be allocated to all users on the basis of the cost-of-service to the user. Historically, agricultural users have paid ½ of the



RA due to an exemption they were given in the early days of the District. As the District reviews its cost-of-service, ag users costs may double and they may be charged the full RA. 6) Groundwater Management Plan Update – every five years OCWD is required to update this plan; they are currently preparing this update. 7) Monthly Update on North and South Basin Lawsuits – nothing to report 8) Ocean Desalination Update – three of the consultants that the San Diego County Water Authority used for their desalination project will be making a presentation at an upcoming OCWD Board Meeting. The Board may ask for proposals from these consultants to evaluate John Kennedy's white paper on ocean desalination.

#### H. Urban Water Institute Spring Conference – February 19-21, 2014

Meeting Summary – The highlight of the conference was a keynote address by lifetime achievement awardee, Pat Mulroy, the retiring chief of the Southern Nevada Water Authority – the “Vegas Water Czar” as she was named by the New York Times. Ms. Mulroy spoke about the growing scarcity of water in the west, and how all of the water systems are interrelated and what happens in the Bay Delta will affect the residents of Las Vegas as surely as what happens in the Rocky Mountains. She noted that we will not litigate our way out of these shortages, but rather, need flexible and adaptive management ability in order to continue to provide reliable water service to urban and agricultural communities while minimizing the effect on the environment.

Panel Sessions – 1) Futuristic Watershed Management – Professors from the University of California at Merced presented their research that showed how forest management (selective culling of trees) could increase the amount of water yielded from the mountains. Currently the densely treed forests have formed a canopy of branches that not only doesn't allow snow and rainfall to penetrate, but the interception of this snow and rainfall before it get to the ground increases the amount of evaporation due to the increased solar forces on the canopy. The professors indicated that increases of 9-16% runoff were achieved in their pilot program.

2) New Water – Is Cadiz Part of the Answer? Representatives of Cadiz and Santa Margarita Water District (SMWD) discussed the geological and environmental aspects of the proposed two-phase Cadiz water program: Phase I which would capture an average of 50,000 AFY of water (for 50 years) from a wellfield on the Cadiz property (near Fenner Valley and Orange Blossom Wash in the eastern Mojave Desert and deliver it via a pipeline to the Colorado River Aqueduct near Twenty-nine Palms, CA to users throughout Southern California; Phase II would use the available capacity to store up to 1 MAF of imported water. Only Phase I has been reviewed through CEQA. As of the end of 2013, 80% of the Project's water supplies are under option or committed under purchase agreement; participants include SMWD, Three Valleys Municipal Water District, Suburban Water Systems, Golden State Water Company, Jurupa Community Services and California Water Service Company.

3) Bay Area Innovation – What's New in Northern California Water? Nicole Sandkulla, General Manager of the newly formed Bay Area Water Supply & Conservation Agency (BAWSCA) spoke about the unique situation experienced by the agencies served by the City of San Francisco's Public Utility District. SFPUD owns and operates the Hetch Hetchy regional water system that was originally constructed in 1937. Twenty-four (24) agencies (including San Jose, the San Francisco peninsula cities, Oakland, Berkeley and several East Bay cities and water agencies) are reliant upon contracts with SFPUD and this system for their water supply. After unsuccessfully trying to convince SFPUD to commence an assessment and rebuilding of the failing system, BAWSCA was formed initially as a voluntary association that lobbied the state legislature to force SFPUD into adopting the \$4.6 billion repair, rehabilitation and replacement program. Despite the improvements and increased reliability, SFPUD will not provide any additional water over what they provide now and can

shutoff San Jose and Santa Clara without notice. BAWSCA went to the legislature and asked to be created as a public agency that can acquire water, coordinate water conservation and recycling activities, finance projects and build facilities jointly with other local agencies or on its own.

4) Innovation & Water – Where is the Cutting Edge? MET Business & Technology Manager Roy Wolfe showcased seven firms that are in various stages of impacting the future of the water and wastewater delivery. From technology that senses wastewater overflows at manholes and alerts operators before an overflow (current) to sustainable technology that is in the pipeline, but needs an objective third party (Isle, Inc.) working with the Water Research Foundation to rigorously evaluate it so that it can be introduced to water utilities with assurances that it will work. Also discussed were small hydro projects that can be placed in pipelines as small as 8” to recover energy from the gravity flow of water, and solar installations on reservoir roofs that supplied ¼ to ½ of the energy requirements of an Orange County water agency pump station.

5) Will Geothermal be the Solution for the Salton Sea? Kevin Kelley, General Manager of the Imperial Irrigation District presented IID’s proposal that would use fees charged for geothermal power to restore and enhance the Salton Sea. While the fluid geothermal resources at the Salton Sea are significant, they are stymied by two problems: 1) there are no nearby transmission lines to transfer the power to the electrical grid and 2) the cost of initial development is slightly higher than solar power – however unlike solar or wind power, geothermal is baseline (continuous) power that is uninterrupted by lack of sun or wind.

### **Water Availability Request**

Staff met with a representatives from the development company that owns the property as 13148 Old Foothill along with two other property owners who plan on developing their lots. They were advised of the District’s development requirements and provided with fee information; the District has offered to investigate the feasibility of executing a development agreement with the parties to assist with the recovery of up-front costs.

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

January 16, 2014

**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, January 16, 2014, in the offices of the East Orange County Water District, 185 N. McPherson Road, Orange, California. JEFFREY HOSKINSON, Acting Secretary, recorded the minutes of the meeting (the minutes with respect to Items 8, 10(B), 10(c), and 11 were recorded by General Manager OHLUND).

The following Directors were present: RICHARD BARRETT, RICHARD BELL, DOUGLASS DAVERT, JOHN DULEBOHN and WILLIAM VANDERWERFF.

Also present were:

LISA OHLUND	General Manager
JERRY MENDZER	Maintenance & Operations Superintendent
JEFFREY A. HOSKINSON	Acting District Secretary and Legal Counsel
ROB HANFORD	Golden State Water Company
KEVIN HUNT	Hunt Water Resources
DOUG CHAPMAN	Member of the public
BOB ARMSTRONG	MWH

**2. Public Communications to the Board.** Public comment made by Mr. Hanford of Golden State Water Company thanking DISTRICT for cooperation during the Metropolitan Water District of Southern California (MET) shutdown of the Allen-McColloch Pipeline for inspection and maintenance work.

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

4. **General Manager's Report.** Ms. OHLUND presented her report to the BOARD. The BOARD discussed the Crown Castle lease, and issues relative to AT&T and Crown Castle leases and Crown Castle's purchase of AT&T tower. Director BARRETT inquired about roof repair at Peters Canyon Reservoir, regarding seismic compliance, and a discussion ensued regarding the structural integrity of the existing reservoir roof, and the effort to assess the seismic stability of the reservoir. Director BARRETT inquired as to whether there was concrete underlying the plastic lining, to which Mr. MENDZER indicated that there was concrete underlying the plastic. Ms. OHLUND indicated this work would be reviewed by the Engineering Committee in the near future.

**ACTION TAKEN:**

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

5. **Approval of Minutes of the December 19, 2013 Meeting.** Mr. BELL identified that certain statements regarding the reliability of Colorado River Water attributed to him in the draft minutes were in fact attributable to Mr. HANFORD, and reiterated that his concerns centered around the need to improve water salinity and hardness (TDS, calcium and manganese), among other things, as a focus of the analysis in the water treatment plant feasibility study.

**ACTION TAKEN:**

Upon a motion duly made, seconded and carried unanimously, the minutes of the December 19, 2013 regular meeting were approved, as amended to reflect the concerns regarding future reliability of Colorado River water in the draft minutes were attributable to MR. HANFORD and the need to ensure customer satisfaction with the local water supply were in fact attributable to Mr. BELL.

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

- A. **Presentation re Orange County Sanitation District No. 7.** BOARD received PowerPoint presentation from Ms. OHLUND regarding Orange County Sanitation District, Local Sewer Area No. 7 ("OCSD No. 7"), and possible acquisition by the DISTRICT. Ms. OHLUND outlined basic steps for approval, which could include, but not be limited to, LAFCO approval, annexation of areas outside the District's current boundaries in Orange, Tustin, and IRWD territory, transfer of property taxes and user fees, and the approval of an agreement by the BOARD.

Director BARRETT inquired as to whether some of the equipment currently used to service OCSD No. 7 would be transferred with the territory, to which it was indicated that could be part of the negotiated terms. The BOARD discussed benefits and liabilities of such responsibility, including responsibility for sewage spills that reach surface water bodies, and risk of sewage backups, all of which would be a focus of maintenance obligations that were discussed within the presentation. OCSD's maintenance schedule for OCSD No. 7 was discussed, as well as the maintenance responsibilities that would be associated with the provision of such service.

ACTION TAKEN: NONE

- B. Hunt Resource Strategies Engineering Services Contract for Conceptual Review of the Rebuilding of Peters Canyon Treatment Plant. BOARD discussed award of contract to Hunt Resource Strategies, as discussed before the Engineering Committee, to look at areas of water quality and demand, to assess need for the rebuilding of the Peters Canyon Treatment Plant. The Contract, in an amount not-to-exceed \$14,500, would provide for the provision of a report to review whether project would enhance reliability and improve water quality, and otherwise review the need for and approach to rebuilding the treatment plant. It is anticipated that the review will involve a two-month process. Director BELL suggested that the amount of the approval be established at \$20,000, rather than the existing \$14,500, in order to provide DISTRICT staff with flexibility for unforeseen circumstances.

ACTION TAKEN:

Upon a motion duly made, seconded, and carried unanimously, the BOARD approved the contract, as proposed, with Hunt Resource Strategies in amount not-to-exceed \$20,000.

- C. Wholesale and retail water usage report. An error was identified in the report, an incorrect version of the Wholesale Zone and Retail Zone graphs were included in the agenda. In a discussion regarding historic demand, Ms. OHLUND indicated that 2010 demand reflected in the report was prior to rate increases, and that demand had fallen in 2011 and 2012. In 2013, demand is returning to 2010 levels—at 1,100 acre-feet. In recent years, the lowest amount of water demand was 925 acre-feet, and the highest 1,200 acre-feet.

ACTION TAKEN: None**7. Financial Matters.**

A. Schedule of Disbursements. Schedules of disbursements in the following amounts were presented: \$698,548.18 from Wholesale and Retail Operating Funds, \$2,760.07 for director's payroll, and \$39,341.78 for employee's payroll.

B. Report on Investments/Ratification of Investment Activity. Report made on investment activity.

C. Receipt and Filing of Financial Statements.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, (1) the schedules of disbursements were approved as submitted, (2) the report of investments and investment activity were ratified and approved, and (3) the financial statements were received and filed.

## 8. Miscellaneous Matters.

### A. Authorization of Meeting Attendance

- 1) MWDOC Water Policy Forum & Dinner – February 6, 2014. Discussion that President VANDERWERFF and Director BELL would attend the MWDOC Water Policy Forum & Dinner.
- 2) Urban Water Institute Spring – February 19-21, 2014. Discussion that Ms. OHLUND would attend the Urban Water Institute Annual Spring Conference.

### ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, it was determined that (1) President VANDERWERFF and Director BELL would attend the MWDOC Water Policy Forum and Dinner, and (2) Ms. OHLUND would attend the Urban Water Institute Annual Spring Conference.

- B. Reports from committees and representatives to organizations. None
- C. Director's Reports on Meetings Attended: None
- D. Committee/Designated Representative Assignments by President. No action.

Change to Next Meeting Date. The BOARD discussed changing the next meeting date from February 20, 2014, to February 27, 2014, due to the General Manager's duties at the Urban Water Institute Annual Spring Conference and the date conflict it presented,

### E. ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the Board approved a change to the meeting date, such that the February meeting will occur on February 27, 2014.

## 9. Informational Items.

- A. General Interest Publications. No action.

## 10. Closed Session.

- A. Conference with Real Property Negotiators (Closed Session). President VANDERWERFF announced that the Board would meet in the following closed session as listed in the agenda as Closed Session Item 10(A), to hold a conference with its real property negotiators (Government Code Section 54956.8) regarding local sewer improvements and associated real property rights (known as Orange County Sanitation District Service Area #7) generally located within the City of Tustin, the unincorporated County of Orange area referred to as the East Orange/Tustin Foothill/Lemon Heights/Cowan Heights area and a portion of the

City of Orange referred to as the El Modena area. Mr. HOSKINSON was excused and left the meeting prior to this closed session.

- B. **Conference with Legal Counsel** – Anticipated Litigation – President VANDERWERFF announced that the Board would meet again in the following closed session as listed in the agenda as Closed Session Item 10(b) - Conference with Legal Counsel – Government Code § 54956.9(d)(4).

**OPEN SESSION**

Open session was resumed. No action was reported from the closed session.

**11. Adjournment.**

**ACTION TAKEN:**

Upon a motion duly made, seconded and carried unanimously, the meeting was adjourned at 6:10 p.m., to Thursday, February 27, 2014, 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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Jeffrey A. Hoskinson



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

February 3, 2014

**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 5:00 p.m. on Monday, February 3, 2014, 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 BELL, JOHN DULEBOHN and WILLIAM VANDERWERFF.

Also present were:

LISA OHLUND                      General Manager

JOAN ARNESON                      District Secretary and Legal Counsel (by telephone)

**2. Board Vacancy.** President VANDERWERFF said a letter of resignation was received from Director BARRETT, effective January 25, 2014, after 40 years of service on the Board. Director BELL proposed that some commemoration for this lengthy service was well-deserved. Ms. OHLUND suggested consideration be given to renaming a facility such as the lower Stoller Reservoir on Alexander Lane in honor of Director BARRETT, and she also planned to seek a commemorative resolution from the Board of Supervisors.

**ACTION TAKEN:**

Upon a motion duly made, seconded and carried unanimously (DAVERT absent), the resignation of Director BARRETT was accepted with regret and staff was directed to implement commemorative activities as discussed.

With regard to the filling of the vacancy, a notice of intention to fill vacancy by appointment was presented to the Board. Discussion followed as to whether submission of application materials must be public, and Ms. ARNESON said she would review this and advise Ms. OHLUND. The locations of posting were discussed, and Ms. OHLUND recommended exceeding minimum requirements in the interest of transparency. The format of the meetings on the 26<sup>th</sup> (candidate interviews) and 27<sup>th</sup> (appointment during regular meeting) was discussed. Ms. ARNESON advised that these must be open meetings; candidates could voluntarily stay outside for each others' interviews but could not be required to do so.

**ACTION TAKEN:**

Upon a motion duly made, seconded and carried unanimously (DAVERT absent), it was determined that the vacancy shall be filled by appointment within the 60 day period



allowed by law, and the notice and affidavit as prepared by Ms. OHLUND, with revisions as discussed, shall be used for this purpose.

**3. Adjournment.** As previously discussed, it is the intent that all business scheduled for the February 20 meeting be carried over to February 27, 2014; in the interim, a meeting for Board candidate interviews will be scheduled on February 26, 2014.

**ACTION TAKEN:**

Upon a motion duly made, seconded and carried unanimously, the meeting was adjourned at 5:22 p.m., to Thursday, February 20, 2014, 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



# MEMO

**TO: BOARD OF DIRECTORS**  
**FROM: GENERAL MANAGER**  
**SUBJECT: ORANGE COUNTY SANITATION DISTRICT – AGREEMENT TO  
TRANSFER LOCAL SEWER SERVICE AREA #7 TO EAST ORANGE  
COUNTY WATER DISTRICT**  
**DATE: JANUARY 16, 2014**

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## **BACKGROUND**

As noted at last month's meeting, in September 2013, with the Board's approval, staff began discussions and negotiations with the Orange County Sanitation District (OCSD) regarding the transfer of Local Sewer Area #7 to EOCWD. At last month's meeting, a presentation was provided to the Board that presented background information regarding Sewer Area #7 and what would be involved in executing such a transfer with regards to both the agreements required by OCSD and the Orange County LAFCO process; as you will recall, the LAFCO process is required because the District must annex a small amount of territory and activate a latent power it holds.

Staff's review revealed that, as shown in the attached Plan of Service, Sewer Area #7 is in very good condition, both from an operational and capital perspective, as well as from a financial one as well. The OCSD Board took actions, through the Proposition 218 process in 2007, that established both an operational income stream as well as a capital reserve funding stream so that reserves, which were non-existent at the time, could be built.

Staff has spent the last five months gathering information, performing a due diligence review of the financial, operational and capital aspects of the system, and negotiating the attached documents; these price and terms negotiations have been thoroughly discussed with the Board throughout this process. The attached documents are functionally complete, however, there are some blank items that need to be filled in, some additions to the Plan of Service, some non-substantive cleanup items and one substantive item that is to be inserted into the Transfer Agreement. This item concerns the investment earnings on the reserves that will be retained by OCSD for five years; this revised agreement is scheduled to be available by the Board Meeting.

Sewer Area #7's sewer service fees currently collected by OCSD are based upon financial and engineering studies and reports. The annual single-family residential (SFR) user rate is \$216 and the multi-family residential (MFR) use per apartment unit is \$151.20. These fees have been set to support annual operating expenses and to build a reserve for future capital costs. The current reserve balance is \$25 million, however; that amount will change depending on the date of recordation of the transfer. OCSD has agreed to transfer \$15 million of these reserves to EOCWD following its assumption of ownership for the Area 7 local sewers; the balance of reserves would be transferred by November, 2018. Interest on the reserves, earned at the average long-term investment rate for OCSD's other reserves, would be paid to EOCWD annually after the completion of the OCSD audit.

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Among the many benefits of the transfer of these sewers to EOCWD, there are three benefits that stand out:

2

- 1) Good and Sensible Governance – the Board of Directors of the Sanitation District primarily represents the interests of all of north Orange County via its large interceptor sewers, treatment plant and ocean outfall – as it should as this is its charter; local sewers are primarily owned and managed by the other local agencies. The OCSD Board are not as focused on the issues and concerns that are unique (Sewer System Management Plans, neighborhood tree root intrusion, local road and other capital improvement scheduling to minimize traffic impacts) to local sewers as our Board would be. Sewer customers concerned about costs, operations or any number of items would be able to, as our wholesale and retail water customers do, easily come in or call and speak with staff or come to a local Board Meeting and address a board whose only interests are local water and sewer operations, maintenance and capital improvement; we do not have a lot of bureaucracy. A majority (90%) of the sewer customers are already water customers of ours; providing both water and sewer service consolidates this function into our already established relationship with both the local agencies that provide retail water service and our own retail water customers. For customers in some of the unincorporated islands, this may be the first time they would have local representation. All of this is consistent with OC LAFCO's expressed desire to streamline the provision of local services, while minimizing overlapping jurisdictions and duplication of public agencies.
- 2) Rapid Response – Even in the best maintained sewer systems, accidental spills can occur due to vandalism, unknown blockages and poorly constructed facilities, but more often it can be an aggressive root system or unknown discharges of grease and oil. In this circumstance, it is vital that the spill be contained and clean-up immediately, not only to minimize the impact on health and safety and the environment, but also because there are mandatory fines associated with certain spills. OCSD's response was rapid, and they have a very good spill history, but they are coming from Fountain Valley and don't station personnel in this area 24-hours a day. Our personnel live locally and are stationed in this area 24-hours/day.
- 3) Beneficial Short- and Long-Term Financial Impacts to Wastewater Customers - The proposed transfer agreement will be cost neutral to the sewer system ratepayers, however, because of the ability to share some administrative overhead costs, the water system ratepayers – most of whom reside within the sewer system boundaries, would realize savings and/or a reduction in the rate and amount of increases to their water charges. Additional benefits to all ratepayers is evidenced by the fact that the District doesn't have any unfunded pension or post-employment benefits, having eschewed these many years ago. The frugal nature of this agency, which should stand as a model to larger agencies that tout economies of scale, but are lose much of those economies through burdensome labor and bureaucratic costs, will serve our water and sewer customers well in the future as rate increases won't need to include these costs.

Staff has reviewed drafts of these documents with the Operations, Planning and Personnel Committee, the Engineering Committee and the Finance Committee; all have recommended proceeding with the recommended action. The OCSD Board will have taken a similar action at their February 26, 2014 Board Meeting.

Once both Boards approve these documents, EOCWD will file the attached application, along with a fee of \$11,800, with LAFCO. This will commence a process that will notify customers of this pending action, and may include LAFCO staff examining the provision of this service by other local agencies in lieu of EOCWD via the Municipal Service Review process. While this would be an excursion from past LAFCO reorganizations, most recently the Orange Park Acres transfer in 2008 with Irvine Ranch Water District, and while it is inconsistent with LAFCO's stated policy that they will rapidly process two willing parties' reorganization application, the review and scrutiny that we will undergo is a necessary part of the process and we will work with LAFCO staff and surrounding agencies to ensure that customers and LAFCO are provided all of the information and transparency they desire and need in order to complete this important transaction.

Please note that the attachments to this memorandum are organized as follows:

- LAFCO Resolution
- LAFCO Application
  - Exhibit A – Map of the Reorganization and proposed Sphere Amendments
  - Appendix 1 East Orange County Water District Initiating Resolution (shown previously)
  - Appendix 2 East Orange County Water District Plan of Service
  - Appendix 3 Local Sewer Facilities Transfer Agreement
  - Appendix 4 Local Sewer Service Transitional Services Agreement
  - Appendix 5 OCSD Letter of Support
  - Appendix 6 Quit Claim
  - Appendix 7 Indemnification Agreement
  - Appendix 8 OCSD Strategic Plan, Local Sewer Transfers completed by 2013
  - Appendix 9 List of OCSD Local Sewer Transfers

### **RECOMMENDATION**

That agreements with Orange County Sanitation District for transfer of area of former County Sanitation District No .7 and the provision of interim services be approved and that staff be authorized to execute said agreements as presented with non-substantive changes; that acceptance of a quitclaim deed from Orange County Sanitation deed in the form presented be authorized; and that Resolution No. \_\_\_\_ be adopted, entitled: 'Resolution of application by the East Orange County Water District requesting the Local Agency Formation Commission to initiate proceedings for the reorganization of territory'"

Resolution No. \_\_\_\_

**A RESOLUTION OF APPLICATION BY THE  
THE EAST ORANGE COUNTY WATER DISTRICT  
REQUESTING THE LOCAL AGENCY FORMATION COMMISSION TO  
INITIATE PROCEEDINGS FOR THE REORGANIZATION OF TERRITORY**

**RESOLVED** by the Board of Directors of the East Orange County Water District , that,

**WHEREAS**, the East Orange County Water District (“EOCWD”) desires to initiate proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Section 56000 of the California Government Code, for reorganization which would concurrently:

- (a) annex certain territory to EOCWD (in which territory EOCWD’s powers would be limited to the provision of local sewer service); and
- (b) authorize EOCWD to provide new service (local sewer service).

The proposal would result in EOCWD providing local services in certain specified areas where such services are currently provided by Orange County Sanitation District (“OCSD”).

**WHEREAS**, the principal reasons for the proposed reorganization are as follows: OCSD’s core function is to operate a regional network of trunk sewers that deliver wastewater generated within its jurisdiction to the District’s treatment and disposal facilities and to treat and dispose of that waste water. OCSD also provides local sewer service within a relatively small portion of its service area, including the area, known as Service Area 7, that is the subject of this proposal, and OCSD desires to focus on its core function and have local sewer service provided by other entities, as it has done with the transfer of local sewer service to 13 other local agencies over the past several years . Therefore, OCSD wishes to transfer responsibility for providing local sewer service in Service Area 7 to EOCWD, and EOCWD wishes to accept responsibility for providing local sewer service in Service Area 7; and,

**WHEREAS**, the following agency would be affected by the proposed jurisdictional changes:

<b><u>Agency</u></b>	<b><u>Nature of Change</u></b>
East Orange County Water District	–Annexation –Exercise of new services

and,

**WHEREAS**, the territory proposed to be reorganized is inhabited, and a map and description of the boundaries of the territory (“Service Area 7”) are attached hereto as Exhibits A and B and by this reference incorporated herein; and,

**WHEREAS**, it is desired to provide that the proposed reorganization be subject to the following terms and conditions:

1. The effective date of the reorganization shall be December 31, 2014, or such earlier date as may be fixed by LAFCO. Following the effective date, EOCWD shall provide local sewer service within Service Area 7, and OCSD shall continue providing regional sewer service within Service Area 7.
2. OCSD's Annual Local Sewer Service User Fee ("the Fee") shall be continued and following the effective date, to the extent feasible, shall be collected by EOCWD rather than by OCSD. OCSD collects the Fee by including reporting it to the County of Orange, which collects it on the property tax roll, and EOCWD intends to do the same. Should it not be feasible, due to statutory or County requirements, for responsibility for collection of the Annual Local Sewer Service User Fee for the 2014-2015 fiscal year to be transferred to EOCWD, OCSD shall account for and promptly transmit any such revenues it receives from the County that are attributable to the Fee imposed in Service Area 7.
3. The approval shall be subject to the terms and conditions set forth in the Local Sewer Facilities Transfer Agreement, dated \_\_\_\_\_, 2014, between Orange County Sanitation District and East Orange County Sanitation District, specifically including those provisions set out in Section 4 pertaining to the transfer of real and personal property and the transfer of cash reserves attributable to the Local Sewer Facilities in Service Area 7.

**WHEREAS**, this proposal is not consistent with one or more of the adopted spheres of influence for the agencies which would be affected by reorganization; therefore, it is proposed that spheres of influence be concurrently amended to make them consistent with the proposal; and,

**WHEREAS**, the Board of Directors finds that the proposal is exempt from the provisions of the California Environmental Quality Act pursuant to the CEQA Guidelines section 15320 (Cal.Code.Reg., tit. 14, § 15320). In particular, the Board finds that the reorganization will not change the geographical area in which previously existing powers are exercised. The result of the proposal, if approved, would be that EOCWD would provide local sewer service in territory where that service was formerly provided by OCSD; and

**NOW, THEREFORE**, this Resolution of Application is hereby adopted and approved by the Board of Directors of the East Orange County Water District, and the Local Agency Formation Commission of Orange County is hereby requested to take proceedings for the annexation of territory to EOCWD, and exercise of new services by EOCWD as authorized and in the manner provided by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

**PASSED AND ADOPTED** this \_\_ day of \_\_\_\_\_, 2014, by the Board of Directors of the East Orange County Water District, County of Orange County, State of California, and by the Board of Directors of the Orange County Sanitation District, County of Orange County, State of California, by the following vote:

**AYES:**

**NOES:**

**ABSTAIN:**

**ABSENT:**

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**William VanderWerff, President  
Board of Directors  
East Orange County Water District**

**ATTEST:**

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**Joan Arneson  
East Orange County Water District Secretary**

**AYES:**

**NOES:**

**ABSTAIN:**

**ABSENT:**

1572.004 2242625.1

**LAFCO Application  
For  
East Orange County Water District Sphere of Influence Amendments,  
Activation of Latent Powers for Local Sewer Service and Annexation of Certain  
Territories for Sewer Service Only**

**General Description and Justification of the Proposal**

This application by resolution of the East Orange County Water District (EOCWD) makes possible Orange County Sanitation District's (OCSD) desire to divest itself of the last few areas where it provides "local" sewer services, considered not to be a core service of the district. OCSD's core services are the regional development and maintenance of major sewer transmission infrastructure and the collection, treatment, and disposal of wastewater effluent from the 2.5 million people living and working in the 479 square mile area of central and northwest Orange County. An OCSD 2008 resolution encouraging transfer of its remaining local sewers to local agencies adopted by its board and referenced in the District's strategic plan, provides convincing justification to transfer its remaining local sewer service legacy areas and infrastructure to local agencies.

To date, OCSD has transferred 61 linear miles of local sewer infrastructure to nine different local agencies (both cities and special districts), by reaching agreements and quitclaiming to the receiving agency all local sewer facilities. (A list of service transfers is attached as Appendix 9). This project accomplishes OCSD's goal by transferring local sewer maintenance in a small area of northeast Orange County (OCSD Service Area #7) to EOCWD. EOCWD has prepared a plan for service, transition plan, and financial analysis. The district has determined that it can efficiently maintain the local sewer mains and the reorganization allows EOCWD to achieve greater administrative economies of scale to the benefit of its water and sewer customers. A plan of service is shown in Appendix 2.

Currently, OCSD Service Area #7 maintains approximately 170 miles of sewer lines and serves over 18,000 connections of which approximately 90% are within the EOCWD water service area. Service Area #7 overlaps the existing boundaries of EOCWD with the exception of 12 areas on or near the borders of the City of Orange, Santa Ana, and Tustin. Exhibit A identifies each area that currently lies outside of the EOCWD boundary. These areas will require LAFCO approval for a Sphere of Influence amendments and annexation for sewer service only.

The OCSD local annual user fee for a single-family residence is \$216 and \$151.20 for multifamily residences. OCSD maintains a reserve fund for Service Area #7 of approximately \$25 million. After careful analysis, EOCWD proposes local annual user fees that continue with no increase for at least the first three years after the transfer to EOCWD, and proposes deposits to the reserves similar to the historic deposit amounts made by OCSD.



EOCWD's core services are the treatment and distribution of wholesale and retail water service to portions of the cities of Tustin and Orange, and the unincorporated community of North Tustin. Its enabling statute allows for the district to also provide local sewer service.

EOCWD is the most logical agency to take over the maintenance responsibility because its existing service area includes or is in close proximity to all of OCSD Sewer Service Area #7 (see Exhibit A). The transfer of service to EOCWD, which already serves the majority of the area, is a sensible governance solution for its existing residents and the overlying cities. The proposal provides continuance of quality local governance to the residents from an existing and known service agency. EOCWD's analysis shows that it can maintain existing levels of service, continue to enhance reserves, and importantly, is in a better location to respond to emergencies and coordinate infrastructure maintenance activities with the cities of Orange and Tustin and Orange County than OCSD. This application by resolution of the Board of Directors of EOCWD is submitted with an accompanying letter of support from OCSD (Appendix 5).

### **Service Providers, Sphere of Influence Designations, and Proposed Reorganization**

This area of northeast Orange County is the geographic convergence of multiple public agencies, strong community identities, and many overlapping possibilities for municipal service providers (County of Orange, cities, special districts). LAFCO is the agency designated to help make reasonable decisions about existing and future service providers and has provided guidance with its islands program and designations of spheres of influence for this area. In keeping with LAFCO's goals, this application takes a pragmatic approach to continue service to the current OCSD Area #7 businesses and residents in a cost effective and customer service oriented manner with little or no disruption to the existing customers.

Exhibit A shows the OCSD Area #7 as it overlays EOCWD boundaries. The boundaries are nearly coterminous, with 13 exceptions primarily affecting: six unincorporated islands to the north, surrounded by the City of Orange; and seven areas to the north, south and west of EOCWD's existing boundaries that overlay the City of Tustin. The City of Orange has not expressed interest in providing sewer service to its unincorporated islands areas. The Irvine Ranch Water District boundaries overlay the City of Tustin in Tustin Meadows area in the southwest portion of Sewer Area 7.

LAFCO has designated each of the special districts mentioned above with coterminous spheres of influence boundaries in this area; therefore, the proposed EOCWD reorganization requires LAFCO first approve activation of its "latent powers" for sewer service and then designate a separate EOCWD Sphere of Influence for local sewer service. It further proposes extending the sewer sphere into those areas currently in OCSD's Local Sewer Service Area #7 that are also outside of EOCWD's existing boundary. Extension of the sphere is necessary to allow for annexation of the areas into EOCWD. This application proposes no change to EOCWD's water service sphere.

## **Plan for Service**

The attached EOCWD plan of service provides the details of how operations will be transferred, and the EOCWD financial plan including rate structure, and reserves. EOCWD's analysis demonstrates that the District will capture modest efficiencies and economies of scale by consolidating some of its administrative operations. Long-term public value may be seen in the District's aggressive management of overhead costs and ability to coordinate with the county and cities on infrastructure and street projects. Other supporting documentation includes: OCSD quitclaim documents (Appendix 6), Local Sewer Facilities Transfer Agreement (Appendix 3), and Local Sewer Service Transitional Services Agreement (Appendix 4)

## **Changes or Organization and Sphere Of Influence Amendments**

This application proposes the following actions:

- ✓ LAFCO authorize the activation of the EOCWD latent powers for retail sewer service within its corporate boundaries
- ✓ LAFCO approve an EOCWD sewer service Sphere of Influence to include all territory within its corporate boundary and each area shown on Exhibit A requiring annexation for sewer service only
- ✓ LAFCO approve annexation of parcels shown on Exhibit A into the EOCWD for the purpose of assuming local retail sewer service responsibility from the OCSD
- ✓ Dissolution of the OCSD Local Sewer Service Area 7 by the OCSD Board of Directors
- ✓ Adoption of a property tax transfer resolution by the County Board of Supervisors negotiating on behalf of the affected Districts, transferring 100 percent of the property tax distributed and currently allocated to the OCSD local sewer Service Area 7 to EOCWD
- ✓ LAFCO include terms and conditions as agreed to by both districts to assure financial stability and continuity of service

## **Consideration of Alternatives**

The Orange County Sanitation District's Local Service Area #7, overlaps with several agencies that have the legal ability to provide local sewer service. OCSD has made clear that the entire Service Area #7 must be transferred in its entirety and at one time. The City of Tustin businesses and residents are provided local sewer service through OCSD Service Area #7. For five years, OCSD and Tustin were in discussion about a possible transfer of the Area #7, however, recently the City declined to provide the service leading to discussions with EOCWD. In addition, the City of Orange has not indicated a desire to annex the Orange islands into the City at this time. IRWD has statutory authority to provide sewer service and currently provides local sewer service to a small portion of the City of Tustin but is a water and sewer provider to only a very small portion of Area #7.

## **Resolution of Initiation**

The EOCWD resolution of initiation requesting approval of activation of latent “Local Sewer Service” powers, sphere of influence amendments, and reorganization of territory is shown as Appendix 1. This proposal does not have 100% consent of property owners.

## **Map and Legal Description**

The applicant recognizes that the California State Board of Equalization requires metes and bounds legal description for all boundary changes. Most of the territory identified in the application has a metes and bounds description on file with the County Surveyor’s office. The remainder will be completed while the application is under review by LAFCO.

## **Disclosure of Political Expenditures**

The District has no related financial reports or disclosures.

## **Indemnification Agreement**

The signed indemnification agreement is shown as Appendix 7.

## **LAFCO Fees**

Submitted with this application are fees in the amount of \$11,800.

## **CERTIFICATION**

I certify, under penalty of perjury by the laws of the State of California, that the information contained in this application is true and correct. I acknowledge and agree that the Orange County Local Agency Formation Commission is relying on the accuracy of the information provided and my representations in order to process this application proposal.

Signature

Print Name

Title

Date

East Orange County Water District LAFCO Application

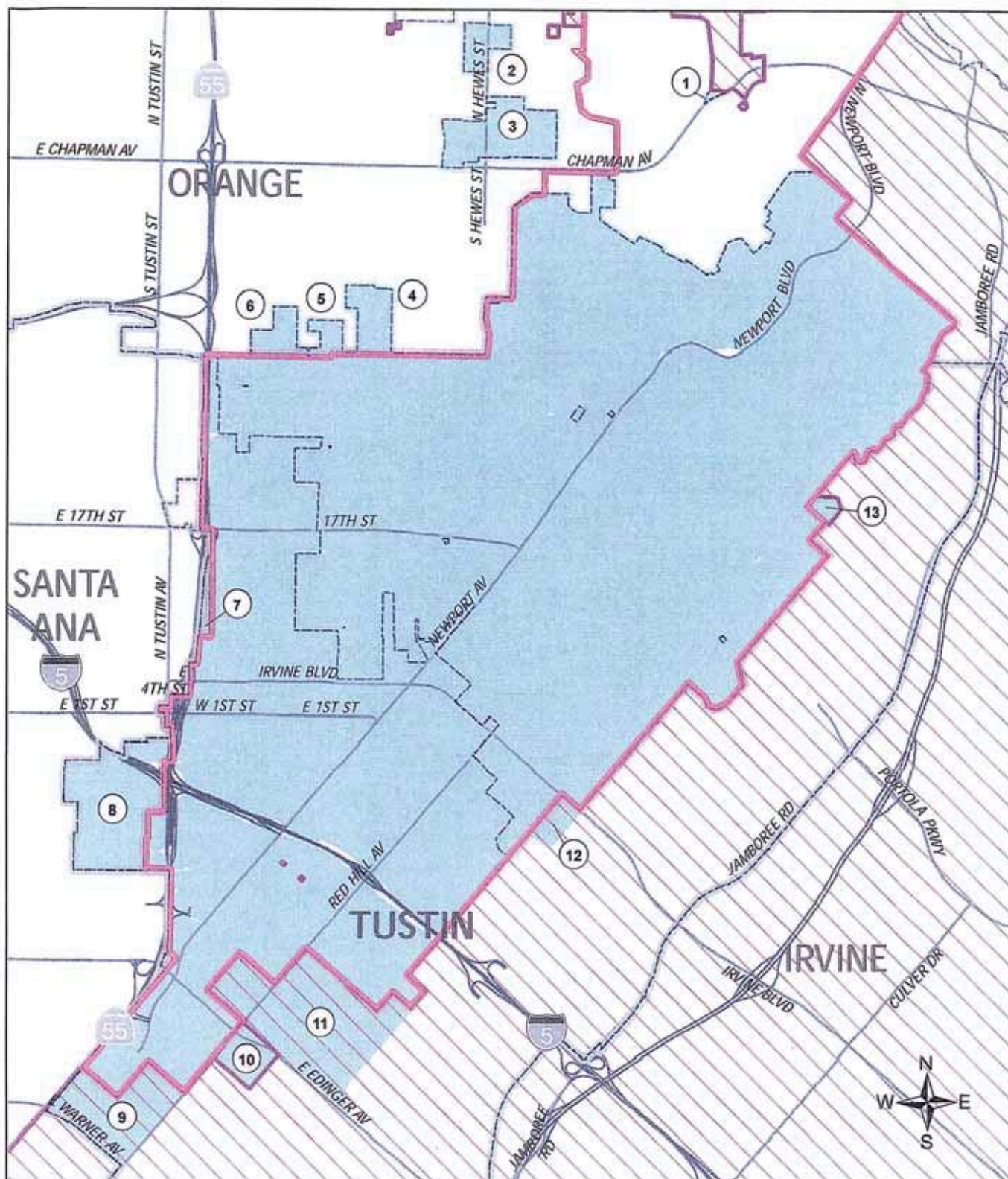
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February 27, 2014

Attachments:

- Exhibit A      Map of the Reorganization and proposed Sphere Amendments
  
- Appendix 1    East Orange County Water District Initiating Resolution
- Appendix 2    East Orange County Water District Plan of Service
- Appendix 3    Local Sewer Facilities Transfer Agreement
- Appendix 4    Local Sewer Service Transitional Services Agreement
- Appendix 5    OCSD Letter of Support
- Appendix 6    Quit Claim
- Appendix 7    Indemnification Agreement
- Appendix 8    OCSD Strategic Plan, Local Sewer Transfers completed by 2013










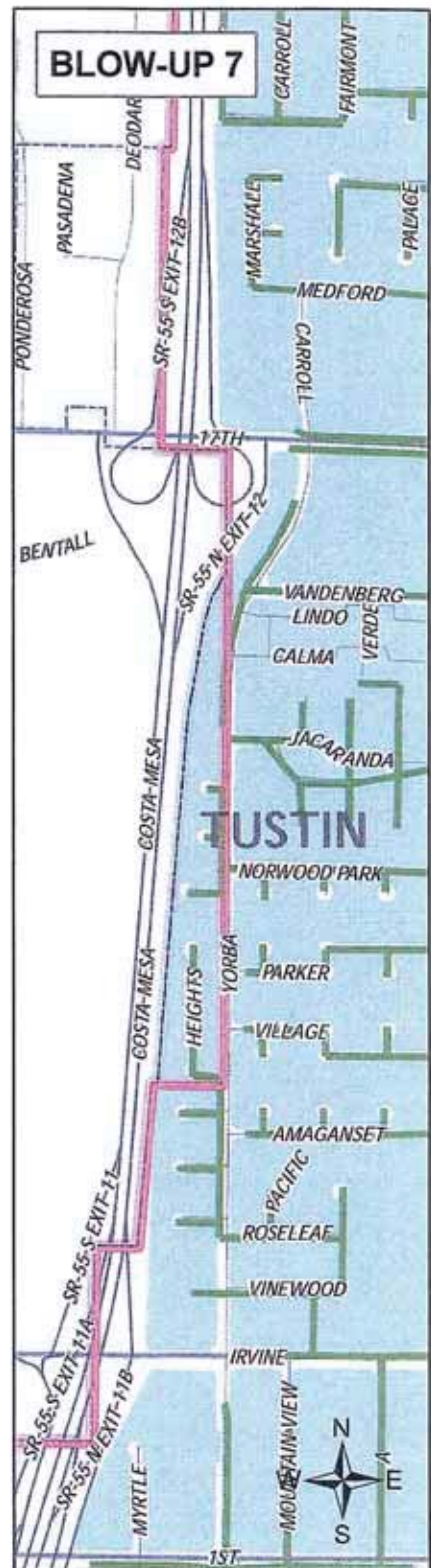
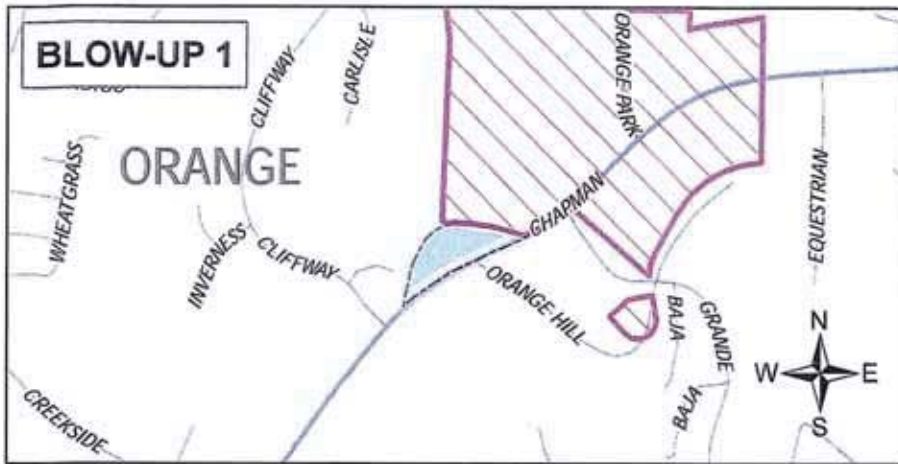
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## BOUNDARY MAP OCSD'S SERVICE AREA 7



-  EOCWD Service Boundary
-  IRWD Service Boundary
-  OCSD's Area 7 Service Boundary
-  City Boundaries
-  ## Map blowup view



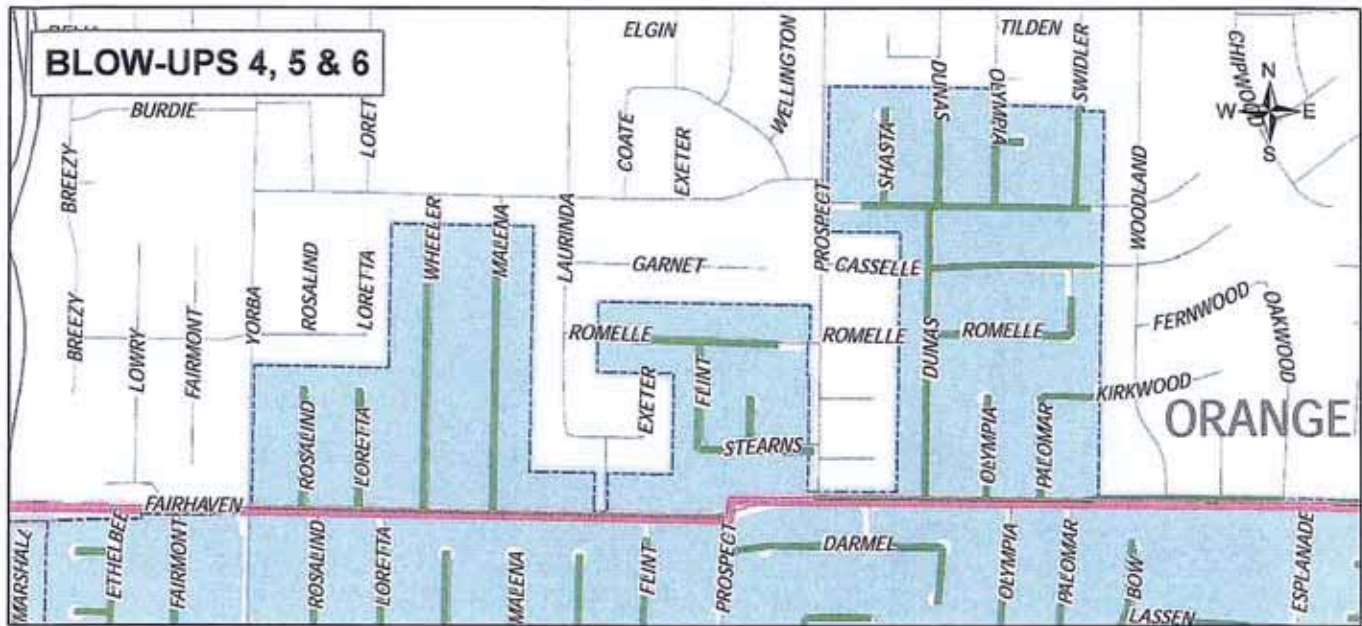


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## BLOW-UP MAPS OCSD'S SERVICE AREA 7 SHEET 1

- EOCWD Service Boundary
- IRWD Service Boundary
- City Boundaries
- OCSD's Area 7 Service Boundary
- Local Sewers Proposed for Transfer



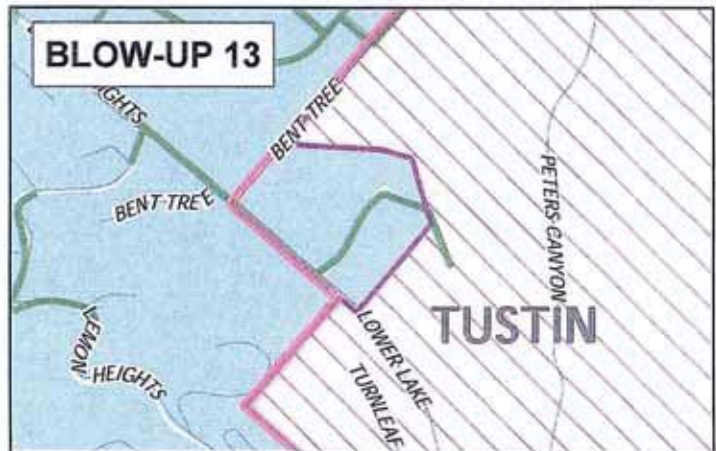
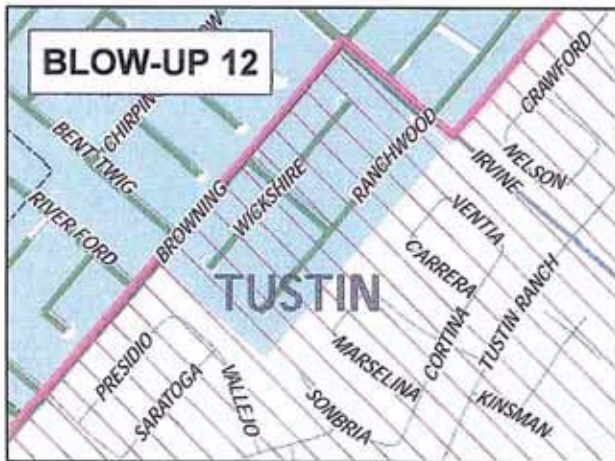
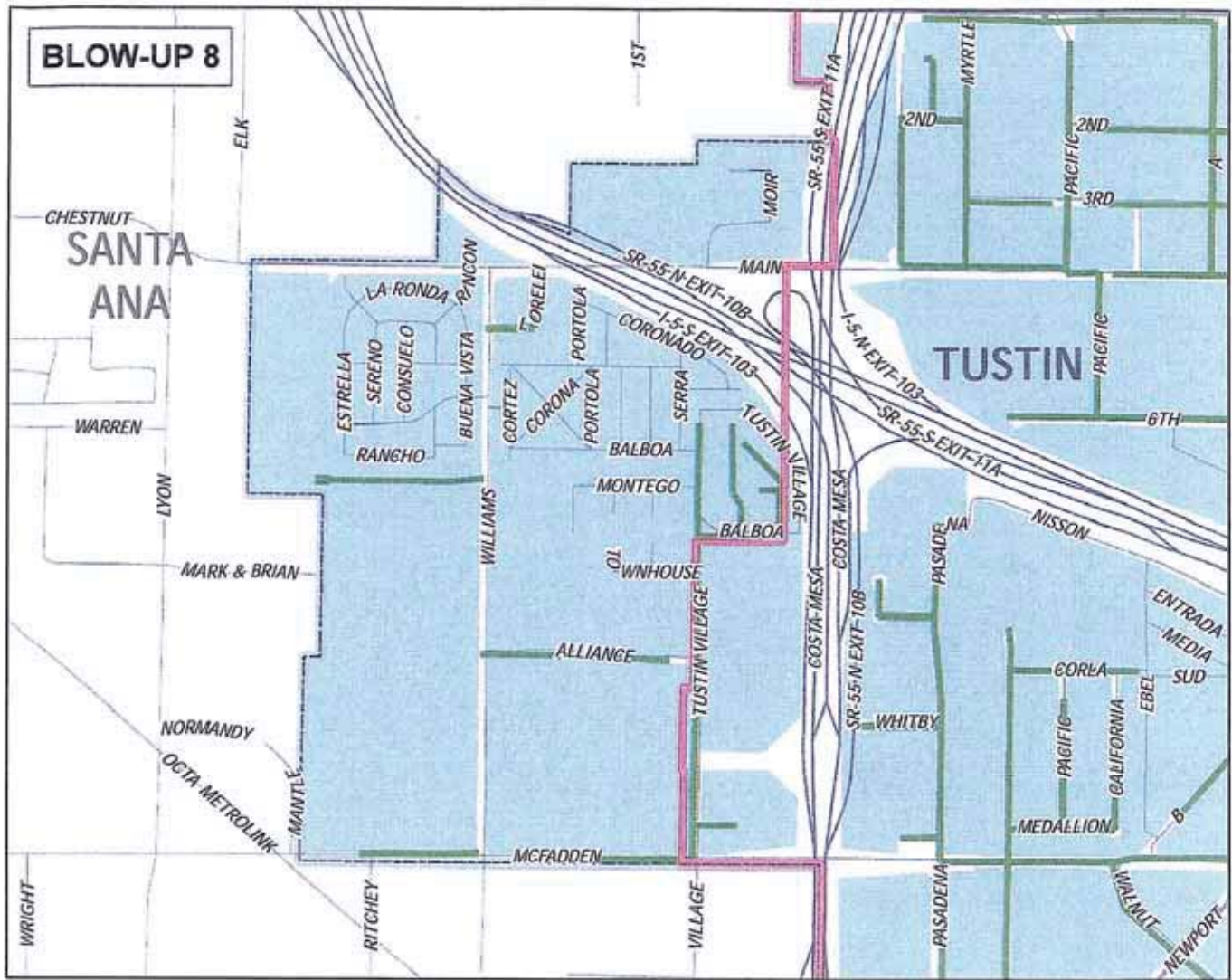


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## BLOW-UP MAPS OCSD'S SERVICE AREA 7 SHEET 2

- EOCWD Service Boundary
- IRWD Service Boundary
- City Boundaries
- OCSD's Area 7 Service Boundary
- Local Sewers Proposed for Transfer





Created on: 11/18/2013

## BLOW-UP MAPS OCSD'S SERVICE AREA 7 SHEET 3

- EOCWD Service Boundary
- IRWD Service Boundary
- City Boundaries
- OCSD's Area 7 Service Boundary
- Local Sewers Proposed for Transfer



**BLOW-UP 10 & 11**

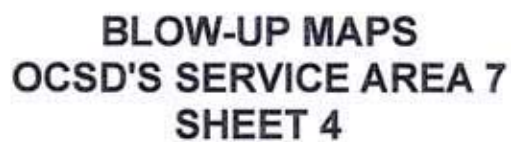
**TUSTIN**

STREETS: NEWPORT, DEL AMO, CARFAX, CHARLMA, MEAR, DRAYTON, TUSTIN GROVE, PALM, BNSF, SERVICE, INDUSTRIAL, PARKWAY, LANDOWNE, SEVERINS, HANSON, ASTORIA, LEXINGTON, GASTON, CHARTRESE, TAYLOR, WESLEY, LINDEN, VALENCIA, ARMSTRONG, CROSS, YORK, DUKE, WASHINGTON, LINCOLN, MADISON, KALLINS, HARTFORD, CHARLESTON, COLUMBUS, GRANT, GREENVILLE, DAVENPORT, UNION, HARRIS, FAIRFAX, VANDERBILT, GEORGIA, CALVERTON, CAMBRIDGE, GRAFTON, DOUGLAS, ROYAL OAK, BROOKSHIRE, GREENMEADOW, ANNISTON, OCEA METROLINK, FEATHER HILL, FOXGROFT, FALLEN LEAF, ALDER, SILK TREE, CAPER TREE, GOGO PALM, APPLE TREE, FIG TREE, PEPPER TREE, BASSWOOD, SABLE TREE, ANA TREE, TUSTIN RANCH, EDINGER, KENSINGTON PARK, FRANKLIN, CEDAR, SANDFIELD, MADRID, GRANADA, REN, HICKORY BRANCH, BRITANNY WOODS, ROSALIE, OVENT, RED HILL, MITCHELL, CORPERSFIELD, SILVERBROOK, DEERFIELD, OXFORD, GLOVERBROOK, WALNUT, AMHERST, ROANOKE, HAMPSHIRE, GHERSHIRE, CANTERBURY, DANBOROUGH, HYANNIS PORT, DANBURY, HEATHER, DANBERRY, DEVONSHIRE, SYCAMORE, WESTFALL, EMERYWOOD, WILDEVE, WINDEMERE, PENRITH, EL CAMINO REAL, SANTA ANA.

LANDMARKS: TUSTIN SCHOOL, TUSTIN GROVE.

TRANSPORTATION: BNSF, METROLINK.

COMPASS ROSE: N, S, E, W.



- Created on: 11/18/2013



# PLAN FOR SERVICE

## SEWER AREA #7

*Report prepared for the Orange County Local Agency Formation  
Commission in support of East Orange County Water District's request for  
activation of latent powers and annexation of territory.*

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## 1.0 District Background

### HISTORY

The East Orange County Water District (District) was formed in 1961 under Section 30000 of the California Water Code to supply wholesale imported water to mutual water companies serving 100,000 acres in the developing unincorporated areas of East Orange and the Tustin Foothills. Today, the District continues to provide imported wholesale water service to this area through four retail water entities: the cities of Tustin and Orange, the Irvine Ranch Water District and the Golden State Water Company. These retail agencies serve a population of approximately 100,000. Figure 1 is a map of the District showing the existing service area and the service areas of the underlying retail agencies. The provision of imported water to the four retail agencies is generally referred to as the “Wholesale Zone” operations.<sup>1</sup>

Up until 1997, the District purchased untreated water from the Metropolitan Water District of Southern California (MET) through MET member agency, the Municipal Water District of Orange County (MWDOC). The District treated this water at its treatment plant and then sold that water to the retail water purveyors. After examining the costs to upgrade the treatment plant to meet new water treatment regulations, the District began purchasing treated MET/MWDOC water and continues to do so currently. Because of extraordinary increases to the price of MET/MWDOC treated water, the District is examining the potential of reconstructing its treatment facilities and again purchasing untreated water and treating it, if the opportunity for additional reliability, water quality improvement and price stability would be achieved as a result.

In 1985, the retail operations of the County of Orange’s Waterworks District #8 were transferred to the District expanding the duties and responsibilities to providing imported and local groundwater to 1,209 retail customers located in the Vista Panorama unincorporated area (also shown on Figure 1). The provision of imported and groundwater water to the 1,209 retail customers is generally referred to as the “Retail Zone” operations.

### PROPOSED ACQUISITION OF LOCAL SEWERS

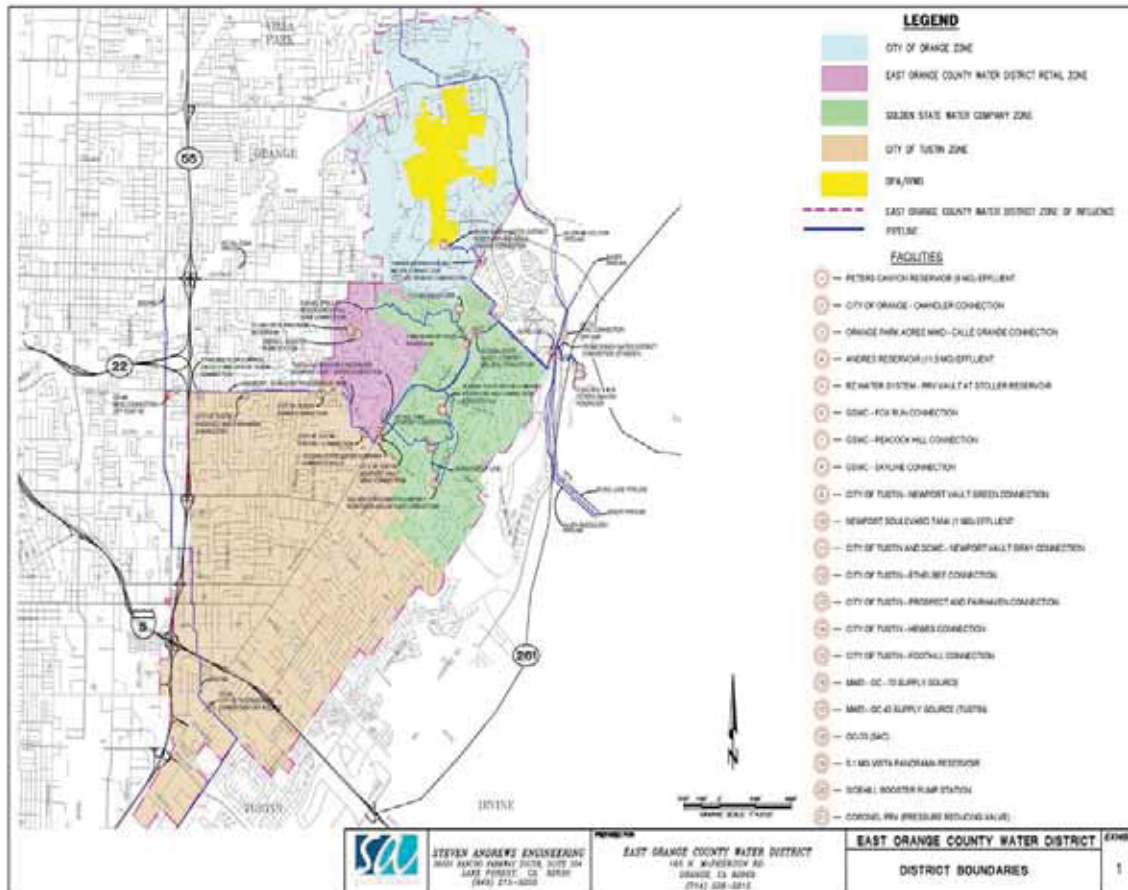
OCSD, which owns and operates regional collection, treatment and disposal facilities in North Orange County, also owns and operates a local sewer district (Sewer Area #7) serving a portion of the City of Tustin as well as areas in the unincorporated portion of Orange County (North Tustin, Lemon Heights, Cowan Heights, Panorama Heights) and a small area within the City of Orange. In 2007, the OCSD Board of Directors approved a resolution seeking to divest itself of Sewer Area #7 (as well as other local sewer areas it owns and operates). Initially, OCSD

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<sup>1</sup> The District’s Retail Zone (RZ) is also a customer of the Wholesale Zone (WZ), purchasing imported water in the same manner as the other WZ customers.

# PLAN OF SERVICE

FIGURE 1. EAST ORANGE COUNTY WATER DISTRICT  
WHOLESALE & RETAIL WATER FACILITIES



discussed the transfer of the local sewers with the City of Tustin, however, after several years of discussion, the transfer failed to occur.

Due to the fact that the District's service area and sphere of influence are generally contiguous with Sewer Area #7, informal inquiries were made by District staff to OCSD staff regarding the potential for transfer to the District. On September 19, 2013, the District and the Orange County Sanitation District (OCSD) entered into formal negotiations for the acquisition of Local Sewer Sewer Area #7. District staff and consultants met with OCSD staff on a frequent basis during the succeeding four months to perform a due diligence review of the physical condition of the sewers, the financial viability of the acquisition and the governance issues involved in transitioning the facilities to the District.

The negotiations have culminated in the drafting of three documents that address the purchase price, terms of payment, transfer of facilities and services provided during transition:

# PLAN OF SERVICE

- 1) Acquisition Agreement
- 2) Quitclaim
- 3) Transition Services Agreement

Although the District's powers include the ownership and operations of sewers, because the District has not done so previously requires the activation of this latent power by the Orange County Local Agency Formation Commission (OCLAFCO). Additionally, thirteen (13) parcels of land lie outside of the District's current service boundary and would require annexation into the District's service area.

It is important to note that while the Sewer Area #7 service area is roughly contiguous with the District's existing service area (approximately 90% of it lies within the District's boundaries), Sewer Area #7 covers a smaller area than the water service area. It is not the intent of this application to expand the District's sewer service area or sphere to the other areas within its water service area – these areas are currently sewered by other agencies. Thus, the District will have a different water service area and sphere than its sewer service area and sphere.

## GOVERNANCE

The District is governed by a five-member Board of Directors:

William VanderWerff – President – Current term expires in 2016  
Richard Barrett – Vice President – Current term expires in 2014  
Richard Bell – Director – Current term expires in 2014  
John Dulebohn – Director – Current term expires in 2014  
Doug Davert – Director – Current term expires in 2016

No additional Board Members would be added with the acquisition of the sewers.

## STAFF

The District is currently staffed by a total of 5.5 employees:

General Manager Lisa Ohlund,  
Operations and Maintenance Superintendent Jerry Mendzer,  
Operator II – Matt Plummer  
Operator I – William Coston  
Office Manager – Denise Dobson  
Office Assistant (P/T) – Nicole Hopp

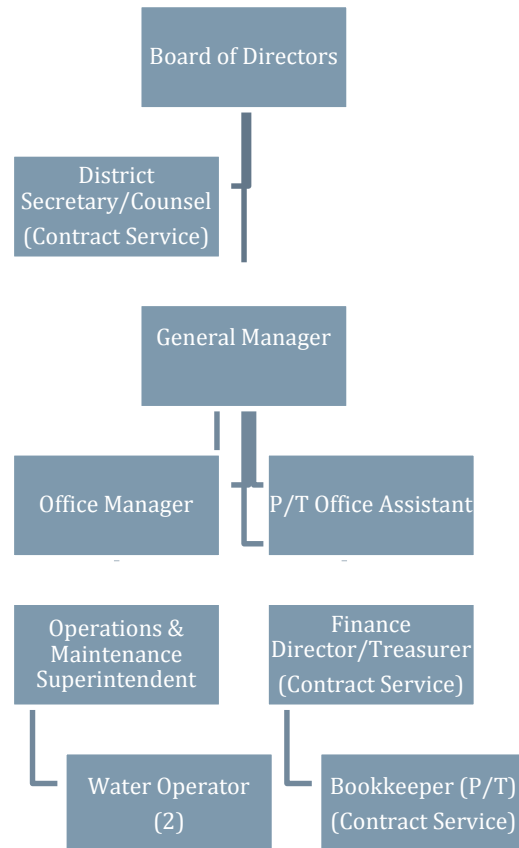
Other key positions are staffed via contract:

District Counsel/Board Secretary – Joan Arneson, Bowie Arneson Wiles & Giannone  
Treasurer – Carl Schoonover CPA, Schoonover Accountancy  
Finance Director – Cindy Byerrum CPA, Platinum Consulting Group  
Accountant – Josh Byerrum, Platinum Consulting Group

# PLAN OF SERVICE

Figure 2 depicts the current organizational chart.

FIGURE 2. CURRENT ORGANIZATIONAL CHART



Additional staffing planned for the District as a result of the acquisition of the sewers is addressed in detail in Sections 3 (Transitional Plan) and 4 (Long-Term Plan) .

## WATER DISTRICT FACILITIES

The District's administrative, operations and maintenance facilities are located at 185 McPherson Street in Orange. The major water district facilities are comprised of:

### Wholesale Zone

- 11.5 Million Gallon (MG) Reservoir
- 6.0 MG Reservoir
- 1.0 MG Reservoir
- Three connections (OC-70, OC-48, OC-43) to MET/MWDOC)
- 12 miles of pipeline ranging in size from 24" to 12" in diameter

# PLAN OF SERVICE

## Retail Zone

Two groundwater wells  
Four pump stations  
Chlorination Treatment System  
0.225 MG Reservoir  
23.5 miles of pipeline ranging in size from 12" to 4"  
1,209 metered connections

Sewer Area #7 facilities are summarized in Section 2.0.

## CURRENT FINANCIAL STATUS

The District is operated in a fiscally prudent manner, consistently generating operating revenues in excess of operating expenses year over year; for FY 2012/13, the District's Change in Net Position was \$835,565<sup>2</sup>, an increase of \$502,523 or 150% over FY 2011/12. It has been the District's objective that all revenue generated from District customers, inclusive of property taxes, support all District expenses including capital project funding; during periods when this has not been achieved, the District has used reserve funds (for one-time expenses) and/or increased user fees to provide sustaining financial resources.

The District's FY 2013/2014 Operating Budget totals \$8,089,703; the FY 2013/2014 Capital Budget totals \$1,574,750. The District's assets include \$10,681,522 in capital assets (book value) and \$6,381,126 in reserve funds (equal to two-thirds of one year's operating budget).

The District's commitment to financial prudence is long-standing. The District has used long-term debt sparingly; currently it has no long-term debt. Additionally, the District has no "Other Post-Employment Benefits" (retirement medical benefits) and thus has no unfunded OPEB liabilities. The District also never increased its retirement benefit from the California Public Employees Retirement System (CalPERS) 2%@60 formula it offered since the District's inception; currently the District's Plan is Market Value<sup>3</sup> funded at 82%, one of only 2% of California public agencies whose retirement plan is funded above 75%<sup>4</sup>.

The District's most recent audit is included as Exhibit A.

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<sup>2</sup> The Governmental Accounting Standards Board now requires that governmental agencies report the excess of total revenues (including non-operating revenues) over expenses (including depreciation) as the "Change in Net Position;" a positive number is the equivalent to the historic "Increase in Net Assets" terminology.

<sup>3</sup> The ratio of the market value of assets in the District's retirement account to liabilities for the District's retirement account. CalPERS currently has no member agencies that are 100% funded.

<sup>4</sup> CalPERS Facts At A Glance; pg 3. December 2013



## 2.0 Sewer Area #7 Background

### HISTORY

The Orange County Sanitation District was formed in 1954 to provide regional wastewater collection, treatment and disposal<sup>5</sup>. OCSD's 471 square mile service area comprises all of north Orange County and they provide services for over 87 percent of the population of Orange County (2.5 million as of 2007). They operate and maintain 580 miles of trunk and local sewers and are the third largest wastewater discharger in the western United States.

In 1986, OCSD was given the responsibility, by the Orange County Board of Supervisors, to own and operate several small local sewer systems that were formerly County Sewer Maintenance Districts. OCSD objected to this requirement for two reasons: 1) the District is not equipped to maintain small diameter local sewers because their maintenance equipment is designed for cleaning larger diameter trunk and interceptor sewers, and 2) the ad valorem financing mechanism was inadequate to cover the cost of the local sewers. Beginning shortly thereafter and up to the present time, OCSD has transferred 61 miles of sewers and two pumping facilities to local cities and sewerage agencies.

In 2007, the OCSD Board of Directors adopted a Strategic Plan that recommended the transfer of local sewers to local agencies; this position was affirmed by OCLAFCO in their 2007 Municipal Service Review for OCSD with the specific mention of the transfer of Sewer Area #7.<sup>6</sup> The transfer of these sewers is a priority to OCSD; the 2013 Strategic Plan anticipates the transfer of the Sewer Area #7 sewers by December 31, 2013.

### SEWER AREA #7 STATISTICS AND CURRENT CONDITION

Sewer Area #7 is comprised of 174 miles of primarily 8" clay pipe<sup>7</sup> and 3,586 manholes serving 18,000 parcels. The majority of the pipelines (118 miles) are within the unincorporated portion of Sewer Area #7, while 52 miles are within the City of Tustin and 4 miles are within the City of Orange. There are no pump stations or other mechanical appurtenances or facilities associated with Sewer Area #7. Between 2003 and 2009 the entire service area was CCTV'd and repairs were made as problems were discovered; there is no backlog of repairs needed, nor are there any

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<sup>5</sup> The first sanitation districts in Orange County were formed in 1947, however these were individually operated until 1954 when 13 of 14 districts were being operated by the single entity known as the County Sanitations Districts of Orange County. These districts were combined into a single district – OCSD – in 1998. *Source: OCLAFCO Municipal Service Review, Orange County Sanitation District, May 9, 2007.*

<sup>6</sup> MSR/SOI Report, Orange County Sanitation District, OCLAFCO, May 9, 2007.

<sup>7</sup> The system is comprised of 2,500 ft of 6-inch diameter pipe; 850,000 ft of 8-inch diameter pipe; 31,000 ft. of 10-inch diameter pipe and 26,000 ft of 12-inch diameter pipe.

# PLAN OF SERVICE

major construction projects, planned developments or freeway projects that would cause any relocation or expansion of the system within the near future that staff was aware of<sup>8</sup>. The entire service area has been entered into GIS and a computerized maintenance management system tracks problems and repairs.

A “Cost Projection of Rehabilitation and Replacement over 100 Years” study was completed by the engineering firm GHD in 2008 estimating that it will cost \$350,000,000 to rehabilitate and replace the entire system by 2107.

A 2013 “Audit of Waste Discharge Requirements” was performed by the engineering firm RMC to stratify the Sewer System Management Plan (SSMP) requirement that periodic (every two years) internal audits are conducted to examine sewer system overflows in the system, the effectiveness of the SSMP and identification of any deficiencies in the SSMP. Importantly, the audit identified that OCSD has reduced the Sanitary Sewer Overflow (SSO or spills) rate to below the spill rate for all sewers located within the jurisdiction of the Santa Ana Regional Water Quality Control Board (SARWQCB or Region 8). The Region 8 average was 2 spills per 100 miles of pipe per year; Sewer Area #7 averaged between 1 and 2 spills per year between January 2011 and December 2012. The average spill size for Sewer Area #7 averaged less than 500 gallons. The report noted that most spills were caused by root intrusion into the pipelines, with grease and debris also contributing to spills and recommends continuing an aggressive cycle of annual cleaning of all local sewers along with a 7-year CCTV inspection cycle.

The District retained the engineering firm of Richard Brady & Associates to investigate and evaluate the Sewer Area #7 documentation provided by OCSD. Brady noted that the system has been well maintained and is well documented, including GIS and GPS layers for pipelines, manhole locations, easements and syphons.

## CURRENT OPERATIONS

OCSD provides part-time general management, administrative, engineering and financial services to Sewer Area #7 and contracts with private companies to provide the following field services for the local sewers in Sewer Area #7:

- Line Cleaning
- Closed Circuit Television Inspection (CCTV)
- Pipe Rehabilitation
- Manhole Rehabilitation
- Root Foaming
- Manhole Pesticide Treatments
- Dig Alert (Underground Services Location)
- Manhole Frame and Cover Replacements

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<sup>8</sup> Richard Brady & Associates, Assessment of OCSD Service Area #7

# PLAN OF SERVICE

In recent years, OCSD contractors have varied between 12 and 18 months to clean the sewer lines that comprise Sewer Area #7.

The District utilizes CASS WORKS Computerized Maintenance Management Software (CMMS) to manage their regional collection system as well as Sewer Area #7 assets. OCSD maintains an up-to-date and comprehensive collection of design and construction requirements for sanitary sewers, standard operating procedures, emergency and sewer overflow response procedures, best management practices for FOG issues and other associated documents that comprise their Sewer System Management Plan (SSMP)

Additionally, OCSD also maintains small diameter pipeline cleaning/vacuuming equipment at their Fountain Valley site for their regional collection crew to respond to emergencies in Sewer Area #7, and to perform “Trouble Spot<sup>9</sup>” cleanings.

## CURRENT ENGINEERING & CAPITAL IMPROVEMENT PROGRAM

OCSD, utilizing both in-house engineering staff and engineering consulting firms, has completed a 2008 condition and replacement assessment of Sewer Area #7 sewers; currently there are no rehabilitation or replacements scheduled through 2015 in the OCSD Capital Improvement Program. Routine maintenance includes CIPP and manhole rehabilitation through the OCSD Operating Budget – Repairs & Maintenance activities.

## 2008 – 2013 FINANCIAL SUMMARY AND CUMMULATIVE RESERVES

In 2008, the Board of Directors adopted a five-year rate plan to cover the costs of service to operate and maintain Sewer Area #7 facilities as well as to aggressively build a reserve account to fund the eventual rehabilitation and refurbishment of the pipelines, as no reserve account existed prior to 2008/2009.

Table 1 shows a summary of the sewer service fees and property tax revenues collected and the expenses incurred from 2008/09 through 2012/13; the cumulative reserve is also included. The Proposition 218 financial study conducted by OCSD in support of the establishment of the local sewer fee, indicated that an annual reserve contribution of \$4,600,000 would be required to be maintained in order to build the reserve account for the replacement and rehabilitation of Sewer Area #7’s pipelines.

It should be noted that in past few years, OCSD has contributed more than the minimum to the reserve account as expenses have fallen by more than 50%. “Miscodings” have been identified in FY’s 12/13 and 13/14 due to new staff improperly coding invoices to the Regional System. This

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<sup>9</sup> Trouble Spots are specific areas identified during routine maintenance, or because of a spill that has previously occurred, that require more frequent cleaning and inspection than other areas of the system.

# PLAN OF SERVICE

situation was discussed during negotiations and EOCWD agreed that additional charges may be pending and took some of this into account in the calculation of the \$27,000,000 reserve balance that should accrue by June 30, 2014, with further contributions made by the estimated acquisition date of December 1, 2014.

A portion of the reserves, \$15 million, will be transferred to EOCWD upon the acquisition date (12/1/14), the balance of an estimated +\$12 million will be transferred by November 1, 2018. Retention of these funds was of critical importance to OCSD in order to structure the drawdown of their reserves in such a manner as to facilitate their long-term investment portfolio and their overall reserve coverage strategy. EOCWD concurred that this was in the best interest of all ratepayers (regional and local).

Interest on the retained reserves will accrue at the same rate as the average of OCSD's long-term investments and will be paid to EOCWD on an annual basis after the completion of the OCSD audit.

TABLE 1. DISTRICT # 7 - SUMMARY OF REVENUE, EXPENSES AND CUMULATIVE RESERVE FUND

DESCRIPTION	2008-09	2009/10	2010/11	2011/12	2012/13
<b>Sewer Service Fees</b>	\$5,605,973	\$5,42,065	\$5,672,384	\$5,751,502	\$5,827,497
<b>Property Tax Revenue</b>	235,748	244,205	235,946	239,933	235,000
<b>Total Revenues</b>	\$5,841,721	\$5,886,270	\$5,908,330	\$5,991,435	\$6,062,497
<b>Expenses</b>	(\$916,009)	(\$1,023,317)	(\$1,352,041)	(\$643,215)	(\$1,195,776)
<b>Net</b>	\$4,925,712	\$4,862,953	\$4,556,289	\$5,348,220	\$4,866,721
<b>Cumulative Reserve</b>	\$4,925,712	\$9,788,665	\$14,344,954	\$19,693,174	\$24,559,895

# PLAN OF SERVICE

## 3.0 Transition Plan

### GENERAL PLAN

Based upon the schedule shown in Table 2 below; the District expects that the transfer will be completed by October 6, 2014.

**TABLE 2. OCLAFCO PROJECTED TIMELINE FOR SEWER TRANSFER**

<b>TASK</b>	<b>RESPONSIBLE PARTY</b>	<b>COMPLETION DATE</b>
Submit LAFCO Application <ul style="list-style-type: none"> <li>District resolutions (EOCWD and OCSD)</li> <li>Application and filing fees</li> <li>Plan of Services</li> <li>CEQA: timeline assumes a NOE; if ND or Mitigated ND used, timeline may be extended</li> </ul>	Applicant	1/22/2013
Application Status Letter, AB 8 Letter and Preliminary Staff Report (PSR) issued	LAFCO	2/11/2014
EOCWD submits Map and Legal Description to LAFCO (includes review and approval by County Surveyor)	Applicant	Mid-March 2014
Assessor issues report to Auditor identifying TRAs and AV	Assessor	3/30/2014
Auditor issues report identifying amount of negotiable property tax	Auditor	Mid-May 2014
County adopts property tax resolution on behalf of both EOCWD and OCSD	County	6/17/2014
If application complete, EO issues Certificate of Filing and sets a hearing date	LAFCO	6/30/2014
Preparation of staff report, resolution	LAFCO	June 2014
Public hearing notice	LAFCO	June 6, 2014
LAFCO hearing	LAFCO	July 9, 2014
Request for reconsideration	LAFCO	July 10, 2014 – August 11, 2014
Period of protest (assumes 45-day protest period)	LAFCO	August 14, 2014 – September 29, 2014
Protest hearing date	LAFCO	September 29, 2014
Tabulate protest (if any)	LAFCO	September 29 – October 3, 2014
Recordation*	LAFCO	October 6, 2014

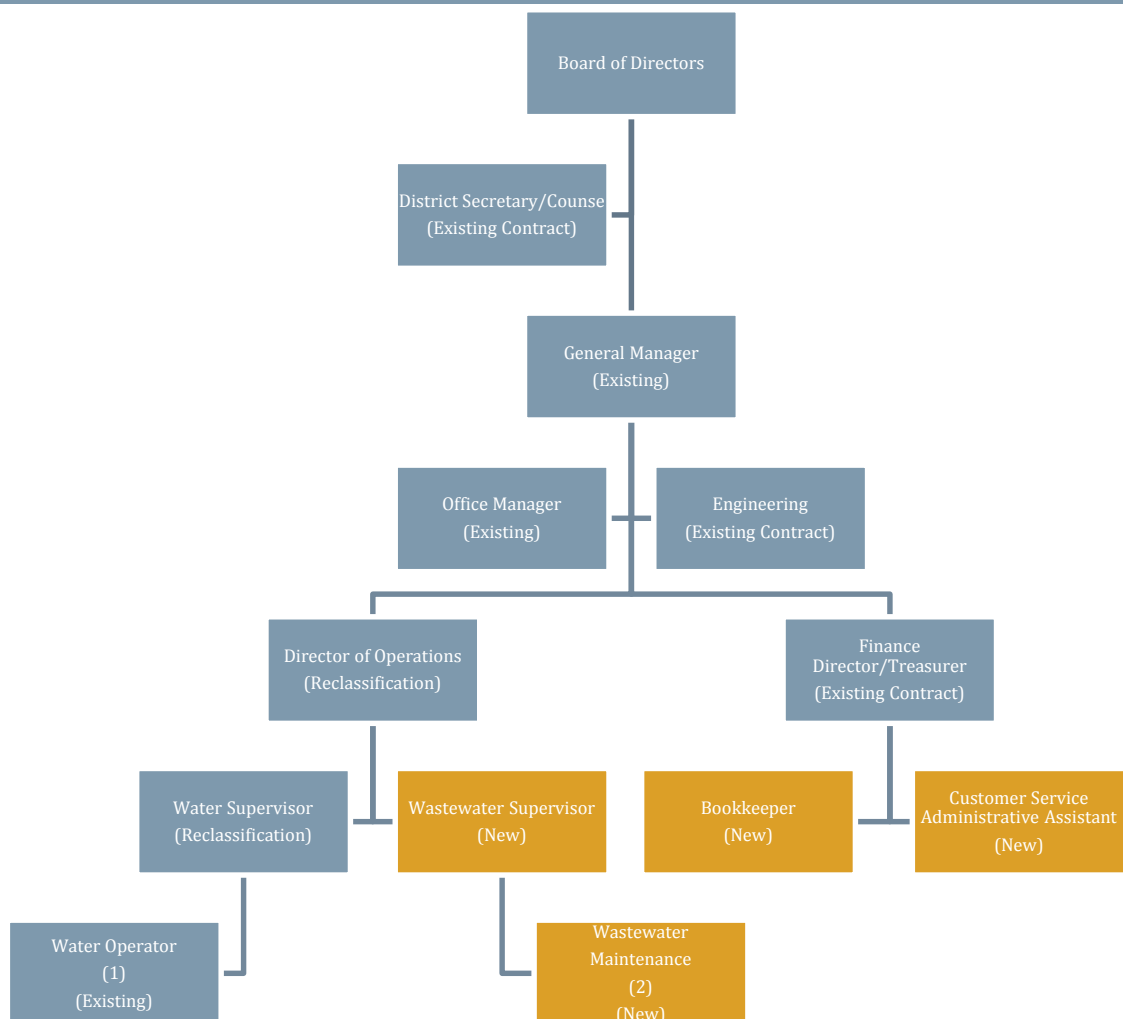
# PLAN OF SERVICE

Assuming that no significant protest is received and recordation proceeds as planned, it is the District's intent to transition the operations of Sewer Area #7 from OCSD over an estimated 8-month period, utilizing the OCSD staff services provided through the Transition Agreement, with the District assuming full operational control by July 1, 2015. The following discussion provides details of the transition plan.

## STAFFING AND TRAINING

The District proposes to hire five full-time employees and contract for additional engineering, legal and financial services from the existing consultants it is currently using in order to provide the standard of care necessary to operate Sewer Area #7. Figure 3 shows the proposed organizational chart.

FIGURE 3. PROPOSED ORGANIZATIONAL CHART



# PLAN OF SERVICE

Other organizational changes include reclassifying the existing Superintendent to Director of Operations and reclassifying the Water Operator III position to Water Supervisor for purposes of internal parity.

The District plans on hiring the positions shown in Table 3 during the transition period:

TABLE 3. PROPOSED HIRING SCHEDULE FOR F/T EMPLOYEES

POSITION TITLE	ADVERTISE POSITION	HOLD INTERVIEWS	START DATE
<b>Wastewater Maintenance Supervisor</b>	Oct-Nov 2014	Dec 2014	Jan 2015
<b>Wastewater Maintenance Operator II</b>	Dec-Jan 2015	Feb 2015	Mar 2015
<b>Wastewater Maintenance Operator I</b>	Feb-Mar 2015	Apr 2015	May 2015
<b>Bookkeeper</b>	Dec-Jan 2014	Feb 2014	Mar 2015
<b>Customer Service Administrative Assistant</b>	Oct-Nov 2015	Dec 2015	Jan 2015

Hiring the Wastewater Supervisor in January would provide a minimum of six months of training and coordination with OCSD staff; other wastewater staff would also be hired on early to maximize training time with OCSD staff.

The District contracts with Joan Arneson of Bowie Arneson Wiles & Giannone for part-time District Counsel and District Secretary services; it is anticipated that these services will also be provided for the sewer functions by Ms. Arneson.

The District currently contracts with Mesa Water for part-time shared engineering services with their Engineering staff; it is anticipated that the District would expand this shared service with Mesa Water or obtain engineering services from a local engineering firm as it has also done in the recent past.

The District currently contracts with Platinum Consulting Group for both Finance Director and Bookkeeping services. With the additional bookkeeping requirements presented by the sewer operations, it is more cost effective to hire full time staff than to continue consulting for these services, however, it is anticipated that Finance Director services can still be provided on a part-time basis. Treasurer services will continue unchanged on a very part-time basis.

## FINANCIAL

Sewer Area #7 would be designated the Sewer Zone (SZ) within the financial operations of the District. Funds would be segregated via separate fund accounts within the District's accounting

# PLAN OF SERVICE

software, although for ease of administration, the District would continue to maintain one checking account for the disbursement of all funds as they do now for the WZ and RZ.

The Acquisition Agreement notes that transition of the collection of sewer service fees will not be immediate nor automatic. By December 15<sup>th</sup> of each year, a requesting agency must submit their County Surveyor-approved metes and bounds maps for processing through the State Board of Equalization in order to arrange for the transfer of property taxes. Additionally, because the date for submitting the information in support of collecting the sewer fees via the property tax bills will have passed by the October 6<sup>th</sup> transition date, the Acquisition Agreement provides for the transfer of all such collected funds to the District by OCSD upon receipt from the Treasurer's office.

The District projects the transition budget to be as shown in Table 4; this budget does not include the period of July 1-October 6 when Sewer Area #7 is under the control of OCSD. The regular operating budget for FY 2015/16 would be developed during the transition period, although there would only be approximately five months of limited operational experience gained by the time the first Finance Committee Meeting is held to review the Budget in March, 2015.

TABLE 4. TRANSITION BUDGET- FY 2014-2015 (NON-INCLUSIVE OF OCSD PORTION)

DESCRIPTION	2014/15
<b>Sewer Service Fees</b>	\$4,545,000
<b>Property Tax Revenue</b>	<u>125,000</u>
<b>Total Revenues</b>	<u>\$4,670,000</u>
<b>Salaries &amp; Benefits</b>	\$374,000
<b>Shared Overhead</b>	61,000
<b>Professional Services</b>	\$60,000
<b>Contract Cleaning Services</b>	\$600,000
<b>Operations &amp; Maintenance</b>	\$155,000
<b>Transfer to Reserves</b>	<u>\$3,420,000</u>
<b>Total Expenses</b>	<u>\$4,670,000</u>

## REGULATORY

During the OCLAFCO process, the District, in concert with OCSD, would meet and confer with staff at the Santa Ana Regional Water Quality Control Board (Region 8) to discuss Region 8's



# PLAN OF SERVICE

requirements for the District's submittal of an application for a Waste Discharge Requirements for Sanitary Sewer Systems (WDR) permit.

In support of the District's WDR application, District staff will have prepared an updated Sewer System Management Plan (SSMP)<sup>10</sup> that will describe in detail the activities that will be used to manage the wastewater collection system effectively and prudently to:

- 1) Maintain or improve the condition of the collection system infrastructure in order to provide reliable service into the future;
- 2) Cost-effectively minimize infiltration/inflow (I/I) and provide adequate sewer capacity to accommodate design flows; and
- 3) Minimize the number and impact of sanitary sewer overflows (SSOs) that may occur.

The required elements of the SSMP include:

- 1) Collection System Management Goals
- 2) Organization of personnel
- 3) Sanitary Sewer Overflow Emergency Response Plan
- 4) Fats, Oils and Grease (FOG) control program
- 5) Legal authority for permitting flows into the system, inflow/infiltration control as well as enforcement of proper design, installation, testing and inspection requirements for new and rehabilitated sewers
- 6) Measures and activities to maintain the collection system
- 7) Design and construction standards
- 8) Capacity management
- 9) Monitoring plan for SSMP program effectiveness
- 10) Periodic SSMP audits, updates and implementation of program improvements

Some of the elements of this Plan of Service will be used in developing the SSMP.

Other regulatory and permitting notifications will also occur including to the California Emergency Management Agency (CalEMA)<sup>11</sup>, Orange County Health Care Agency (OCHCA) and Orange County Public Works Department (OC Public Works). The City of Tustin and City of Orange will be contacted to determine if the District needs to obtain encroachment permits to work within the respective city streets.

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<sup>10</sup> The SSMP will be based upon the existing OCSD SSMP.

<sup>11</sup> CalEMA must be notified immediately of any spill in excess of 1,000 gallons, as does Region 8, OCHCA and OC Public Works.

# PLAN OF SERVICE

## SSMP AUDIT TEAM

OCSO has many outstanding practices that they have incorporated into their management of their facilities, but one in particular is important to note, and to implement, during the transition period. The Audit Team is a collection of OCSO employees that have been assigned responsibility for a specific element(s) of the SSMP. During the two-years leading up to the audit, they are responsible for implementing, documenting, monitoring, measuring, training and communicating their element of the SSMP inside the organization. At the time of the audit, the auditor is able to streamline their audit by focusing on each individual's clear lines of authorities and responsibilities.

The District proposes to similarly apportion the 9 elements of the SSMP amongst an Audit Team comprised of both OCSO transition and District staff; the General Manager will chair the Audit Team. The Team will meet on at least a monthly basis to review the status of their elements and report on progress and problems. Action items will be documented and transmitted to the Team within 24 hours of each meeting.

Discussion regarding the conduct of the 2015 Internal SSMP Audit is included in Section 4.0.

## DATA MANAGEMENT

As noted previously, OCSO, using GIS, GPS and Cass Works has developed a sophisticated data management system for both its treatment plant, regional sewers and local sewer assets. CASS WORKS is an integrated infrastructure management software that in addition to maintenance management and GIS capabilities, also has hydraulic modeling capabilities. The District uses a similar program, SEDARU, for its WZ and RZ computerized maintenance management system, GIS and hydraulic modeling needs. Commencing in early 2014, District staff will be evaluating SEDARU's sewer system capabilities and comparing them to CASS WORKS to determine which would be the better program to incorporate into District operations.

Current, non-CMMS records and data will be integrated into the District's existing records management system which uses indexing software and optical character recognition scanning to enable rapid location of records. Historical records will be sent to an outside high volume scanning company and then integrated into the records management system during the transition period.

## 4.0 Long-Term Operations

### GENERAL PLAN

By the July 1, 2015 end of the transition period, District staff will commence the following tasks:

1. Transition Period Assessment and Staffing Plan Analysis
2. Conduct Financial and Rate Assessment Study
3. Conduct SSMP Audit
4. Update Sewer Assessment Study/CIP
5. Develop 5-Year Strategic Plan

### TRANSITION PERIOD ASSESSMENT AND STAFFING PLAN ANALYSIS

The successes and problems encountered during the transition period will be documented and reviewed with the Operations, Planning and Personnel Committee and ultimately, with the Board in a report prepared by staff and submitted by the September 2015 Board Meeting. The report will review and document management-related issues, the actions taken to correct/resolve the issues and whether or not the issue was resolved or requires additional actions and/or monitoring. The report will also document policy-related issues and what Committee and Board actions, if any, are necessary for resolution.

The transition staffing plan that provides for using a mix of employees and shared services/consultants, will be also be reviewed to determine its benefits and drawbacks; if necessary, recommendations will be brought to the Board by October, 2015 in order to be incorporated into the budget and rate assessment process.

### CONDUCT FINANCIAL AND RATE ASSESSMENT STUDY

Assuming that all of the mechanics of the transition of property tax revenue and invoicing on the property tax bills are resolved by July 1, 2015, staff will solicit proposals in August 2015 from qualified financial analysis and rate setting consultants to update OCSD's 2013 Rate Study. With award of the study in September, 2015, the study will be structured to yield information by February, 2016 that can be used in the budget and rate-setting (Prop. 218) process with the process targeted for completion by June, 2016.

### CONDUCT SSMP AUDIT

As required under the SSMP, every two years an internal audit of the Program must be completed; the most current audit report was presented to OCSD in April, 2013. As noted previously, the District will establish the Audit Team during the Transition Period and will, at a minimum, meet monthly. The District proposes to conduct the actual Audit after July 1, 2015 so that training and other transition items are largely complete. The target date for completion of the Audit would be

# PLAN OF SERVICE

November 30, 2015 with presentation of the report to the Operations, Planning & Personnel Committee and the Board at their December 2015 meetings.

## UPDATE SEWER ASSESSMENT STUDY/CAPITAL IMPROVEMENT PROGRAM

The Sewer Assessment conducted by GHD in 2008, should be compared to recent CCTV footage conducted since 2009 and assumptions made in the Assessment validated when compared to actual field conditions. As noted previously, problems identified in the 2008 Assessment were addressed in the field as they were identified, therefore, OCSD did not have any Sewer Area #7 rehabilitation or replacement items identified in their 2012 5-year CIP.

A scope of work and Request for Proposals will be prepared in Spring 2016 and pre-qualified firms solicited to respond. Award of the study will commence by June 2016, with study completion scheduled for December 2016. Problem areas will be identified and incorporated into the District's 2017 5-Year CIP.

## DEVELOP 5-YEAR STRATEGIC PLAN

Another excellent process that OCSD promulgated is the 5-Year Strategic Plan. In a process that involves the Board and staff holding two specific multi-hour meetings, the opportunities, challenges, strengths and weaknesses of the agency are examined and consensus is achieved regarding the priorities for the next 5-Years. These priorities are expressed as Strategic Goals and for OCSD, transfer of Sewer Area #7 was Strategic Goal #5 in their 2013 Strategic Plan.

Because there is a significant amount of work involved for staff in getting the sewer operations operating well during the first two years, the District proposes to commence the Strategic Planning process with Fiscal Year 2016-17; holding the first of the two planning meetings in October 2016 and the second in February 2017. Delivery of a draft Strategic Plan would take place at the February 2017 meeting, with finalization and adoption occurring by June, 2017 and implementation occurring during the FYs 2017/18 through 2022/23. Semi-annual progress reporting would occur at the January and July Board Meetings.

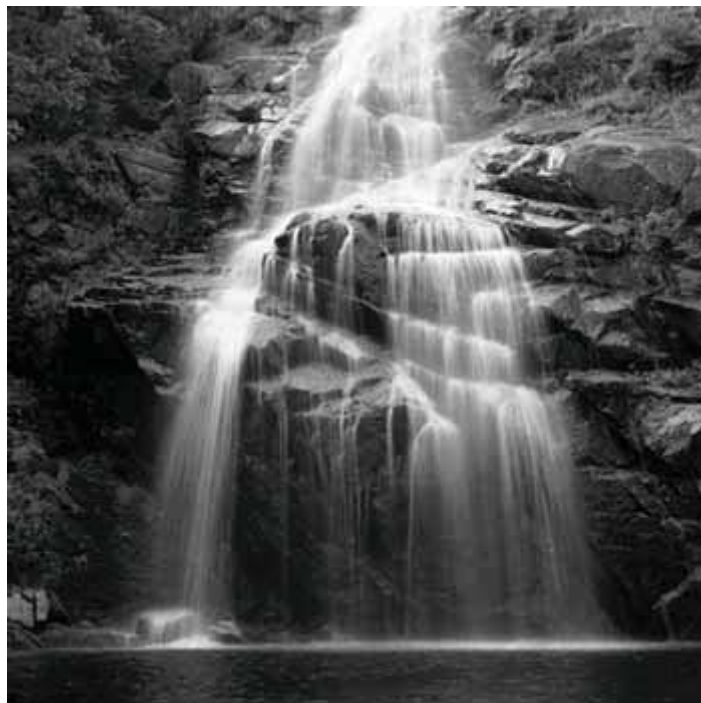
Exhibit A  
to  
Plan of Service  
2013 EOCWD Audited  
Financials



***East Orange County Water District***

**Annual Financial Report**

**For the Fiscal Years Ended June 30, 2013 and 2012**



## **Our Mission Statement**

“To provide the most cost effective, reliable, and highest quality water services for the present as well as the future by operating in the most cost efficient manner possible, keeping the cost of water to our customers affordable and provide a safe working environment for our employees. Serve the community in an open manner and, at all times, communicate and deliberate in public meetings where open discussions are promoted.”

### **East Orange County Water District**

#### **Board of Directors as of June 30, 2013**

<b>Name</b>	<b>Title</b>	<b>Elected / Appointed</b>	<b>Current Term</b>
William VanderWerff	President	Elected	12/12 - 12/16
Richard E. Barrett	Vice President	Elected	12/10 - 12/14
Douglas S. Davert	Director	Elected	12/12 - 12/16
Richard B. Bell	Director	Elected	12/10 - 12/14
John Dulebohn	Director	Elected	12/12 - 12/16

**Lisa Ohlund, General Manager**  
**East Orange County Water District**  
**185 North McPherson Road**  
**Orange, California 92869**  
**(714) 538-5815**  
**www.eocwd.com ♦ lohlund@eocwd.com**

**East Orange County Water District**  
**Annual Financial Report**  
**For the Fiscal Years Ended June 30, 2013 and 2012**



**East Orange County Water District  
Annual Financial Report  
For the Fiscal Years Ended June 30, 2013 and 2012**

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# **Introductory Section**



October 31, 2013

Board of Directors  
East Orange County Water District  
Orange, California

### **Introduction**

It is our pleasure to submit the Annual Financial Report for the East Orange County Water District (District) for the fiscal years ended June 30, 2013 and 2012. District staff, following guidelines set forth by the Governmental Accounting Standards Board, prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe is necessary in order to enhance your understanding of the District's financial position and activities.

This report is organized into two sections: (1) Introductory and (2) Financial. The Introductory section provides general information about the District's organization and activities, and provides information useful in assessing the District's financial condition. The Financial section includes the Independent Auditors' Report, Management's Discussion and Analysis of the District's basic financial statements, and the District's audited basic financial statements with accompanying notes.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the Independent Auditors' Report.

### **District Background**

The East Orange County Water District was formed in December of 1961 and is operating under the County Water District Law, which is contained in Division 12 of the California Water Code, Sections 30000 - 33901. The District is an independent special district governed by its Board of Directors; the Board is elected by the voters within the District's service area. Initially the District was formed to provide an agency which would furnish imported water to the area within its boundaries. In July of 1985, the District assumed the retail water operations of the County of Orange's Water District No. 8 (generally the Vista Panorama unincorporated area of East Orange); it was renamed the "Retail Zone" to distinguish it from the District's historic "Wholesale Zone." In the Wholesale Zone, the District delivers water to five sub-agencies within its boundaries consisting of the Golden State Water Company, City of Tustin, Irvine Ranch Water District, City of Orange and East Orange County Water District's own Retail Zone. All of the sub-agencies use groundwater with supplemental water supplied by the District from the Allen McCulloch Pipeline or the East Orange County Feeder No.2.



The District encompasses an area of approximately 100,000 acres and is a member of the Municipal Water District of Orange County, which is a member of the Metropolitan Water District of Southern California (Metropolitan) and therefore is entitled to receive Colorado River and Northern California imported water through the distribution facilities of the Metropolitan system.

### **Industry Outlook**

California's water supply continues to pose many new and complex challenges for water suppliers in the state, particularly for water delivered through Northern California's Delta. In recent years, the District has been an active participant and leader in addressing these concerns. Through coordination and planning with other local and regional water suppliers, as well as the Board's and staff's participation in local and statewide associations, the District continues to engage in developing long-term solutions to the various water supply challenges.

### **Internal Control Structure**

District management is responsible for the establishment and maintenance of the internal control structure that ensures that the assets of the District are protected from loss, theft, or misuse. The internal control structure also ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

### **Budgetary Control**

The District's Board of Directors annually adopts a balanced operating and capital budget prior to each new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget is prepared on the cash basis of accounting, the District's interim financial statements are on a modified accrual basis and the final financial statements are prepared using the full accrual basis.

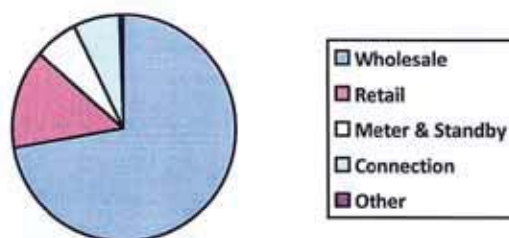
### **Financial Plan**

The District is committed to provide its customers with a safe, reliable and efficient water system. The foundation for this commitment is based in the District's Capital Improvement Plan and the June 2011 Financial and Water Rate Study. These plans are reviewed annually as part of the District's budgeting process. The District's financial plan includes the establishment of reserve funds in accordance with the District's reserve practices. Reserve funds are set to ensure the continued orderly operation of the District's water systems, the providing of services to residents at established levels, and the continued stability of the District's rate structure. The purpose and structure of these funds are further discussed in the Management's Discussion and Analysis.

### **Water Rates and District Revenues**

The District's policy objective is that all revenues from user charges generated from District customers must support all District operations including capital project funding. Water rates are user charges imposed on customers for services and are the primary component of the District's revenue. Water rates are composed of a commodity (usage) charge, and a fixed meter and standby service charge, and are reviewed on an annual basis as part of the budgeting process. The following chart reflects the District's operating revenue mix for the year ending June 30, 2013:

### District Operating Revenues



### Investment Policy

The Board of Directors annually reviews and adopts an investment policy that conforms to California State law, District ordinance and resolutions, prudent money management, and the “prudent person” standards. The objectives of the Investment Policy are safety, liquidity, and yield. District funds are normally invested in the State Treasurer’s Local Agency Investment Fund (LAIF), Certificates of Deposits, Government Agency Obligations or other specifically authorized investments. For FY 2012/13, the District’s investments were held at LAIF and in Certificates of Deposit.

### Audit and Financial Reporting

State law and loan covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Charles Z. Fedak & Company, CPAs has conducted this audit of the District’s financial statements. Their unmodified Independent Auditor’s Report appears in the Financial Section.

### Risk Management

The District is a member of the Association of California Water Agencies – Joint Powers Insurance Authority (Authority). The purpose of the Authority is to arrange and administer risk management programs for the pooling of self-insured losses, and the purchase of excess insurance coverage. The District is inspected annually by representatives of ACWA-JPIA and provided with a written report that includes loss and liability prevention information.

### Water Conservation Programs

The District has been implementing conservation management practices for many years. The District distributes materials that encourage water conservation. Additionally, the District has offered the following conservation programs through its affiliation with the Municipal Water District of Orange County:

- Residential Appliance Rebate Program
- Residential Drought-tolerant Landscape Classes
- Residential Reimbursement Program for Smart Watering Timers
- Residential Reimbursement for Turf Replacement

### Transparency

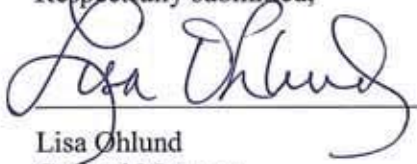
The District maintains a web site ([www.eocwd.com](http://www.eocwd.com)) that includes easy access to important district information, including current and historical audited financial statements, current and historical operating and capital improvement budgets, board agendas and minutes, water rate setting studies, water conservation assistance, water quality information and employee and board member compensation.



### **Other References**

More information is contained in the Management's Discussion and Analysis and the Notes to the Basic Financial Statements found in the Financial Section of the report.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Lisa Ohlund", written over a horizontal line.

Lisa Ohlund  
General Manager



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## **Financial Section**



## **Independent Auditor's Report**

Board of Directors  
East Orange County Water District  
Orange, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the East Orange County Water District (District) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2013 and 2012, and the respective changes in financial position, and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Independent Auditor's Report, continued**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 10 and the required supplementary information on page 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Matters***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The introductory section on pages 1 through 4 and the supplementary information of combining schedules on pages 28 through 31 are presented for purposes of additional analysis and are not required parts of the basic financial statements. The supplementary information of combining schedules are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. That report can be found on pages 32 and 33.

**Charles Z. Fedak & Company, CPAs – An Accountancy Corporation**  
Cypress, California  
October 31, 2013

**East Orange County Water District**  
***Management's Discussion and Analysis***  
**For the Fiscal Years Ended June 30, 2013 and 2012**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the East Orange County Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2013 and 2012. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

**Financial Highlights**

- The District's net position increased by 4.9%, or \$835,565 to \$17,898,213, in 2013 and increased by 2.0%, or \$333,042 to \$17,062,648, in 2012 as a result of each year's operations.
- In 2013, the District's operating revenues increased 21.7%, or \$1,377,241 to \$7,726,022, from the prior year, due primarily to an increase in wholesale water sales. In 2012, the District's operating revenues increased 31.5%, or \$1,522,001 to \$6,348,781, from the prior year, due primarily to an increase in wholesale water sales.
- In 2013, the District's operating expenses increased by 18.0%, or \$1,174,534 to \$7,712,019, from the prior year, due primarily to an increase in wholesale water purchases. In 2012, the District's operating expenses increased by 22.8%, or \$1,212,417 to \$6,537,485, from the prior year, due primarily to an increase in wholesale water purchases.

**Required Financial Statements**

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate fiscal stability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 15 through 26.

**Financial Analysis of the District**

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.



**East Orange County Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

These two statements report the District's *net position* and changes in them. One can think of the District's net position – the difference between assets and liabilities – as a way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, natural disasters, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

**Condensed Statement of Net Position**

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Assets:			
Current assets	\$ 8,654,511	7,650,428	1,004,083
Non-current assets	134,195	172,597	(38,402)
Capital assets, net	<u>10,700,403</u>	<u>10,681,522</u>	<u>18,881</u>
<b>Total assets</b>	<u><u>19,489,109</u></u>	<u><u>18,504,547</u></u>	<u><u>984,562</u></u>
Liabilities:			
Current liabilities	<u>1,590,896</u>	<u>1,441,899</u>	<u>148,997</u>
<b>Total liabilities</b>	<u><u>1,590,896</u></u>	<u><u>1,441,899</u></u>	<u><u>148,997</u></u>
Net position:			
Net investment in capital assets	10,700,403	10,681,522	18,881
Unrestricted	<u>7,197,810</u>	<u>6,381,126</u>	<u>816,684</u>
<b>Total net position</b>	<u><u>17,898,213</u></u>	<u><u>17,062,648</u></u>	<u><u>835,565</u></u>
<b>Total liabilities and net position</b>	<u><u>\$ 19,489,109</u></u>	<u><u>18,504,547</u></u>	<u><u>984,562</u></u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$17,898,213 as of June 30, 2013 and \$17,062,648 as of June 30, 2012.

By far the largest portion of the District's net position (60% in 2013 and 63% in 2012) reflects its investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

At the end of fiscal year 2013 and 2012, the District shows a positive balance in its unrestricted net position of \$7,197,810 and \$6,381,126, respectively that may be utilized in future years. The Board of Directors has taken action to reserve aspects of the unrestricted net position for specified purposes such as asset replacement, rate stabilization, growth accommodation and emergency reserves. The District has committed to the following funds and objectives:

1. Operating Fund – Funds are maintained to capture all operating and maintenance revenues and expenditures separately for the Wholesale and Retail Zone operations. Excess revenues over expenditures are routinely transferred to the Replacement and Capital Improvements funds.
2. Replacement and Capital Improvement Funds – Separate replacement and capital improvement funds are maintained for the Wholesale District and Retail Zone.
3. Emergency Reserve Fund – This fund is earmarked by the Board of Directors for unforeseen Wholesale District emergencies or contingency expenditures.

**East Orange County Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Revenues:			
Operating revenues	\$ 7,726,022	6,348,781	1,377,241
Non-operating revenues	1,311,292	1,028,392	282,900
<b>Total revenues</b>	<u>9,037,314</u>	<u>7,377,173</u>	<u>1,660,141</u>
Expenses:			
Operating expenses	7,712,019	6,537,485	1,174,534
Depreciation and amortization	489,730	505,402	(15,672)
Non-operating expenses	-	1,244	(1,244)
<b>Total expenses</b>	<u>8,201,749</u>	<u>7,044,131</u>	<u>1,157,618</u>
<b>Change in net position</b>	835,565	333,042	502,523
<b>Net position, beginning of year</b>	<u>17,062,648</u>	<u>16,729,606</u>	<u>333,042</u>
<b>Net position, end of year</b>	<u>\$ 17,898,213</u>	<u>17,062,648</u>	<u>835,565</u>

The Statement of Revenues, Expenses, and Changes in Net Position show how the District's net position changes during the fiscal year. In the case of the District, net position increased by \$835,565, in 2013 and increased by \$333,042, in 2012.

In 2013, a closer examination of the sources of changes in net position reveals that the District's total revenues increased by \$1,660,141, due primarily to an increase in wholesale water sales of \$1,061,703. In addition, total expenses increased by \$1,157,618, due primarily to an increase in water purchases of \$1,111,952.

In 2012, a closer examination of the sources of changes in net position reveals that the District's total revenues increased by \$1,507,302, due primarily to an increase in wholesale water sales of \$1,251,125. In addition, total expenses increased by \$1,323,816, due primarily to an increase in water purchases of \$1,241,690.

### Capital Asset Administration

Changes in capital assets for 2013, were as follows:

	<u>Balance 2012</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2013</u>
Non-depreciable assets	\$ 69,061	104,864	(12,772)	161,153
Depreciable assets	20,692,374	416,519	(40,653)	21,068,240
Accumulated depreciation and amortization	(10,079,913)	(489,730)	40,653	(10,528,990)
<b>Total capital assets, net</b>	<u>\$ 10,681,522</u>	<u>31,653</u>	<u>(12,772)</u>	<u>10,700,403</u>

Changes in capital assets for 2012, were as follows:

	<u>Balance 2011</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2012</u>
Non-depreciable assets	\$ 2,248,780	537,838	(2,717,557)	69,061
Depreciable assets	17,646,806	3,045,568	-	20,692,374
Accumulated depreciation and amortization	(9,574,511)	(505,402)	-	(10,079,913)
<b>Total capital assets, net</b>	<u>\$ 10,321,075</u>	<u>3,078,004</u>	<u>(2,717,557)</u>	<u>10,681,522</u>

**East Orange County Water District**  
***Management's Discussion and Analysis***  
**For the Fiscal Years Ended June 30, 2013 and 2012**

**Capital Asset Administration, continued**

The capital asset activities of the District are summarized on the previous page and in Note 4 to the basic financial statements.

**Conditions Affecting Current Financial Position**

Management is not aware of past, present and future conditions that would have a significant impact on the District's financial position and/or net position.

**Requests for Information**

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's General Manager, Lisa Oland at (714) 538-5815.

# **Basic Financial Statements**

**East Orange County Water District**  
**Statements of Net Position**  
**June 30, 2013 and 2012**

<i><b>Assets</b></i>	<b>2013</b>	<b>2012</b>
Current assets:		
Cash and cash equivalents (note 2)	\$ 6,648,809	5,907,448
Accrued interest receivable	2,683	4,024
Accounts receivable – water sales and services:		
Wholesale	1,312,753	1,180,870
Retail	362,898	236,938
Other	2,183	1,373
Property taxes receivable	22,321	27,916
Accrued interest receivable – AMP	5,037	6,043
Note receivable – current portion – AMP (note 3)	38,402	35,598
Prepaid expenses and other assets	125,370	128,435
Water-in-storage inventory	34,847	22,575
Materials and supplies inventory	99,208	99,208
Total current assets	<u>8,654,511</u>	<u>7,650,428</u>
Non-current assets:		
Note receivable – AMP (note 3)	134,195	172,597
Capital assets, net (note 4)	<u>10,700,403</u>	<u>10,681,522</u>
Total non-current assets	<u>10,834,598</u>	<u>10,854,119</u>
<b>Total assets</b>	<u><u>\$ 19,489,109</u></u>	<u><u>18,504,547</u></u>
<b><i>Liabilities and Net Position</i></b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,502,243	1,351,927
Accrued wages and compensated absences	44,182	50,712
Deposits and deferred revenue	<u>44,471</u>	<u>39,260</u>
Total current liabilities	<u>1,590,896</u>	<u>1,441,899</u>
<b>Total liabilities</b>	<u>1,590,896</u>	<u>1,441,899</u>
Net position:		
Net investment in capital assets	10,700,403	10,681,522
Unrestricted	<u>7,197,810</u>	<u>6,381,126</u>
<b>Total net position</b>	<u>17,898,213</u>	<u>17,062,648</u>
<b>Total liabilities and net position</b>	<u><u>\$ 19,489,109</u></u>	<u><u>18,504,547</u></u>

See accompanying notes to the basic financial statements

**East Orange County Water District**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Water sales:		
Wholesale	\$ 5,623,905	4,562,202
Retail	1,035,133	876,819
Meter and standby service charges	469,181	425,672
Capacity and connection fees	489,488	444,721
Other connection fees	59,567	9,202
Other service charges	48,748	30,165
Total operating revenues	<u>7,726,022</u>	<u>6,348,781</u>
Operating expenses:		
Source of supply	6,560,644	5,448,692
Pipeline capacity lease	14,000	13,000
Pumping	66,410	43,228
Treatment, transmission and distribution	755,180	761,582
General and administrative	315,785	270,983
Total operating expenses	<u>7,712,019</u>	<u>6,537,485</u>
Operating income (loss) before depreciation	14,003	(188,704)
Depreciation	(489,730)	(505,402)
<b>Operating loss</b>	<u>(475,727)</u>	<u>(694,106)</u>
Non-operating revenues(expenses):		
Property taxes	1,026,967	919,652
Rental income – cellular antennas	98,478	70,201
Interest and investment earnings	19,481	19,017
Change in fair-value of cash equivalents and investments	(17,003)	(1,745)
Interest income – note receivable – AMP	10,108	12,157
Interest expense – note payable – DWR	-	(1,244)
Other, net	173,261	9,110
Total non-operating revenues, net	<u>1,311,292</u>	<u>1,027,148</u>
<b>Change in net position</b>	835,565	333,042
Net position, beginning of year	<u>17,062,648</u>	<u>16,729,606</u>
Net position, end of year	<u>\$ 17,898,213</u>	<u>17,062,648</u>

See accompanying notes to the basic financial statements



**East Orange County Water District**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

	<u><b>2013</b></u>	<u><b>2012</b></u>
Cash flows from operating activities:		
Receipts from customers for water sales and services	\$ 7,645,841	6,007,727
Payments to employees for salaries	(431,833)	(402,573)
Payments to vendors for materials and services	<u>(7,145,607)</u>	<u>(6,033,660)</u>
Net cash provided by (used in) operating activities	<u>68,401</u>	<u>(428,506)</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes	1,032,562	916,221
Proceeds from rental income – cellular antennas	<u>98,478</u>	<u>70,201</u>
Net cash provided by non-capital financing activities	<u>1,131,040</u>	<u>986,422</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(508,611)	(865,849)
Principal and interest paid on note payable – DWR	<u>-</u>	<u>(66,992)</u>
Net cash (used in) capital and related financing activities	<u>(508,611)</u>	<u>(932,841)</u>
Cash flows from investing activities:		
Proceeds from interest and investment earnings	3,819	18,721
Proceeds from note receivable – AMP	35,598	33,099
Proceeds from interest income – note receivable – AMP	<u>11,114</u>	<u>13,118</u>
Net cash provided by investing activities	<u>50,531</u>	<u>64,938</u>
Net increase(decrease) in cash and cash equivalents	741,361	(309,987)
Cash and cash equivalents, beginning of year	<u>5,907,448</u>	<u>6,217,435</u>
Cash and cash equivalents, beginning of year	<u><u>\$ 6,648,809</u></u>	<u><u>5,907,448</u></u>

See accompanying notes to the basic financial statements

**East Orange County Water District**  
***Statements of Cash Flows, continued***  
**For the Fiscal Years Ended June 30, 2013 and 2012**

	<u><b>2013</b></u>	<u><b>2012</b></u>
Reconciliation of operating loss to net cash (used in) operating activities:		
Operating loss	\$ <u>(475,727)</u>	<u>(694,106)</u>
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Deprecation and amortization	489,730	505,402
Other non-operating revenues, net	173,261	9,110
Changes in assets – (increase)decrease:		
Accounts receivable – water and other:		
Wholesale	(131,883)	(350,790)
Retail	(125,960)	(1,476)
Other	(810)	630
Prepaid and other	3,065	16,511
Water-in-storage inventory	(12,272)	157
Materials and supplies inventory	-	(6,148)
Changes in liabilities – increase(decrease):		
Accounts payable and accrued expenses	150,316	76,930
Accrued wages and compensated absences	(6,530)	13,802
Deposits and deferred revenue	<u>5,211</u>	<u>1,472</u>
Total adjustments	<u>544,128</u>	<u>265,600</u>
Net cash provided by (used in) operating activities	<u>\$ 68,401</u>	<u>(428,506)</u>

See accompanying notes to the basic financial statements

**East Orange County Water District**  
**Notes to the Basic Financial Statements**  
**June 30, 2013 and 2012**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**A. Organization and Operations of the Reporting Entity**

The East Orange County Water District (the District) was formed in 1961, in order to furnish imported potable water to an area encompassing the eastern half of the City of Orange. The District provides wholesale potable water to five sub-agencies in the region through its pipeline transmission and distribution system. The five sub-agencies consist of the East Orange County Water District Retail Zone, Golden State Water Company, City of Tustin, Irvine Ranch Water District, and the City of Orange. The District provides potable water service through the East Orange County Water District Retail Zone to 1,179 customers within its service area. The District is governed by a Board of Directors, which consists of five directors, each of whom is elected at-large for a four-year term by the citizens living within the District's service area.

**B. Basis of Accounting and Measurement Focus**

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its customers on a continuing basis be financed or recovered, primarily through user charges (water sales and services) or similar funding. The District segregates its Wholesale and Retail Zone accounting internally as separate entities. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses are generated and incurred through the water sales activities to the District's customers. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

**C. Financial Reporting**

The District's basic financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting, including GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. Revenues are recognized when earned, and costs and expenses are recognized when incurred.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* effective for financial statements for periods beginning after December 15, 2011. The District implemented this new pronouncement in the current year. The effect of the implementation of this statement to the District is limited to renaming of *Net Assets* to *Net Position*.

**East Orange County Water District**  
***Notes to the Basic Financial Statements***  
**June 30, 2013 and 2012**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Liabilities and Net Position, continued**

**1. Use of Estimates**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results most likely will differ from those estimates.

**2. Cash and Cash Equivalents**

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**3. Investments and Investment Policy**

The District has adopted an investment policy directing the Treasurer to deposit funds in financial institutions. Investments are to be made in the following areas:

- Securities of the U.S. government or its agencies
- Federal agency obligations
- Certificates of deposit (negotiable and placed)
- Commercial paper (prime)
- Money market and mutual fund accounts
- State of California – Local Agency Investment Fund (LAIF)

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

**4. Accounts Receivable**

The District has uncollectible accounts receivable at year-end. Management deems all accounts receivable as collectible at year-end. Accordingly, an allowance for doubtful accounts has not been recorded. Historical experience indicates that uncollectible accounts receivable are immaterial.

**5. Property Taxes**

Property taxes receivable at year-end are related to property taxes collected by the County of Orange, which have not been credited to the District as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

The County of Orange Assessor's Office assesses all real and personal property within the County each year. The County of Orange Tax Collector's Office bills and collects the District's share of property taxes and assessments. The County of Orange Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

**East Orange County Water District**  
***Notes to the Basic Financial Statements, continued***  
**June 30, 2013 and 2012**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Liabilities and Net Position**

**6. Prepaid Expenses**

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

**7. Water-In-Storage Inventory**

Annually, a controlled quantity of water is purchased by the District and, if not used in the current year, is stored for use in the following year. Purchased stored water is subject to loss through meter error or leakage. The losses are not covered by insurance nor has a loss reserve been recorded.

**8. Materials and Supplies Inventory**

Materials and supplies inventory consists primarily of water meters, pipe and pipe fittings for construction and repair to the District's water transmission and distribution system. Inventory is valued at cost using a weighted average cost method. Inventory items are charged to expense at the time that individual items are inventoried at year-end.

**9. Capital Assets**

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. (See Note 4 for further details) Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Transmission and distribution systems – 5 to 100 years
- Structures and improvements – 3 to 50 years
- Capacity rights – 75 years
- Water treatment plant – 10 to 100 years
- Equipment – 5 to 50 years

**10. Construction-in-Process**

The costs associated with developmental stage projects are accumulated in an in-progress account until the project is fully developed. Once the project is complete and in use, the entire cost of the project is transferred to a capital asset account and depreciated over its estimated useful life.

**11. Compensated Absences**

The District's policy allows full-time employees to accumulate a maximum of 160 hours of vacation time. No compensation in lieu of time off is allowed except for termination or disability. Employees may accumulate up to 80 hours of sick time. As of November 30, each year, one-half of the excess over 80 hours may be credited to additional vacation or may be paid to the employee. The remaining one-half is forfeited. The District has recorded the liability for accrued vacation and sick pay in the accompanying financial statements.

**East Orange County Water District**  
*Notes to the Basic Financial Statements, continued*  
**June 30, 2013 and 2012**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Liabilities and Net Position**

**12. Net Position**

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted Net Position** – This component of net position consists of external constraints placed on net position imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of the net amount of assets that are not included in the determination of *restricted* or *investment in capital assets, net of related debt*.

**13. Water Sales – Wholesale and Retail**

Wholesale water sales are billed on a monthly basis and retail water sales are billed on a bi-monthly cyclical basis. Estimated unbilled retail water sales revenue through June 30, has been accrued at year-end.

**14. Capital Contributions**

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

**15. Budgetary Policies**

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of previous year actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

**E. Implementation of New Accounting Pronouncements**

For the year ended June 30, 2013, the District implemented the following Governmental Accounting Standards Board pronouncements:

***Governmental Accounting Standards Board Statement No. 63***

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard is designed to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as *Net Position*, rather than *Net Assets*.

***Governmental Accounting Standards Board Statement No. 65***

In March 2012, the GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

**East Orange County Water District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2013 and 2012**

**(2) Cash and Investments**

Cash and cash equivalents as of June 30, consist of the following:

	<u>2013</u>	<u>2012</u>
Cash on hand	\$ 250	250
Deposits with financial institutions	613,109	40,169
Money market funds	123,161	1,331,292
Deposits held with Local Agency Investment Fund (LAIF)	4,419,398	4,535,737
Investments	<u>1,492,891</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 6,648,809</u>	<u>5,907,448</u>

As of June 30, the District's authorized deposits had the following maturities:

	<u>2013</u>	<u>2012</u>
Deposits held with LAIF	278 days	270 days

***Custodial Credit Risk***

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to \$250,000 as of June 30, 2013 and 2012, were federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

***Investment in State Investment Pool***

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.



**East Orange County Water District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2013 and 2012**

**(2) Cash and Investments, continued**

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities, so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date:

Maturities of investments at June 30, 2013, are as follows:

Investment Type	Total	Remaning Maturity (in Months)	
		12 Months Or Less	13-60 Months
Local Agency Investment Fund (LAIF)	\$ 4,419,398	4,419,398	-
Money market funds	123,161	123,161	-
Certificates-of-deposits	1,492,891	-	1,492,891
Total	\$ 6,035,450	4,542,559	1,492,891

Maturities of investments at June 30, 2012, are as follows:

Investment Type	Total	Remaning Maturity (in Months)	
		12 Months Or Less	13-60 Months
Local Agency Investment Fund (LAIF)	\$ 4,535,737	4,535,737	-
Money market funds	1,331,292	1,331,292	-
Total	\$ 5,867,029	5,867,029	-

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Credit ratings of investments as of June 30, 2013, were as follows:

Investment Types	Total	Minimum Legal Rating	Exempt From Disclosure	Not Rated
Local Agency Investment Fund (LAIF)	\$ 4,419,398	N/A	\$ -	4,419,398
Money market funds	123,161	N/A	123,161	-
Certificates-of-deposits	1,492,891	N/A	-	1,492,891
Total	\$ 6,035,450		\$ 123,161	5,912,289

Credit ratings of investments as of June 30, 2012, were as follows:

Investment Types	Total	Minimum Legal Rating	Exempt From Disclosure	Not Rated
Local Agency Investment Fund (LAIF)	\$ 4,535,737	N/A	-	4,535,737
Money market funds	1,331,292	N/A	1,331,292	-
Total	\$ 5,867,029		\$ 1,331,292	4,535,737

**East Orange County Water District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2013 and 2012**

**(3) Note Receivable – Allen-McColloch Pipeline**

	<b>1989 COPs Series A &amp; B</b>	<b>1989 COPs Series D</b>	<b>1992 COPs</b>	<b>Total COPs</b>
Total MWDOC COPs	\$ 60,453,013 *	715,000	59,800,000	120,968,013
District's COPs share	\$ 1,837,185	715,000	1,817,339	4,369,524
Annual receipts due	Jan 1 & July 1	Jan 1 & July 1	Jan 1 & July 1	
Interest rate	5.80%	7.0% - 7.1%	Floating rate	
Initial payment received	April 10, 1995	July 1, 1995	April 10, 1995	
Final payment due	July 1, 2016	July 1, 2016	July 1, 2006	

\* Amount has been adjusted for debt service reserve and negotiated capacity changes in the AMP for the City of San Juan Capistrano, and the former Coastal Municipal Water District and the former El Toro Water District.

On July 1, 1994, the District signed an agreement along with the Municipal Water District of Orange County (MWDOC) and several other participants for the sale of capacity rights in the Allen-McColloch Pipeline (AMP), to the Metropolitan Water District of Southern California (Metropolitan). Under the terms of the sale, the District became a 3.039%, recipient of principal and interest in the following:

MWDOC Certificates of Participation (COPs):

Metropolitan acknowledged in its purchase that the purchase price was substantially less than the value of the AMP based on replacement costs less depreciation. However, since Metropolitan will expand the capacity of the AMP at their expense and will provide new delivery points along with AMP, which will benefit the sellers, MWDOC and the seller participants accepted the price.

Note receivable from the AMP, consists of the following:	<b>2013</b>	<b>2012</b>
Note receivable – current – AMP	\$ 38,402	35,598
Note receivable – non-current – AMP	134,195	172,597
Total	\$ 172,597	208,195

**(4) Capital Assets**

Changes in capital assets for 2013, were as follows:

	<b>Balance 2012</b>	<b>Additions</b>	<b>Deletions/ Transfers</b>	<b>Balance 2013</b>
Non-depreciable assets:				
Land and easements	\$ 56,289	-	-	56,289
Construction-in-process	12,772	104,864	(12,772)	104,864
Total non-depreciable assets	69,061	104,864	(12,772)	161,153
Depreciable assets:				
Transmission and distribution system	11,727,752	183,123	-	11,910,875
Structures and improvements	7,715,666	222,957	(40,653)	7,897,970
Capacity rights	943,320	-	-	943,320
Equipment	305,636	10,439	-	316,075
Total depreciable assets	20,692,374	416,519	(40,653)	21,068,240
Accumulated depreciation and amortization	(10,079,913)	(489,730)	40,653	(10,528,990)
Total depreciable assets, net	10,612,461	(73,211)	-	10,539,250
Total capital assets, net	\$ 10,681,522	31,653	(12,772)	10,700,403

**East Orange County Water District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2013 and 2012**

**(4) Capital Assets, continued**

Changes in capital assets for 2012, were as follows:

	Balance 2011	Additions	Deletions/ Transfers	Balance 2012
Non-depreciable assets:				
Land and easements	\$ 56,289	-	-	56,289
Construction-in-process	2,192,491	537,838	(2,717,557)	12,772
Total non-depreciable assets	2,248,780	537,838	(2,717,557)	69,061
Depreciable assets:				
Transmission and distribution system	10,463,508	1,264,244	-	11,727,752
Structures and improvements	5,939,406	1,776,260	-	7,715,666
Capacity rights	943,320	-	-	943,320
Equipment	300,572	5,064	-	305,636
Total depreciable assets	17,646,806	3,045,568	-	20,692,374
Accumulated depreciation and amortization	(9,574,511)	(505,402)	-	(10,079,913)
Total depreciable assets, net	8,072,295	2,540,166	-	10,612,461
Total capital assets, net	\$ 10,321,075	3,078,004	(2,717,557)	10,681,522

Major capital assets additions during the year include the rehabilitation of the District's wells and many of the District's transmission and distribution systems. A significant portion of these additions were constructed by the District and/or sub-contractors and transferred out of construction-in-process, upon completion of these various projects.

**Construction-In-Process**

The construction-in-process balances at year-end are as follows:

	2013	2012	2011
The balance at June 30, consist of the following projects:			
Transmission and distribution system upgrades	\$ 104,864	12,772	2,192,491

**(5) Allen-McColloch Pipeline Lease**

On July 1, 1994, the District, along with Municipal Water District of Orange County (MWDOC), as well as other participants, sold its capacity rights in the Allen-McColloch Pipeline AMP) to Metropolitan Water District of Southern California (MET). It was agreed with MET, that the District and other participants would continue to receive water from the AMP as requested (subject to availability) through the term of the agreement, and thereafter. In consideration for the availability of water through the AMP and other matters, the District and other participants agreed to make lease payments measured by the debt service (on MWDOC's 1989 COPS, Series D) previously incurred and assumed by MET. In February 2010, the District accepted MWDOC's offer to prepay this lease obligation through 2017 for \$107,000, thereby saving the District \$31,191, in future pipeline lease payments. The prepaid lease schedule is as follows:

Fiscal Year	Lease Payable 1989 COPS Series D
2014	\$ 15,000
2015	16,000
2016	18,000
2017	19,000
Total	\$ 68,000

**East Orange County Water District**  
***Notes to the Basic Financial Statements, continued***  
**June 30, 2013 and 2012**

**(6) Deferred Compensation Savings Plan**

For the benefit of its employees, the District participates in the California Public Employees Retirement System (CalPERS) Section 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for California public employees that elect to participate in the Program. This Program is established pursuant to sections 21670 through 21685 of the Government Code of the State of California and is intended to constitute an "eligible deferred compensation plan" within the meaning of Section 457 of the Federal Internal Revenue Code. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

The Program was created under the administrative and investment control of the CalPERS Board, which requires the Board to act in the interest of Program participants. Also, Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of participants. Accordingly, the District is in compliance with legislation, which requires Section 457 plan assets to be held in trust for employees. This means that employee assets held in Section 457 plans are no longer viewed as the legal property of the District and are no longer subject to claims of the District's general creditors.

**(7) Defined Benefit Pension Plan**

***Plan Description***

The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the District. Copies of CalPERS annual financial report may be obtained from their Executive Office: 400 P Street, Sacramento, CA 95814.

***Funding Policy***

The contribution rate for plan members in the CalPERS 2.0% at 60 Risk Pool Retirement Plan is 7% of their annual covered salary. The District makes these contributions required of District employees on their behalf and for their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates are equal to the annual pension costs (APC) percentage of payroll for fiscal years 2013, 2012 and 2011 as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS.

***California Public Employees Pension Reform Act of 2013***

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013.

Key components of the legislation are as follows:

- Establishes PEPRA which will apply to all public employers and public pension plans on and after January 1, 2013 (Except specific exemptions);
- Establishes new retirement tiers/benefits for new public employees;
- Prohibits certain cash payments from being counted as compensation; and
- Increases retirement age for all new public employees.

**East Orange County Water District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2013 and 2012**

**(7) Defined Benefit Pension Plan, continued**

***Second-Tier – Beginning January 1, 2013***

The contribution rate for plan members in the CalPERS 2.0% at 62 Retirement Plan under PEPRA is 6.50% of their annual covered wages. District employees contribute 6.50% of their annual covered wages to their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The employer contribution rate (6.70%) and member contribution rate (6.50%) is a combined rate of 13.20% which will be in effect until June 30, 2015.

For Fiscal years 2013, 2012 and 2011, the District's annual contributions for the CalPERS plan were equal to the District's required and actual contributions for each fiscal year as follows:

***Three Year Funding Information***

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>APC Percentage of Payroll</u>
2011	\$ 53,375	100%	-	10.803%
2012	75,483	100%	-	12.576%
2013	55,012	100%	-	12.162%

See Page 27 for the Schedule of Funding Status.

***Actuarial Methods and Assumptions***

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

The following is a summary of the actuarial assumptions and methods:

Valuation date	June 30, 2011
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Average remaining amortization period	9 years as of the valuation date
Asset valuation method	15 year smoothed market
Actuarial assumptions:	
Discount rate	7.50% (net of administrative expenses)
Projected salary increase	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

**East Orange County Water District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2013 and 2012**

**(8) Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2013, the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$500,000, combined single limit at \$500,000 per occurrence. The District purchased additional excess coverage layers: \$50 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.
- Fidelity coverage up to \$250,000 per loss includes public employee dishonesty, forgery or alteration, computer fraud and ERISA coverage's, subject to a \$100,000 pooled self –insurance limit with a deductible of \$1,000 per claim.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$50 million per occurrence, subject to a \$50,000 pooled self –insurance limit. Boiler and machinery coverage for the replacement cost up to \$50 million per occurrence, subject to various deductibles depending on the type of equipment.
- Workers' compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law.

There have been no losses or claims in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2013 and 2012. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2013 and 2012.

**(9) Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2013, that has effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 68***

In June 2012, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.



**East Orange County Water District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2013 and 2012**

**(9) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 69***

In January 2013, the GASB issued Statement No. 69 – *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to provide new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The impact of the implementation of this Statement to District's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 70***

In April 2013, the GASB issued Statement No. 70 – *Accounting and Financial Reporting for Non-exchange Guarantees*. Provisions of this Statement require that governments that extend non-exchange financial guarantees to recognize a liability when qualitative factors and historic data, if any, indicate that it is more likely than not that the government will be required to make a payments on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. The impact of the implementation of this Statement to District's financial statements has not been assessed at this time.

**(10) Commitments and Contingencies**

***Joint Facilities Agreement***

The District is a party to a joint facilities agreement, dated February 13, 1964, with the Irvine Ranch Water District (IRWD) for the original purpose of constructing, operating and maintaining a water treatment plant, reservoir and pipelines. The construction was completed in 1964 and the District has capitalized the reservoir and pipelines as part of its utility plant assets. IRWD entered into this agreement with the District to gain capacity rights in the water treatment plant, reservoir and pipelines. The District and IRWD continue to proportionally share in the costs of maintenance and operations of the reservoir and pipelines; however, the treatment plant has been abandoned.

***Construction Contracts***

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and advances for construction.

***Litigation***

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes that there are no legal matters that will materially affect its financial condition.

**(11) Subsequent Events**

Events occurring after June 30, 2013, have been evaluated for possible adjustment to the financial statements or disclosure as of October 31, 2013, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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## **Required Supplementary Information**

**East Orange County Water District**  
**Schedule of Funding Status**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

**(1) Defined Benefit Pension Plan**

<b>Development of the Actuarial Value of Assets Calculation in a Risk Pool</b>			
The District is part of the CalPERS Miscellaneous 2.0% at 60 yrs. Risk Pool	<u><b>June 30, 2011</b></u>	<u><b>June 30, 2012</b></u>	<u><b>June 30, 2013</b></u>
1. Plan's accrued liability	\$ 1,783,868	-	-
2. Plan's side fund	(29,074)	-	-
3. Pool's accrued liability	682,375,804	-	-
4. Pool's side fund	1,499,824	-	-
5. Pool's actuarial value of assets (AVA) including receivables	639,237,247	-	-
6. Plan's actuarial value of assets (AVA) including receivables [(1+2) / (3+4) x 5]	1,640,254	-	-
7. Pool's market value of assets (MVA) including receivables	572,006,330	-	-
8. Plan's market value of assets (MVA) including receivables [(1+2) / (3+4) x 7]	1,467,742	-	-

***Funding History***

The Funding History below shows the actuarial accrued liability, the actuarial value of assets, the market value of assets, funded ratios and the annual covered payroll. The actuarial value of assets is used to establish funding requirements and the funded ratio on this basis represents the progress toward fully funding future benefits for current plan participants. The funded ratio based on the market value of assets is an indicator of the short-term solvency of the plan in the risk pool.

<u><b>Actuarial Valuation Date</b></u>	<u><b>Actuarial Accrued Liability (a)</b></u>	<u><b>Actuarial Value of Assets (AVA) (b)</b></u>	<u><b>Market Value of Assets (MVA) (c)</b></u>	<u><b>Funded Ratio AVA (b/a)</b></u>	<u><b>MVA (c/a)</b></u>	<u><b>Annual Covered Payroll</b></u>
June 30, 2011	\$ 1,783,868	1,640,254	1,467,742	92.0%	82.3%	\$ 338,962
June 30, 2012	* -	-	-	0.00%	0.00%	-
June 30, 2013	* -	-	-	0.00%	0.00%	-

\* CalPERS has not provided the information for these periods as of the date of the audit report.

## **Supplemental Information**

**East Orange County Water District**  
**Combining Schedule of Net Position**  
**June 30, 2013**

<i>Assets</i>	<b>Wholesale</b>	<b>Retail</b>	<b>Total</b>
Current assets:			
Cash and cash equivalents	\$ 5,834,487	814,322	6,648,809
Accrued interest receivable	2,632	51	2,683
Accounts receivable – water sales and services:			
Wholesale	1,312,753	-	1,312,753
Retail	-	362,898	362,898
Other	2,183	-	2,183
Property taxes receivable	14,244	8,077	22,321
Accrued interest receivable – AMP	5,037	-	5,037
Note receivable – current portion – AMP	38,402	-	38,402
Prepaid expenses and other assets	114,924	10,446	125,370
Water-in-storage inventory	30,997	3,850	34,847
Materials and supplies inventory	49,604	49,604	99,208
<b>Total current assets</b>	<b>7,405,263</b>	<b>1,249,248</b>	<b>8,654,511</b>
Non-current assets:			
Note receivable – AMP	134,195	-	134,195
Capital assets, net	5,700,270	5,000,133	10,700,403
<b>Total non-current assets</b>	<b>5,834,465</b>	<b>5,000,133</b>	<b>10,834,598</b>
<b>Total assets</b>	<b>\$ 13,239,728</b>	<b>6,249,381</b>	<b>19,489,109</b>
<b><i>Liabilities and Net Position</i></b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,358,121	144,122	1,502,243
Accrued wages and compensated absences	15,287	28,895	44,182
Deposits and deferred revenue	24,734	19,737	44,471
<b>Total current liabilities</b>	<b>1,398,142</b>	<b>192,754</b>	<b>1,590,896</b>
<b>Total liabilities</b>	<b>1,398,142</b>	<b>192,754</b>	<b>1,590,896</b>
Net position:			
Net investment in capital assets	5,700,270	5,000,133	10,700,403
Unrestricted	6,141,316	1,056,494	7,197,810
<b>Total net position</b>	<b>11,841,586</b>	<b>6,056,627</b>	<b>17,898,213</b>
<b>Total liabilities and net position</b>	<b>\$ 13,239,728</b>	<b>6,249,381</b>	<b>19,489,109</b>



**East Orange County Water District**  
**Combining Schedule of Net Position**  
**June 30, 2012**

<i>Assets</i>	<b>Wholesale</b>	<b>Retail</b>	<b>Total</b>
Current assets:			
Cash and cash equivalents	\$ 5,564,436	343,012	5,907,448
Accrued interest receivable	3,886	138	4,024
Accounts receivable – water sales and services:			
Wholesale	1,180,870	-	1,180,870
Retail	-	236,938	236,938
Other	1,373	-	1,373
Property taxes receivable	17,804	10,112	27,916
Accrued interest receivable – AMP	6,043	-	6,043
Note receivable – current portion – AMP	35,598	-	35,598
Prepaid expenses and other assets	124,615	3,820	128,435
Water-in-storage inventory	20,081	2,494	22,575
Materials and supplies inventory	49,604	49,604	99,208
<b>Total current assets</b>	<b>7,004,310</b>	<b>646,118</b>	<b>7,650,428</b>
Non-current assets:			
Note receivable – AMP	172,597	-	172,597
Capital assets, net	5,717,882	4,963,640	10,681,522
<b>Total non-current assets</b>	<b>5,890,479</b>	<b>4,963,640</b>	<b>10,854,119</b>
<b>Total assets</b>	<b>\$ 12,894,789</b>	<b>5,609,758</b>	<b>18,504,547</b>
<b><i>Liabilities and Net Position</i></b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,208,646	143,281	1,351,927
Accrued wages and compensated absences	17,463	33,249	50,712
Deposits and deferred revenue	24,239	15,021	39,260
<b>Total current liabilities</b>	<b>1,250,348</b>	<b>191,551</b>	<b>1,441,899</b>
Net position:			
Net investment in capital assets	5,717,882	4,963,640	10,681,522
Unrestricted	5,926,559	454,567	6,381,126
<b>Total net position</b>	<b>11,644,441</b>	<b>5,418,207</b>	<b>17,062,648</b>
<b>Total liabilities and net position</b>	<b>\$ 12,894,789</b>	<b>5,609,758</b>	<b>18,504,547</b>

**East Orange County Water District**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Wholesale</u>	<u>Retail</u>	<u>Internal Balances</u>	<u>Total</u>
Operating revenues:				
Water sales:				
Wholesale	\$ 5,994,399	-	(370,494)	5,623,905
Retail	-	1,035,133	-	1,035,133
Meter and standby service charges	181,399	314,437	(26,655)	469,181
Capacity and connection fees	261,423	246,773	(18,708)	489,488
Other connection fees	59,567	-	-	59,567
Other service charges	34,395	14,353	-	48,748
Total operating revenues	<u>6,531,183</u>	<u>1,610,696</u>	<u>(415,857)</u>	<u>7,726,022</u>
Operating expenses:				
Source of supply – water purchases	5,974,883	370,494	(370,494)	5,974,883
Source of supply – in-lieu purchases credit	-	(22,431)	-	(22,431)
Source of supply – standby service charges	181,399	26,655	(26,655)	181,399
Source of supply – capacity and connection fees	261,423	18,708	(18,708)	261,423
Source of supply – replenishment assessment	-	165,370	-	165,370
Total source of supply	<u>6,417,705</u>	<u>558,796</u>	<u>(415,857)</u>	<u>6,560,644</u>
Pipeline capacity lease	14,000	-	-	14,000
Pumping	2,144	64,266	-	66,410
Treatment, transmission and distribution	326,401	428,779	-	755,180
General and administrative	176,236	139,549	-	315,785
Total operating expenses	<u>6,936,486</u>	<u>1,191,390</u>	<u>(415,857)</u>	<u>7,712,019</u>
Operating income(loss) before depreciation	(405,303)	419,306	-	14,003
Depreciation	(297,544)	(192,186)	-	(489,730)
<b>Operating income(loss)</b>	<u>(702,847)</u>	<u>227,120</u>	<u>-</u>	<u>(475,727)</u>
Non-operating revenues(expenses):				
Property taxes	669,704	357,263	-	1,026,967
Rental income – cellular antennas	98,478	-	-	98,478
Interest and investment earnings	18,784	697	-	19,481
Change in fair-value of cash equivalents and investments	(16,837)	(166)	-	(17,003)
Interest income – note receivable – AMP	10,108	-	-	10,108
Interest expense – note payable – DWR	-	-	-	-
Other, net	119,755	53,506	-	173,261
Total non-operating revenues, net	<u>899,992</u>	<u>411,300</u>	<u>-</u>	<u>1,311,292</u>
<b>Change in net position</b>	<u>197,145</u>	<u>638,420</u>	<u>-</u>	<u>835,565</u>
Net position, beginning of year	11,644,441	5,418,207	-	17,062,648
Net position, end of year	<u>\$ 11,841,586</u>	<u>6,056,627</u>	<u>-</u>	<u>17,898,213</u>

**East Orange County Water District**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Wholesale</u>	<u>Retail</u>	<u>Internal Balances</u>	<u>Total</u>
Operating revenues:				
Water sales:				
Wholesale	\$ 5,342,059	-	(779,857)	4,562,202
Retail	-	876,819	-	876,819
Meter and standby service charges	158,065	288,935	(21,328)	425,672
Capacity and connection fees	247,947	213,535	(16,761)	444,721
Other connection fees	9,202	-	-	9,202
Other service charges	19,433	10,732	-	30,165
Total operating revenues	<u>5,776,706</u>	<u>1,390,021</u>	<u>(817,946)</u>	<u>6,348,781</u>
Operating expenses:				
Source of supply – water purchases	5,349,145	779,857	(779,857)	5,349,145
Source of supply – in-lieu purchases credit	-	(355,234)	-	(355,234)
Source of supply – standby service charges	158,065	21,328	(21,328)	158,065
Source of supply – capacity and connection fees	247,947	16,761	(16,761)	247,947
Source of supply – replenishment assessment	-	48,769	-	48,769
Total source of supply	<u>5,755,157</u>	<u>511,481</u>	<u>(817,946)</u>	<u>5,448,692</u>
Pipeline capacity lease	13,000	-	-	13,000
Pumping	1,928	41,300	-	43,228
Treatment, transmission and distribution	345,447	416,135	-	761,582
General and administrative	90,416	180,567	-	270,983
Total operating expenses	<u>6,205,948</u>	<u>1,149,483</u>	<u>(817,946)</u>	<u>6,537,485</u>
Operating income (loss) before depreciation	(429,242)	240,538	-	(188,704)
Depreciation	(308,994)	(196,408)	-	(505,402)
<b>Operating income (loss)</b>	<u>(738,236)</u>	<u>44,130</u>	<u>-</u>	<u>(694,106)</u>
Non-operating revenues(expenses):				
Property taxes	586,412	333,240	-	919,652
Rental income – cellular antennas	70,201	-	-	70,201
Interest and investment earnings	18,297	720	-	19,017
Change in fair-value of cash equivalents and investments	(1,664)	(81)	-	(1,745)
Interest income – note receivable – AMP	12,157	-	-	12,157
Interest expense – note payable – DWR	-	(1,244)	-	(1,244)
Other, net	4,625	4,485	-	9,110
Total non-operating revenues, net	<u>690,028</u>	<u>337,120</u>	<u>-</u>	<u>1,027,148</u>
<b>Change in net position</b>	<u>(48,208)</u>	<u>381,250</u>	<u>-</u>	<u>333,042</u>
Net position, beginning of year	<u>11,692,649</u>	<u>5,036,957</u>	<u>-</u>	<u>16,729,606</u>
Net position, end of year	\$ <u>11,644,441</u>	<u>5,418,207</u>	<u>-</u>	<u>17,062,648</u>

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# **Report on Compliance and Internal Controls**



**Independent Auditor's Report on Internal Control Over Financial Reporting  
And on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Board of Directors  
East Orange County Water District  
Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the East Orange County Water District (District) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated October 31, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



**Independent Auditor's Report on Internal Controls Over Financial Reporting  
And on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*, (continued)**

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Charles Z. Fedak & Company, CPAs - An Accountancy Corporation**  
Cypress, California  
October 31, 2013

## **LOCAL SEWER FACILITIES TRANSFER AGREEMENT**

THIS LOCAL SEWER FACILITIES TRANSFER AGREEMENT ("Agreement") is made this \_\_\_\_ day of \_\_\_\_\_, 2014 ("Effective Date") by and between the ORANGE COUNTY SANITATION DISTRICT ("OCSD"), a duly organized County Sanitation District existing pursuant to California Health and Safety Code section 47000 *et seq.*, and the EAST ORANGE COUNTY WATER DISTRICT ("EOCWD"), a duly organized County Water District existing pursuant to California Water Code section 30000 *et seq.* OCSD and EOCWD are sometimes hereinafter individually referred to as "Party" and hereinafter collectively referred to as "Parties".

### **RECITALS**

WHEREAS, OCSD owns and operates regional wastewater collection, conveyance, treatment, and disposal facilities within its 471 square mile service area;

WHEREAS, OCSD owns and operates the local wastewater collection and conveyance system, encompassing approximately 174 linear miles of sewer lines and serving more than 18,000 connections, within the area known as Service Area 7, which area is more particularly identified in Exhibit "A" attached hereto and incorporated herein by reference;

WHEREAS, OCSD desires to transfer to EOCWD: (a) its ownership of certain local sanitary sewer lines and appurtenant facilities located in Service Area 7 ("Local Sewer Facilities"), which are more particularly described and delineated in attachments 1 and 2 of Exhibit "B" attached hereto and incorporated herein by reference, and (b) the responsibility for providing local sewer service to Service Area 7;

WHEREAS, EOCWD desires to acquire ownership and assume responsibility for the Local Sewer Facilities and to accept responsibility for providing local sewer service to Service Area 7;

WHEREAS, the transfer of ownership in and the assumption of responsibility for the Local Sewer Facilities to EOCWD will require the approval of the Orange County Local Agency Formation Commission ("LAFCO"); and

WHEREAS, following the transfer to EOCWD of the Local Sewer Facilities, OCSD shall retain its power to provide regional sewer service within the entirety of Service Area 7.

## **AGREEMENT**

NOW, THEREFORE, in consideration of the mutual promises set forth herein, the Parties agree as follows:

1. Recitals. The recitals set forth above are true and correct and are incorporated into this Agreement.

2. Cooperation.

a. OCSD and EOCWD shall work cooperatively to complete the successful transfer from OCSD to EOCWD of the Local Sewer Facilities and the assumption of responsibility for ongoing operation and maintenance of the Local Sewer Facilities by EOCWD by no later than December 1, 2014. Both Parties shall execute any further documents consistent with the terms of this Agreement, including documents in recordable form, necessary or appropriate to fulfill the obligations imposed by this Agreement.

3. LAFCO Proposal.

a. *Initiation of Proceedings*. EOCWD shall, within one month (30 days) from the Effective Date, initiate proceedings under the Cortese-Knox-Herzberg Local Government Reorganization Act of 2000, as amended, Government Code section 56000, *et seq.*, requesting LAFCO approval of a reorganization proposal (the "Proposal"). The resolution of application enacted by EOCWD and submitted to LAFCO shall propose that LAFCO's approval of the Proposal shall be subject to the terms and conditions of this Agreement. EOCWD shall be solely responsible for the direct costs incurred in connection with the initiation and processing of the Proposal, and LAFCO approval thereof, including without limitation any LAFCO deposits, application or processing fees, and the cost of preparing any legal descriptions, boundary surveys or maps. The Proposal shall consist of the following:

i. The annexation of certain territory within Service Area 7 that is not within the current boundaries of EOCWD; and

ii. A proposal by EOCWD to provide a new or different service – "local" sewer service – within the entirety of Service Area 7.

b. *Public Outreach*. EOCWD desires to proactively inform the ratepayers within Service Area 7, and the general public, of the Proposal and the process for implementing it, including opportunities for public involvement. In furtherance of that desire, OCSD agrees to provide EOCWD with a mailing list of the property owners in Service Area 7 (consistent with the format used for Proposition 218 notifications) in an Excel spreadsheet or an Access compatible (SQL) database format within 30 days of EOCWD's submittal of an application to LAFCO. In the written materials, EOCWD shall accurately and fairly describe the

proposal and may indicate that the Proposal is jointly proposed and supported by EOCWD and OCSD. EOCWD shall provide OCSD an opportunity to review and approve the written material it intends to mail to the property owners in Service Area 7 prior to such mailing. OCSD shall approve, or request changes to, the written materials within ten days of receipt. If OCSD fails to approve or request revisions within 10 days, it shall be deemed to have approved the materials. OCSD shall approve, or request changes to, revised written materials that incorporate or respond to OCSD's requests for changes within 5 days of receipt, or the materials shall be deemed approved. All costs of producing such material and mailing it will be paid by EOCWD.

c. *Letter of Support.* OCSD shall cooperate with EOCWD and use its best efforts to support the Proposal in accordance with the terms of this Agreement. OCSD shall, within 45 days of EOCWD's filing of the Proposal with LAFCO, file with LAFCO a formal Letter of Support in favor of the Proposal executed by the General Manager ("Letter of Support"). The Letter of Support shall propose that LAFCO's approval of the Proposal shall be subject to the terms and conditions of this Agreement. OCSD shall execute such documents and take such other actions to support and facilitate the processing of the Proposal as may be reasonably requested by EOCWD, provided such actions shall not result in any cost or expense to OCSD (other than overhead and employee staff time).

d. *Continuing Support for Proposal.* The Parties agree to support and not oppose the Proposal before and after it is initiated. Specifically, OCSD and EOCWD will cooperate and consult with one another in responding to questions and inquiries from LAFCO, the public and the press, appear in support of the Proposal at LAFCO hearings, and cooperate on a joint response in the event that LAFCO or LAFCO staff propose to alter the Proposal. Furthermore, OCSD agrees that, prior to December 1, 2014, or such earlier time as the LAFCO proceedings have been completed or disapproved, it will not engage in negotiations with other entities regarding the transfer of the Local Sewer Facilities. Both Parties shall support the conditioning of LAFCO's approval of the Proposal on the performance of the terms and conditions of this Agreement. If LAFCO or LAFCO staff propose an alteration to the Proposal that materially diverges from the terms and conditions of this Agreement, either Party may, after consultation with the other Party, oppose the alteration, and if necessary, withdraw its support, and actively oppose LAFCO's approval of the Proposal.

e. *Tax Exchange Negotiations and Consultations.* The Parties shall cooperate in seeking to have the Board of Supervisors adopt a property tax exchange resolution pursuant to Revenue and Taxation Code section 99 exchanging property tax from OCSD to EOCWD. The Parties agree that in the tax exchange negotiation and consultation process they will jointly support and advocate for having all of the property tax associated with the Local Sewer Facilities be exchanged from OCSD to EOCWD. In Fiscal Year 2012-2013, the

estimated property tax collected for the local sewers was \$287,000.00 (two hundred eighty seven thousand dollars).

f. *Local Sewer Service User Fee.*

i. OCSD's Annual Local Sewer Service User Fee ("the Fee") shall be continued and following the effective date, to the extent feasible, shall be collected by EOCWD rather than by OCSD. OCSD collects the Fee by reporting it to the County of Orange, which collects it on the property tax roll, and EOCWD intends to do the same. Should it not be feasible, due to statutory or County requirements, for responsibility for collection of the Fee for the 2014-2015 Fiscal Year to be transferred to EOCWD, OCSD shall account for and transmit, within 5 business days of receipt, any such revenues it receives from the County that are attributable to the Fee imposed in Service Area 7. OCSD shall rescind the Fee, as it pertains to the Local Sewer Facilities, by no later than July 1, 2015, or at such earlier time as EOCWD may enact its own local sewer service user fees.

ii. EOCWD shall indemnify, defend and hold harmless, OCSD, its officers, directors, employees and agents from and against any and all claims, actions, damages, liabilities, and expenses (including attorney's fees and reasonable expenses for litigation or settlement) in connection with or arising out of OCSD's assessment, distribution, and collection of the Fee, including without limitation any such claims asserting that the collection by OCSD and transfer of the Fee to EOCWD violates Proposition 218.

4. Transfer of Local Sewer Facilities.

a. Upon the effective date of LAFCO's approval of the Proposal and the requested reorganization ("Date of Reorganization"), EOCWD shall accept ownership of the Local Sewer Facilities and all maintenance responsibilities, as well as the responsibility for all sewer spill notification, reporting, and related regulatory activities. Furthermore, EOCWD shall negotiate, execute and maintain its own contracts with third-party contractors for line-cleaning, CCTV, rehabilitation, repairs and replacement, engineering consultants, and similar services, and directly pay all costs for such contracts.

b. Prior to the Date of Reorganization, EOCWD shall fully execute and deliver to OCSD the Quitclaim Deed, attached hereto as Exhibit "B", transferring ownership of the Local Sewer Facilities from OCSD to EOCWD.

c. Within five (5) business days following the Date of Reorganization, OCSD shall submit the Quitclaim Deed for recordation in the Official Records, Orange County California. Upon recordation, OCSD shall transmit a conformed copy of the Quitclaim Deed to EOCWD.

d. Within five (5) business days following the Date of Reorganization, OCSD shall transfer to EOCWD \$10,000,000.00 (ten million

dollars) via wire transfer of the Annual Sewer Service User Fee reserves attributable to the Local Sewer Facilities.

e. On July 1, 2018, OCSD shall transfer to EOCWD \$15,000,000.00 (fifteen million dollars) via wire transfer of the Annual Sewer Service User Fee reserves attributable to the Local Sewer Facilities.

f. If, prior to July 1, 2018, a natural catastrophe occurs resulting in substantial damage to the Local Sewer Facilities, OCSD shall release to EOCWD a mutually agreed upon portion of the \$15,000,000.00 (fifteen million dollars) transfer of Annual Sewer Service User Fee reserves contemplated by section 4(e) above. Any such release will result in a proportionate reduction of reserves transferred from OCSD to EOCWD on July 1, 2018.

g. After closing its books for the 2017-2018 Fiscal Year, and by no later than November 1, 2018, OCSD shall transfer to EOCWD the remainder of the Annual Sewer Service User Fee reserves, if any, attributable to the Local Sewer Facilities.

h. Upon the Date of Reorganization, OCSD shall transfer ownership of the following vehicles to EOCWD: (a) a 2000 Sterling Vactor (OCSD vehicle 470, California license number 1067492, vehicle identification number (VIN) 2FZ6BJBB81AH61833), and (b) a 1995 FE42 Volvo Hydroflusher truck (OCSD vehicle 396, California license number 356619, vehicle identification number (VIN) 4V52AFHD0SR474402). These vehicles shall be provided to EOCWD "as is" and with no warranties or representations whatsoever as to the condition of the vehicle, or the suitability of the vehicle for any purpose. EOCWD hereby acknowledges that it has/will be granted the opportunity to inspect the vehicles and their maintenance records and has/will do so prior to the Date of Reorganization.

i. On or prior to the Date of Reorganization, OCSD shall allow EOCWD to review, reference and utilize OCSD established specifications for line-cleaning, CCTV, rehabilitation, repairs and replacement, and similar services, as mutually agreed by the Parties.

5. Environmental Review. EOCWD shall act as lead agency for purposes of the Proposal, and shall be solely responsible for the preparation of all environmental documentation required pursuant to the California Environmental Quality Act ("CEQA").

6. Term. This Agreement shall commence on the Effective Date and continue in full force and effect through December 1, 2014. The Parties may mutually agree in writing to extend the term of this Agreement. The Agreement shall automatically terminate if LAFCO disapproves the Proposal.

7. Notices. All notices or other communications required or permitted hereunder shall be in writing and shall be personally delivered, sent by registered or certified mail, postage prepaid, return receipt requested, or delivered or sent by electronic transmission, and shall be deemed received upon the earlier of: (i) the date of delivery to the address of the person to receive such notice if delivered personally or by messenger or overnight courier; (ii) three (3) business days after the date of posting by the United States Post Office if by mail; or (iii) when sent if given by electronic transmission. Any notice, request, demand, direction, or other communication sent by electronic transmission must be confirmed within forty-eight (48) hours by letter mailed or delivered. Notices or other communications shall be addressed as follows:

To OCSD: Orange County Sanitation District  
10844 Ellis Avenue  
Post Office Box 8127  
Fountain Valley, CA 92708-7018  
Attn: General Manager

To EOCWD: East Orange County Water District  
185 North McPherson Road  
Orange, CA 92869-3720  
Attn: General Manager

Either Party may from time to time, by written notice to the other, designate a different address and/or person which shall be substituted for the one above specified, and/or specify additional parties to be notified.

8. Jurisdiction. In the event of a dispute regarding performance or interpretation of this Agreement, the venue for any action to enforce or interpret this Agreement shall lie in the Superior Court of California for Orange County.

9. Governing Law. This Agreement shall be governed by the laws of the State of California.

10. Entire Agreement. This Agreement constitutes the entire understanding and agreement between the Parties and supersedes all previous negotiations between the Parties pertaining to the subject matter thereof.

11. Waiver. A waiver of a breach of the covenants, conditions or obligations under this Agreement by either Party shall not be construed as a waiver of any succeeding breach of the same or other covenants, conditions or obligations of this Agreement.

12. Modification. Alteration, change or modification of this Agreement shall be in the form of a written amendment, which shall be signed by each Party.



13. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be invalid under the applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of that provision, or the remaining provisions of this Agreement.

14. No Obligation to Third Parties. Execution and delivery of this Agreement shall not be deemed to confer any rights upon others, directly, indirectly or by way of subrogation, and shall not obligate either of the Parties hereto to any person or entity other than each other and their respective affiliates.

15. Successors. This Agreement and the provisions contained herein shall be binding upon and inure to the benefit of OCSD, EOCWD, and their respective heirs, executors, administrators, personal representatives, successors and assigns.

16. Indemnification.

a. EOCWD shall indemnify, defend and hold harmless OCSD, its officers, directors, employees and agents from and against any and all claims, actions, damages, liabilities and expenses (including attorney's fees and reasonable expenses for litigation or settlement) for any loss or damage, including death, bodily injury or damage to or loss of use of property, caused by negligent acts or omissions or willful misconduct by the EOCWD, its officers, directors, employees and agents in connection with or arising out of the performance of this Agreement.

b. OCSD shall indemnify, defend and hold harmless EOCWD, its officers, directors, employees and agents from and against any and all claims, actions, damages, liabilities and expenses (including attorney's fees and reasonable expenses for litigation or settlement) for any loss or damage, including death, bodily injury or damage to or loss of use of property, caused by negligent acts or omissions or willful misconduct by OCSD, its officers, directors, employees and agents in connection with or arising out of the performance of this Agreement.

c. The Parties acknowledge that LAFCO policy requires applicants to defend, indemnify, hold harmless, and release LAFCO, its agents, officers, attorneys, and employees from any claim, action, or proceeding brought against any of them, the purpose of which is to attack, set aside, void, or annul the approval of the application or the environmental document that accompanies it. The parties further acknowledge that this indemnification obligation will include, but not be limited to, damages, costs, expenses, attorney fees, or expert witness fees that may be asserted by any person or entity, including the applicant, arising out of or in connection with the approval of the application. As the applicant, EOCWD will be required to execute such an indemnification

agreement with LAFCO, and, as a result, EOCWD may incur substantial costs paying for LAFCO's defense and indemnifying any liability. Notwithstanding anything to the contrary in the foregoing, If LAFCO does not approve the EOCWD Proposal, OCSD agrees to pay one-half of EOCWD's actual costs, associated with indemnifying LAFCO pursuant to the indemnification agreement it will be obligated to sign, as those costs are incurred; however, OCSD's payment hereunder shall not exceed \$100,000.00 (one hundred thousand dollars) in total. Furthermore, if LAFCO approves the EOCWD Proposal, OCSD shall have no obligation to pay any of EOCWD's actual costs associated with indemnifying LAFCO. EOCWD shall promptly advise OCSD if the indemnification agreement it is obligated to sign as the applicant is materially different than described in this paragraph, and it shall notify OCSD if LAFCO notifies EOCWD of a legal challenge covered by the indemnification agreement.

17. OCSD Board of Directors. The Parties acknowledge that nothing contained herein shall entitle EOCWD to a seat on the OCSD Board of Directors, and that any such change would require an amendment to Health and Safety Code section 4730.65, which governs the composition of the OCSD Board of Directors.

18. No Warranty of Title or Condition. OCSD makes not warranty or representation of any kind regarding its title to the Local Sewer Facilities, the condition of the Local Sewer Facilities, or the suitability of the Local Sewer Facilities for any purpose. EOCWD has been granted an opportunity to fully inspect the Local Sewer Facilities and has done so as of the Effective Date. EOCWD accepts the Local Sewer Facilities "as is".

19. Authorization. Each of the undersigned represents and warrants that he or she is duly authorized to execute and deliver this Agreement and that such execution is binding upon the entity for which he or she is executing this document.

**[SIGNATURES ON FOLLOWING PAGE]**

**IN WITNESS WHEREOF**, the Parties hereto have executed this Agreement on the dates set forth below.

**ORANGE COUNTY SANITATION DISTRICT**

By \_\_\_\_\_  
Troy Edgar,  
Chairman of the Board

Date \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Maria Ayala  
Clerk of the Board

APPROVED AS TO FORM:

\_\_\_\_\_  
Brad Hogin  
General Counsel

**EAST ORANGE COUNTY WATER DISTRICT**

By \_\_\_\_\_  
William VanderWerff  
President of the Board of Directors

Date \_\_\_\_\_

ATTEST:

\_\_\_\_\_

APPROVED AS TO FORM:

\_\_\_\_\_  
Joan Arneson  
General Counsel

**EXHIBIT "A"**

**SERVICE AREA 7**

**EXHIBIT "B"**

**QUITCLAIM DEED**

## **Attachment 1 of Exhibit B**

## **Attachment 2 of Exhibit**



## **LOCAL SEWER FACILITIES TRANSITIONAL SERVICES AGREEMENT**

THIS LOCAL SEWER FACILITIES TRANSITIONAL SERVICES AGREEMENT ("Agreement") is made this \_\_\_\_ day of \_\_\_\_\_, 2014 ("Effective Date") by and between the ORANGE COUNTY SANITATION DISTRICT ("OCSD"), a duly organized County Sanitation District existing pursuant to California Health and Safety Code section 47000 *et seq.*, and the EAST ORANGE COUNTY WATER DISTRICT ("EOCWD"), a duly organized County Water District existing pursuant to California Water Code section 30000 *et seq.* OCSD and EOCWD are sometimes hereinafter individually referred to as "Party" and hereinafter collectively referred to as "Parties".

### **RECITALS**

WHEREAS, Pursuant to the Local Sewer Facilities Transfer Agreement by and between the Parties dated \_\_\_\_ \_\_ 2014, OCSD agreed to transfer to EOCWD its ownership of certain local sanitary sewer lines and appurtenant facilities located in Service Area 7 ("Local Sewer Facilities"), which are more particularly described and delineated in Exhibit "A" attached hereto and incorporated herein by reference;

WHEREAS, EOCWD has agreed to acquire ownership and assume responsibility for the ongoing operation and maintenance of the Local Sewer Facilities;

WHEREAS, Orange County Local Agency Formation Commission approval of a reorganization proposal is necessary to perfect the transfer of the Local Sewer Facilities ("LAFCO Approval");

WHEREAS, upon transfer of the Local Sewer Facilities to EOCWD, OCSD is willing to provide EOCWD, on a fee for service basis, technical assistance and other staff resources to assist EOCWD assume responsibility for the ongoing operation and maintenance of the Local Sewer Facilities ("Transitional Services"); and

WHEREAS, EOCWD is willing to reimburse OCSD, on a fee for service basis, for the provision of such Transitional Services.

### **AGREEMENT**

NOW, THEREFORE, in consideration of the mutual promises set forth herein, the Parties agree as follows:

1. Recitals. The recitals set forth above are true and correct and are incorporated into this Agreement.

2. Provision of Transitional Services by OCSD. Upon the effective date of the LAFCO Approval, and the successful transfer of the Local Sewer Facilities, OCSD shall provide Transitional Services to EOCWD as follows:

a. As may be requested by EOCWD, OCSD shall assist EOCWD in developing a maintenance schedule for the Local Sewer Facilities or relinquish OCSD's current schedule.

b. As may be requested by EOCWD, OCSD shall provide its expertise and training for the EOCWD's evaluation of current "trouble spots" in the sanitary sewer collection system and clean them until \_\_\_\_, 20\_\_, or until such earlier time as the EOCWD will have established its own crew.

c. OCSD shall provide emergency "call-out" response services and training, as needed, to EOCWD employees for first response during a possible SSO until January 1, 2015, or until such earlier time as the EOCWD will have established its own crew.

d. OCSD shall provide Fats, Oils and Grease (FOG) program oversight and enforcement until \_\_\_\_, 20\_\_, or until such earlier time as the EOCWD can acquisition staff for the program.

3. EOCWD's Specific Obligations.

a. EOCWD shall assign no less than one EOCWD employee to respond to call-outs and join in first response with OCSD during a possible SSO for training purposes.

b. EOCWD shall assign no less than one EOCWD employee to accompany OCSD during cleaning of sanitary sewer collection "trouble spots."

c. EOCWD shall reimburse OCSD per the Fee Schedule, as may be amended annually by OCSD, attached hereto at Exhibit "A", and incorporated herein, for the provision of any Transitional Services provided by OCSD to EOCWD pursuant to this Agreement.

4. Timing of Reimbursement. OCSD shall perform quarterly accountings to determine the amount owed by EOCWD pursuant to this Agreement on the 15<sup>th</sup> of July and October 20\_\_, and January \_\_\_\_. Upon completion of each accounting, an invoice, along with the accounting or a summary thereof, shall be submitted to EOCWD for the amount due, which amount shall be paid within forty-five (45) days of receipt of billing. All such amounts are delinquent if unpaid sixty (60) days after the date of invoice. Any charge that becomes delinquent shall have added to it a penalty in accordance with the following:

a) Sixty-one (61) days after date of invoice, a basic penalty of ten percent (10%) of the base invoice amount, not to exceed a maximum of \$1,000.00; and

b) A penalty of one and one-half percent (1.5%) per month of the base invoice amount and basic penalty shall accrue from and after the sixty-first (61st) day after date of invoice.

Notwithstanding the foregoing, in the event EOCWD disputes any of the charges upon inspection of the quarterly OCSD invoice, EOCWD shall promptly notify OCSD in writing and shall pay the undisputed charges in accordance with this Section 5. No penalty shall be imposed on the disputed amounts until the Parties have resolved the dispute.

5. Independent Contractors. The Parties' relationship to each other in the performance of this Agreement is that of independent contractors. OCSD's personnel performing services under this Agreement shall at all times be under OCSD's exclusive direction and control and shall be employees of OCSD and not employees of EOCWD. EOCWD's personnel performing services under this Agreement shall at all times be under EOCWD's exclusive direction and control and shall be employees of EOCWD and not employees of OCSD.

6. Agents. Any contractor or subcontractor performing work in connection with the work described herein on behalf of either Party shall be conclusively deemed to be the servant and agent of each respective Party for whom the work is being performed.

7. Notices. All notices or other communications required or permitted hereunder shall be in writing and shall be personally delivered, sent by registered or certified mail, postage prepaid, return receipt requested, or delivered or sent by electronic transmission, and shall be deemed received upon the earlier of: (i) the date of delivery to the address of the person to receive such notice if delivered personally or by messenger or overnight courier; (ii) three (3) business days after the date of posting by the United States Post Office if by mail; or (iii) when sent if given by electronic transmission. Any notice, request, demand, direction, or other communication sent by electronic transmission must be confirmed within forty-eight (48) hours by letter mailed or delivered. Notices or other communications shall be addressed as follows:

To OCSD: Orange County Sanitation District  
10844 Ellis Avenue  
Post Office Box 8127  
Fountain Valley, CA 92708-7018  
Attn: General Manager

To EOCWD: East Orange County Water District  
185 North McPherson Road  
Orange, CA 92869-3720  
Attn: General Manager

Either Party may from time to time, by written notice to the other, designate a different address and/or person which shall be substituted for the one above specified, and/or specify additional parties to be notified.

8. Jurisdiction. In the event of a dispute regarding performance or interpretation of this Agreement, the venue for any action to enforce or interpret this Agreement shall lie in the Superior Court of California for Orange County.

9. Term and Termination. This Agreement shall expire \_\_\_\_\_, 20\_\_ unless earlier terminated. The Parties may mutually agree in writing to extend the term of this Agreement. Either Party may terminate this agreement for any reason by providing thirty (30) days written notice to the other Party.

10. Governing Law. This Agreement shall be governed by the laws of the State of California.

11. Entire Agreement. This Agreement constitutes the entire understanding and agreement between the Parties and supersedes all previous negotiations between the Parties pertaining to the subject matter thereof.

12. Waiver. A waiver of a breach of the covenants, conditions or obligations under this Agreement by either Party shall not be construed as a waiver of any succeeding breach of the same or other covenants, conditions or obligations of this Agreement.

13. Modification. Alteration, change or modification of this Agreement shall be in the form of a written amendment, which shall be signed by each Party.

14. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be invalid under the applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of that provision, or the remaining provisions of this Agreement.

15. No Obligation to Third Parties. Execution and delivery of this Agreement shall not be deemed to confer any rights upon others, directly, indirectly or by way of

subrogation, and shall not obligate either of the Parties hereto to any person or entity other than each other and their respective affiliates.

16. Successors. This Agreement and the provisions contained herein shall be binding upon and inure to the benefit of OCSD, EOCWD, and their respective heirs, executors, administrators, personal representatives, successors and assigns.

17. Indemnification.

a. EOCWD shall indemnify, defend and hold harmless OCSD, its officers, directors, employees and agents from and against any and all claims, actions, damages, liabilities and expenses (including attorney's fees and reasonable expenses for litigation or settlement) for any loss or damage, including death, bodily injury or damage to or loss of use of property, caused by negligent acts or omissions or willful misconduct by the EOCWD, its officers, directors, employees and agents in connection with or arising out of the performance of this Agreement.

b. OCSD shall indemnify, defend and hold harmless EOCWD, its officers, directors, employees and agents from and against any and all claims, actions, damages, liabilities and expenses (including attorney's fees and reasonable expenses for litigation or settlement) for any loss or damage, including death, bodily injury or damage to or loss of use of property, caused by negligent acts or omissions or willful misconduct by OCSD, its officers, directors, employees and agents in connection with or arising out of the performance of this Agreement.

18. Authorization. Each of the undersigned represents and warrants that he or she is duly authorized to execute and deliver this Agreement and that such execution is binding upon the entity for which he or she is executing this document.

**[SIGNATURES ON FOLLOWING PAGE]**

**IN WITNESS WHEREOF**, the Parties hereto have executed this Agreement on the dates set forth below.

**ORANGE COUNTY SANITATION DISTRICT**

By \_\_\_\_\_  
James D. Herberg,  
General Manager

Date \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Maria Ayala  
Clerk of the Board

APPROVED AS TO FORM:

\_\_\_\_\_  
Brad Hogin  
General Counsel

**EAST ORANGE COUNTY WATER DISTRICT**

By \_\_\_\_\_  
William VanderWerff  
President of the Board of Directors

Date \_\_\_\_\_

ATTEST:

\_\_\_\_\_

APPROVED AS TO FORM:

\_\_\_\_\_  
Joan Arneson  
General Counsel

**EXHIBIT "A"**

**FEE SCHEDULE**

<b>OCSD Employee Title or Functional Unit*</b>	<b>Billing Rate</b>
Monthly FOG Program Costs	\$9,350/month
Hourly Sewer Line/"Trouble Spot" Cleaning Crew Cost – Regular Time	\$200/hr.
Hourly Emergency Call-Out* 2-Man Crew Cost – Overtime	\$300/hr.

\*OCSD shall be under no obligation to provide the above-referenced services to EOCWD beyond \_\_\_\_\_, 20\_\_.

\*\*Emergency Call-Out requires a minimum of three Overtime Hours per Emergency Response to Sanitary Sewer Overflows or other Emergency Responses (3 X \$300 = \$900).



[On OCSD Letterhead]

[Date]

Ms. Susan Wilson, Chair  
Orange County LAFCO  
12 Civic Center Plaza Room 235  
Santa Ana, CA. 92701

**RE: Letter in Support of East Orange County Water District  
Reorganization Application**

Dear Chair Wilson,

On behalf of the Orange County Sanitation District ("OCSD"), I am sending this letter to you, with copies to the OC LAFCO commissioners, to express OCSD's support of the East Orange County Water District ("EOCWD") Reorganization Application.

The OCSD Five-Year Strategic establishes as a goal the transfer back to cities and sanitary districts local sewer assets that are not serving a true regional purpose. In furtherance of this goal, OCSD has negotiated an agreement to transfer its ownership of local sewer lines and appurtenant facilities located in OCSD Service Area 7 to EOCWD. The terms and conditions applicable to the proposed transfer are memorialized in the Local Sewer Facilities Transfer Agreement ("Transfer Agreement") entered into between OCSD and EOCWD on \_\_\_\_\_, 2014.

Again, on behalf of OCSD, I urge OC LAFCO to approve the EOCWD Reorganization Application, and ask that such approval incorporate the Transfer Agreement terms and conditions.

Very truly yours,

James D. Herberg, General Manager

cc: OC LAFCO Commissioners

**NO FEE DOCUMENT**  
Government Code § 6103

RECORDING REQUESTED BY AND  
WHEN RECORDED MAIL TO:

ORANGE COUNTY SANITATION DISTRICT  
P. O. Box 8127  
Fountain Valley, California 92728  
Attn: Clerk of the Board

The Space Above This Line Reserved For Recorder's Use Only

## **QUITCLAIM DEED**

**FOR VALUABLE CONSIDERATION**, the receipt and sufficiency of which is hereby acknowledged, the ORANGE COUNTY SANITATION DISTRICT, a County Sanitation District organized under the laws of the State of California ("GRANTOR"), does hereby release, remise, and quitclaim to the EAST ORANGE COUNTY WATER DISTRICT, a County Water District organized under the laws of the State of California ("GRANTEE"), all its right, title and interest in the real property, sewer lines and appurtenant sewer facilities described and depicted in Attachment "1" and shown visually in Attachment "2", appended hereto and made a part hereof (collectively, "Local Sewer Facilities") SUBJECT TO THE FOLLOWING DISCLAIMER:

### **No Warranty of Title or Condition**

Grantor makes no warranty or representation of any kind regarding its title to the Local Sewer Facilities, the condition of the Local Sewer Facilities or the suitability of the Local Sewer Facilities for any purpose. Grantee has been granted an opportunity to fully inspect the Local Sewer Facilities and has done so. Grantee accepts the Facilities "as is".

IN WITNESS WHEREOF, this Quitclaim Deed has been executed by the Parties hereto.

[Signatures on the following page.]

EAST ORANGE COUNTY WATER DISTRICT

By:\_\_\_\_\_

Printed Name: William VanderWerff

Title: President of the Board of Directors

Date: \_\_\_\_\_

EAST ORANGE COUNTY WATER DISTRICT

By:\_\_\_\_\_

Printed Name: Joan Arneson

Title: Secretary

Date: \_\_\_\_\_

ORANGE COUNTY SANITATION DISTRICT

By:\_\_\_\_\_

Printed Name: Troy Edgar

Title: Chair of the Board of Directors

Date: \_\_\_\_\_

ORANGE COUNTY SANITATION DISTRICT

By:\_\_\_\_\_

Printed Name: Maria Ayala

Title: Clerk of the Board

Date: \_\_\_\_\_

## **ATTACHMENT "1"**

### **Description of Local Sewer Facilities**

## **ATTACHMENT "2"**

### **Visual Depiction of Local Sewer Facilities**

## EXHIBIT "A"

### INDEMNIFICATION AGREEMENT

As part of this application, applicant and real party in interest, if different, agree to defend, indemnify, hold harmless, and release the Orange County Local Agency Formation Commission, its agents, officers, attorneys, and employees from any claim, action, or proceeding brought against any of them, the purpose of which is to attack, set aside, void, or annul the approval of this application or adoption of the environmental document which accompanies it. This indemnification obligation shall include, but not be limited to, damages, costs, expenses, attorney fees, or expert witness fees that may be asserted by any person or entity, including the applicant, arising out of or in connection with the approval of this application, whether or not there is concurrent passive or active negligence on the part of the Orange County Local Agency Formation Commission, its agents, officers, attorneys, or employees.

Executed at \_\_\_\_\_, California on \_\_ day of \_\_\_\_\_, 2008.

#### APPLICANT

By: \_\_\_\_\_

Title: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

#### REAL PARTY IN INTEREST (If different from Applicant)

By: \_\_\_\_\_

Title: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Original Adoption Date: 2/10/1999  
Date of Last Review: 2/13/2013  
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**APPROVED**  
**November 20, 2013**

# 5 year strategic plan

NOVEMBER 2013

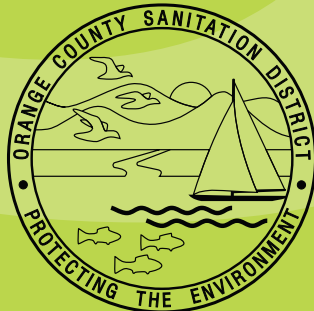
ORANGE COUNTY SANITATION DISTRICT



ORANGE COUNTY SANITATION DISTRICT

# five year strategic plan

NOVEMBER 2013





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# board of directors

The strategic planning effort starts with the Board of Directors setting overall policy and priorities for the Sanitation District. Based on that policy direction, staff develops the annual operational plan and budget.

**Anaheim**  
Lucille Kring

**Brea**  
Brett Murdock

**Buena Park**  
Fred Smith

**Costa Mesa Sanitary District**  
James M. Ferryman

**Cypress**  
Prakash Narain

**Fountain Valley**  
Steve Nagel

**Fullerton**  
Gregory Sebourn

**Garden Grove**  
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**Midway City Sanitary District**  
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**Stanton**  
David Shawver

**Tustin**  
John Nielsen

**Villa Park**  
Brad Reese

**Yorba Linda**  
John Anderson  
(Vice Chair)

# message from the general manager



In 2014, the Orange County Sanitation District will celebrate 60 years of protecting the public's health and the environment. Over those years, OCSD in partnership with our member cities and agencies has provided reliable and cost effective service to our ratepayers. OCSD's level of service has evolved from the 30 million gallons per day of primary wastewater treatment in 1954 to the 210 million gallons of secondary treated wastewater that we produce today.

In 2007, the Board of Directors and staff charted a course for the future through the development of the agency's first Five-Year Strategic Plan. We committed to the execution of that plan and implementation of the goals necessary to achieve success. This year, I am pleased to report that over the past six years, we completed thirty-eight strategic goals and made strides to improve technical operations, biosolids management, odor control, and regulatory compliance. Building on this success, the District's Board of Directors and staff are charting the future through the development and execution of this 2014 Strategic Plan.

This Strategic Plan envisions an organizational culture that adheres to our core values and makes efficient and effective use of all available resources. Through a newly developed Vision Statement, I am committed to focusing our efforts on customer service, protecting public health and the environment, fiscal responsibility, communications, partnering with others and creating the best possible workforce. This focus will be achieved through the goals laid out in this plan which focuses our collective efforts and provides alignment from the Board of Directors to our management staff.

OCSD is a world-renowned organization, and our team is regarded as leaders in our industry with significant achievements over the years. In the past 10 years alone, we partnered with the Orange County Water District to develop the Groundwater Replenishment System, completed full Secondary Treatment, had fewer sewer spills than in the past, significantly improved our safety record, and received numerous wastewater industry awards in every part of our organization. This success is truly a testament to our Board of Directors' leadership and our workforce.

Under the direction of the Board of Directors, I am honored to be leading an agency with a track record of innovation, robust planning, and sound financial management. I look forward to working together to accomplish all of our goals in the years ahead and continuing our successes.

Respectfully submitted,

A handwritten signature in black ink that reads "James Herberg". The signature is fluid and cursive.

James D. Herberg, General Manager

# executive summary

Strategic Planning is as much about the process as it is about the outcome. In working together towards achieving the newly developed vision and developing a path forward OCSD staff, senior management, and Board of Directors and Alternates came together in a spirit of partnership. They gained a better understanding of the Agency's opportunities, challenges, and the expertise and commitment of its staff. We are proud of the inclusiveness of our process and the consensus that we achieved. The culture of teamwork and consensus will provide a strong foundation for us to continue to work together, in partnership with our stakeholders, toward realizing our vision and delivering on priorities.

This year marks the beginning of a new Five-Year Strategic Plan for 2014 through 2019 supported through a newly crafted Vision Statement. Each year, the plan will be reassessed, updated, and submitted for approval by the Board of Directors.

As a result of two Strategic Planning workshops, individual Board interviews, employee and management focus groups, eight new strategic goals were identified and modifications to six of OCSD's service levels are contained in this Plan.

## **Strategic Goals:**

1. Odor Control – Completion of the Odor Control Master Plan.
2. Future Biosolids Management Options – Study biosolids management options including 3rd party contracts and onsite capital facilities.
3. Energy Efficiency – Continue to research new energy efficiency and energy conversion technologies.
4. Disinfection of Ocean Discharge – Develop an implementation plan including the technical, financial and societal factors associated with cessation of disinfection of the ocean discharge.
5. Local Sewer Transfers – Complete the transfer of 174 miles of local sewers serving parts of Tustin and unincorporated areas north of Tustin and local sewer transfers in the City of Santa Ana.
6. Legislative Advocacy and Public Outreach – Develop a unified legislative advocacy and public outreach program.
7. Future Water Recycling – Determine partnerships, needs, strategies, benefits and costs associated with recycling of Plant No. 2 effluent water.
8. Workforce Planning and Workforce Development – This initiative is ongoing and part of a comprehensive workforce planning and development effort to ensure we have the right people with the right skills and abilities, in the right place, at the right time.



# executive summary

## **Modifications to Levels of Service:**

- Urban Runoff – Establish a new level of service target of up to 10 million gallons per day.
- Maximum offsite odor impacts – Treatment Plant No. 1 – Deletion of the dilution to threshold level of service until the scheduled Odor Control Master Plan has been updated.
- Maximum offsite odor impacts – Treatment Plant No. 2 - Deletion of the dilution to threshold level of service until the scheduled Odor Control Master Plan has been updated.
- Number of odor incidents/events: Collection System – Establish new level of service from 34 to 12 based on historical data.
- GWRS – Reword the existing level of service from a specific number of million gallons to, provide 100 percent of the specification effluent available to the Groundwater Replenishment System to maximize full production of purified water.
- Biosolids – modifications to the following levels of service:
  - o Delete - Maintain National Biosolids Partnership Certification of Biosolids Environmental Management System. This is an operational standard and will continue to take place.
  - o Delete - Percent of biosolids recycled and percent of biosolids to landfill. This performance measure will be replaced with: Tons of biosolids to landfill through 2017 Peak Production period.



Wastewater is transported through the 570 miles of sewers throughout a service area of close to 500 square miles and enters into the headworks at either Plant No. 1 in Fountain Valley or Plant No. 2 in Huntington Beach.



# strategic planning framework

The planning framework illustrated below shows how OCSD staff and the Board of Directors play a critical role in strategic planning and resource allocation.



## our mission statement

The Mission Statement is the basic foundation that defines why we exist.

***“We protect public health  
and the environment  
by providing effective  
wastewater collection,  
treatment, and recycling.”***



# vision statement

The Vision Statement supports the Mission Statement by expressing a broad philosophy of what the Orange County Sanitation District strives to achieve in the delivery of services to our customers, vendors, other agencies, the general public, and each other.

## ORANGE COUNTY SANITATION DISTRICT WILL BE A LEADER IN:

- Providing reliable, responsive and affordable services in line with **customer** needs and expectations.
- **Protecting** public health and the environment utilizing all practical and effective means for wastewater, energy, and solids resource recovery.
- Continually seeking **efficiencies** to ensure that the public's money is wisely spent.
- **Communicating** our mission and strategies with those we serve and all other stakeholders.
- **Partnering** with others to benefit our customers, this region, and our industry.
- Creating the best possible **workforce** in terms of safety, productivity, customer service, and training.

# core values

The Core Values support the Mission and Vision Statements by expressing the values, beliefs, and philosophy that guides our daily actions. They help form the framework of our organization and reinforce our professional work ethic.

## **Honesty, Trust and Respect**

We aspire to the highest degree of integrity, honesty, trust, and respect in our interaction with each other, our suppliers, our customers, and our community.

## **Teamwork and Problem Solving**

We strive to reach OCSD goals through cooperative efforts and collaboration with each other and our constituencies. We work to solve problems in a creative, cost-effective and safe manner, and we acknowledge team and individual efforts.

## **Leadership and Commitment**

We lead by example, acknowledging the value of our resources and using them wisely and safely to achieve our objectives and goals. We are committed to act in the best interest of our employees, our organization, and our community.

## **Learning/Teaching**

We continuously develop ourselves, enhancing our talents, skills, and abilities, knowing that only through personal growth and development will we continue to progress as an agency and as individuals.

## **Recognition/Rewards**

We seek to recognize, acknowledge, and reward contributions to OCSD by our many talented employees.

# risk register 2013

The Risk Register is an annual compilation of the various risks, opportunities and continuity challenges facing the Orange County Sanitation District determined by our management team. As the world dealt with a variety of crises last year (building collapses, Hurricane Sandy, drought and wildfires) OCSD management identified a larger number of risks directly related to our infrastructure and ongoing services. However, management did agree on our single biggest risk, earthquake and its associated impacts.

## The 2013 Risk Register Update identified these as the top risks:

- **Seismic event damages infrastructure** – reflecting the concern that an earthquake, of the sort anticipated to strike Southern California eventually, may have an impact on OCSD facilities.
- **Interruption of chemical supply in event of disaster** – pointing to the need OCSD has for a reliable, continuing supply of chemicals to treat wastewater even in the aftermath of a disaster which might interrupt highways or other modes of transportation.
- **Electric failures or fire (including after a disaster) interrupt power** – underlining the concern that a disaster or event may cause electrical problems which impact the District's ability to treat wastewater continuously.

## The top opportunities for the 2013 update are:

- **As employees leave, restructure staffing to become more efficient** – referring to the many employees who are eligible for retirement, and the opportunity to look at staffing needs thereafter.
- **Focus on main mission without other endeavors leading to higher rates** – an opportunity to stick to the core purpose so that costs are kept in line.

## The major underrated continuity challenges include:

- **Pipelines damaged or severed after earthquake** – focusing on the many hundreds of miles of pipelines that the District has underground in the county, and the challenge of continuing to serve customers after an earthquake has shaken the pipelines.
- **Insufficient disaster preparedness** – expressing the sense that exercises, although held in the past, should be more frequent and responsive to OCSD's risk and continuity challenges.

Staff is developing plans to mitigate the risks and continuity challenges, and to take advantage of the opportunities. OCSD's Risk Management division released a schedule of "table top exercises" designed to respond to the top risks and challenges, and held an exercise focused on the possible interruption of electrical power after a disaster. An exercise is also planned to consider how to respond to the potential disjunction and relocation of pipelines in an earthquake. As for opportunities, OCSD's General Manager has directed, as part of this Strategic Plan, that comprehensive workforce planning activities be designed and implemented.



# strategic goals and levels of service

The Orange County Sanitation District developed eight strategic goals to support the new vision of the 2014 OCSD Board of Directors and Executive Management Team. The levels of service are key performance indicators in achieving the overall vision.

## **Providing Exceptional Customer Service**

- Providing reliable, responsive and affordable services in line with **customer** needs and expectations.
1. **Odor Control** - Completion of the Odor Control Master Plan to make sure the District's investment is current and, if needed, future process systems will produce the benefits intended.  
*Target completion in FY 15-16.*

## **Levels of Service to support Customer Service:**

- Odor complaint response: Treatment Plants within 1 hour
- Odor complaint response: Collections System within 1 working day
- Number of odor incidents/events: Reclamation Plant No. 1 – Zero (0) under normal operating conditions
- Number of odor incidents/events: Treatment Plant No. 2 – Zero (0) under normal operating conditions
- Number of odor incidents/events: Collection System (12)
- Respond to public complaints or inquiries regarding construction projects within 1 working day
- New connection permits processed within 1 working day
- Respond to all biosolids contractor violations within a week of violation notice

## **Protecting Public Health**

- Protecting public health and the environment utilizing all practical and effective means for wastewater, energy, and solids resource recovery.
2. **Future Biosolids Management Options** - Study biosolids management options including 3rd party contracts and onsite capital facilities for mid-term and long-term approaches beginning in 2016-2017.  
*Target for completion in FY 15-16.*
  3. **Energy Efficiency** - The District will research new energy efficiency and energy conversion technologies to maximize energy efficiency, reduce operating costs, minimize environmental impact, and replace assets that are at the end of their useful lives. *Target for completion in FY 17-18.*



OCSD owns and operates \$6.2 billion in infrastructure assets. Through these assets OCSD collects, treats, and either reuses or safely discharges 210 million gallons per day of wastewater.

# strategic goals and levels of service

## Levels of Service in support of Protecting Public Health:

- Receive and treat, free of fees, up to 10 MGD of dry weather urban runoff diversion flows
- Air emissions health risk to community and employees, per one million people (for each treatment plant). Target: <10
- No Notices of Violation (NOVs) with air, land, and water permits
- Respond to collection system spills within 1 hour
- Sanitary sewer spills per 100 miles, less than 2.1 as the industry average
- Contain sanitary sewer spills within 5 hours
- Meet secondary treatment standards: 25 BOD-C (mg/L)
- Meet secondary treatment standards: 30 TSS (mg/L)
- Frequency of unplanned use of emergency one-mile (78-inch diameter) outfall (per year during dry weather). Target: 0 times
- Tons of biosolids to landfill through 2017 Peak Production period (less than 100 tons)
- Thirty-day geometric mean of total coliform bacteria in effluent after initial dilution of 250:1 (mpn)
- Compliance with core industrial pretreatment requirements

## Managing and Protecting the Public's funds

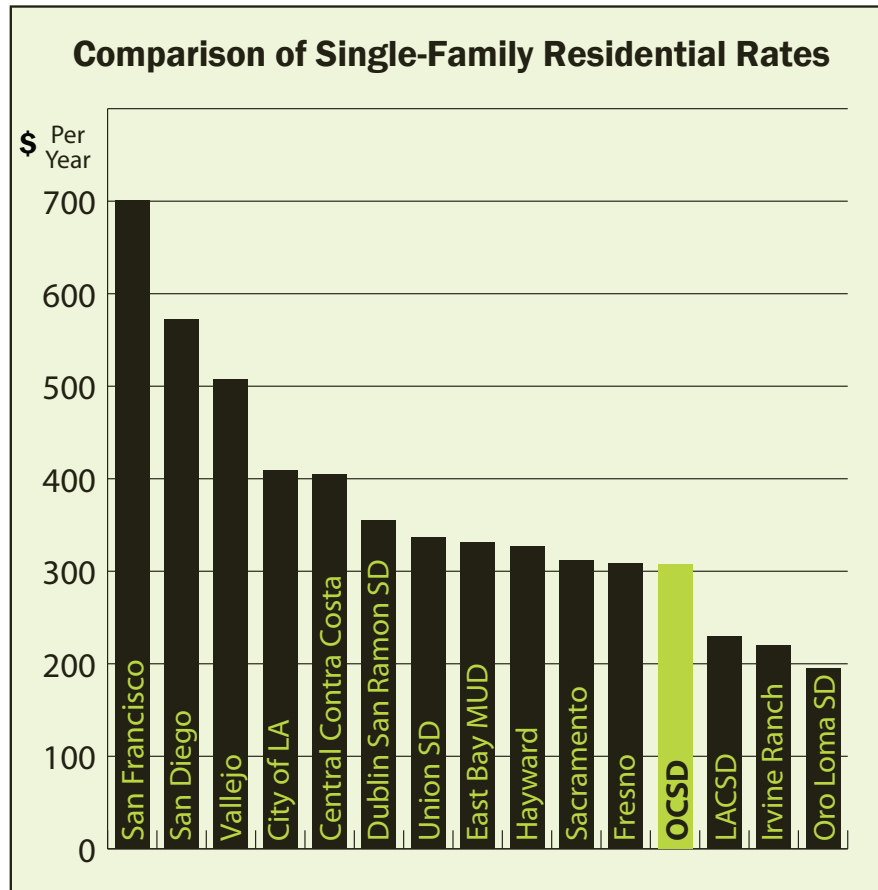
- Continually seeking efficiencies to ensure that the public's money is wisely spent.
- 4. **Disinfection of Ocean Discharge** – Continue discussions with the regulatory agencies and the environmental groups to gauge the response and stance related to the cessation of disinfection of the ocean discharge. Bring forward to the Board of Directors an implementation plan including the technical, financial, and societal factors associated with this decision.  
*Target for completion in FY 13-14.*
- 5. **Local Sewer Transfers** – Complete transfer of 174 miles of local sewers serving parts of Tustin and unincorporated areas north of Tustin and local sewer transfers in the City of Santa Ana to be concluded by December 31, 2013. Following those, no further local sewers to be transferred at the initiation of OCSD. If a local jurisdiction is interested in OCSD transferring sewers, each request will be considered on an individual basis assuming the sewers meet the requirements identified.  
*Target for completion in FY 13-14.*

## Levels of Service to support Managing and Protecting the Public's funds:

- Annual user fees sufficient to cover all O&M requirements
- Actual collection, treatment, and disposal costs per million gallons in comparison with budget
- Maintain AAA Bond Rating



# strategic goals and levels of service



## Stakeholder Understanding and Support

- Communicating our mission and strategies with those we serve and all other stakeholders.
- 6. **Legislative Advocacy and Public Outreach** – Develop a unified legislative advocacy and public outreach program to deliver our messages and positioning as a leader in the wastewater industry. *Target for completion in FY 13-14.*
- Partnering with others to benefit our customers, this region and our industry.
- 7. **Future Water Recycling Options** – Determine partnerships, needs, strategies, benefits and costs associated with recycling of Plant No. 2 effluent water. *Target for completion in FY 18-19.*

## Levels of Service to support Stakeholder Understanding and Support:

- Meet GWRS specification of less than 5 NTU required for Plant 1 secondary effluent (NTU)
- Provide 100 percent of specification effluent available to the Groundwater Replenishment System to maximize full production of purified water.

# strategic goals and levels of service

## **Organizational Effectiveness**

- Creating the best possible workforce in terms of safety, productivity, customer service, and training.
8. **Workforce Planning and Workforce Development** – This initiative is ongoing and part of a comprehensive workforce planning and development effort to ensure we have the right people with the right skills and abilities, in the right place, at the right time. Target for completion, ongoing.

### **Levels of Service to support Organizational Effectiveness:**

- Employee injury incident rate – per 100 employees ( $\leq 4.6$ )
- Meet mandatory OSHA training requirements
- Hours worked since last lost work day ( $\leq 1,000,000$ )
- Achieve annual agency target of days away from work, days of restricted work activity, or job transferred as a result of a work-related injury or illness ( $\leq 2.5$ )
- Training hours per employee (45 per year)



*From March 2010 to date, 110 employees left OCSD taking 1,985 years of knowledge and experience with them. Through workforce planning and workforce development OCSD is working to ensure we have the right people with the right skills and abilities in the right place, at the right time.*

*Pictured above Dickie Fernandez, Associate Engineer; Randa AbuShaban, Associate Engineer; and Aharon Rosenhamer, Senior Mechanic.*

## appendix A: issue papers

In preparation for the October 2, 2013 Board of Director Strategic Planning Workshop to discuss the proposed goals for 2014, staff prepared eight issue papers related to the new goals. The appendix includes issue papers on the following topics:

1. Odor Control
2. Future Biosolids Management Options
3. Energy Efficiency
4. Disinfection of OCSD's Ocean Discharge
5. Local Sewer Transfers
6. Legislative Advocacy and Public Outreach
7. Future Water Recycling Options
8. Workforce Planning and Workforce Development



*The activated sludge secondary treatment facility was the final project to meet the EPA Secondary Treatment Consent Decree. This facility increased secondary treatment capacity at Plant No.1 by 60 million gallons per day.*

# odor control

## **Should OCSD update its Odor Control Master Plan to validate the District standards for levels of service, scope and priority for facilities improvements?**

### ***Why is this issue important to the District?***

Although odors are inherent to wastewater, OCSD maintains a good neighbor policy and not be a odor nuisance to its neighbors. Controlling nuisance odor represents a significant operational and capital expense to OCSD. In 2007, the Levels of Service (LOS) for Odor Control were adopted by the Board as part of the Five-Year Strategic Plan. The District adopted a dilution to threshold (D/T) measurement system for a level of service goal. The standard was set for 14 D/T at Plant No. 1 by 2016 and 17 D/T at Plant No. 2 by 2018. This means that no odors leave the plant boundaries and affect surrounding communities.

Staff believes that offsite odor impacts have been significantly reduced since the adoption of the 2007 LOS Standards. The District is continuing with its collection system chemical dosing program on four of eleven trunklines. This continuous dosing approach helps reduce corrosion and odors in the collection system and headworks of both treatment plants. Additionally, a significant number of projects have been completed, some including new odor control technologies. Projects completed since the 2007 LOS adoption that reduce offsite odor impacts include:

- Steve Anderson Lift Station at Plant No. 1
- Trickling Filters at Plant No. 2
- Headworks Replacement at Plant No. 2
- Solids Thickening and Processing Upgrades at Plant No. 2
- Conversion of the Plant No. 1 Headworks Scrubbers from hydrogen peroxide to bleach.
- Conversion of the Plant No. 2 Primary Scrubbers from hydrogen peroxide to bleach.

The following projects are in the design or construction phases that will further reduce offsite odor impacts:

- Sludge Thickening/Dewatering and Odor Control at Plant No. 1
- Trunk Line Odor Control Improvements at Plant No. 1 Headworks
- Sludge Dewatering and Odor Control at Plant No. 2

Much of the basis for the work originally planned while adopting the current odor control standard was based on engineering studies and assumed process performance for new or altered process technologies. Recent testing of a portion of the installed odor control systems shows their performance differing from planning expectations. Thus, before moving ahead on new odor control projects, further performance assessment of the installed odor systems, including the secondary treatment facilities at both Plants and the new Headworks at Plant No. 2, is appropriate. Also, new odor measurement technologies have been developed since 2007, which may provide a better odor-impact measurement than the current D/T based LOS standard. Staff is proposing to invest the time and effort to conduct a performance assessment of the existing odor systems and potentially develop alternatives for the existing D/T based LOS standards.



## Goals

- The performance of completed odor control projects should be thoroughly evaluated to assess the actual performance versus original performance assumptions. (This will be done through an update of the Odor Control Master Plan Project SP-166.)
- Future planned odor control projects involving the following Plant 1 processes - Headworks, Trickling Filter and Primary Basins, and Plant 2 Primary Basins should be combined with Asset Management scopes of work to implement comprehensive refurbishment plans that limit offsite odor impacts on a priority basis.
- Reassess whether dilution to threshold is the most appropriate measurement system. This may include investigating odorant based measurement systems, or shifting the dilution to threshold system to the Engineering Design Guidelines for future comprehensive Asset Management based project designs, or develop a new level of service recommendation as part of the odor control Master Plan (SP-166).
- Assess retaining the odor complaint level of service measurement and reporting system, modifying our goal to achieve no offsite odor complaints during normal process operations.

## Desired Outcome

- The District remains committed to being a good neighbor and limiting offsite odor impacts in a comprehensive and cost effective manner. Completion of the Odor Control Master Plan is necessary to make sure the District's investment is current and, if needed, future process systems will produce the benefits intended.



*OCSD is committed to being a good neighbor. We are committed to a service level of no more than 12 odor complaints in the collection system and zero complaints under normal operating conditions, for the plant facilities.*

# future biosolids management options

## Should OCSD study potential biosolids management options ahead of the 2016 request for proposals?

### ***Why is this issue important to the District?***

OCSD's biosolids management contract with Synagro expires in December 2016. OCSD has sent up to half of its daily biosolids production to Synagro composting facilities in Kern County, California and La Paz County, Arizona since 2002. The last full-scale biosolids management study was completed in 2003. Since that time, new biosolids management options have been developed; the markets for and regulations impacting biosolids management have changed; and the economy has weakened. All of these events have resulted in more biosolids management markets with more competitive pricing.

Although there is an option to renew the Synagro contract, staff recommends studying biosolids management options to ensure that OCSD obtains the most cost effective and efficient process for its future biosolids management. Studying the current market for available biosolids management options prior to selecting a new management option or renewing the contract would ensure that OCSD has the necessary information to implement the best strategy, as well as providing OCSD staff with the knowledge on how to improve the purchasing process or develop a capital project. Due to the large costs involved in biosolids management contracts, staff seeks to develop the fairest process with the most beneficial outcome.

The 2003 Long-Range Biosolids Management Plan resulted in guidelines for the diversification of biosolids products, contractors, and markets to create a sustainable biosolids program. The updated biosolids policy (2013 Board Resolution No. OCSD 2013-03) commits OCSD to a diverse portfolio of biosolids options and to recycle biosolids, among other requirements. A study of current and available biosolids recycling options will assist OCSD in selecting the right option to ensure conformance with the biosolids policy regarding diversity of management options and other criteria.

Ahead of the selection of the next biosolids management option, staff recommends studying mid-term (4-10 years) and long-term (10+ years) strategies for biosolids management available after 2016-17 when the Synagro contract expires, IRWD stops sending solids to OCSD, and centrifuges come online thereby reducing our biosolids production by one-third. The study of biosolids management options will include off-site and on-site facilities, new and established technologies, and biosolids markets, as well as ensuring onsite strategies are aligned with any new recommendations and research.

### **Goals**

- Study available biosolids management options and costs relevant and applicable to OCSD's daily biosolids production;
- Verify available biosolids management options align with new capital facilities and meet established levels of service;
- Identify practical and reasonable biosolids management options considering OCSD's Biosolids Policy and relevant research information;
- Develop a mechanism to allow for short-term demonstrations of viable biosolids management options;
- Develop a strategy to select a management contractor or capital project for biosolids management options in the mid-term and long-term timeframe.

## **Desired Outcome**

- OCSD will have a clear mid-term and long-term strategy for biosolids management options (beginning after fiscal year 2016-2017) when the existing composting contract expires, centrifuges begin operation, and daily biosolids production is reduced by one-third. Consider on-site options.
- Maintain a sustainable biosolids management program in accordance to OCSD's Biosolids Policy that includes diversification of products, markets, and contractors.



*OCSD takes pride in our strict oversight of our Biosolids contractors. Biosolids Inspector, Leyla Perez, interviewing South Kern Compost Manufacturing Facility staff during regular inspection. About one-third of our biosolids are turned to compost here.*



# energy efficiency

## Should OCSD continue to expand the creation and utilization of renewable energy in wastewater management?

### **Why is this issue important to the District?**

OCSD and its contractors are a significant consumer of energy. Energy is procured in the forms of electricity, natural gas, diesel fuel and gasoline. In addition, the organic sludge recovered in the wastewater treatment process is an energy rich resource which OCSD has been converting into electricity and heat for many years.

OCSD seeks to minimize its overall energy usage and maximize the conversion of sludge to energy. Minimizing energy usage is designed into every project constructed by the OCSD. Capital dollars are expended when a lifecycle payback is calculated for energy efficiency. Variable speed pumping systems, ultra efficient electrical motors, and efficient aeration systems for our Activated Sludge Plants are examples of component selection for long term energy efficiency. Energy utilization is a significant factor in process technology selection when unit processes are added or replaced. Examples of this include using Trickling Filters rather than Activated Sludge Plants, and creative designs to replace collection system pump stations with gravity lines. Transportation fuels are also optimized by selection of advanced technology options. OCSD is investing in biosolids dewatering technology to reduce diesel costs and emissions for hauling biosolids.

OCSD is also a leader in the conversion of organic sludge to energy. OCSD has operated anaerobic digestion which uses bacteria to convert sludge to methane gas. The methane has been used to fire boilers and generators. The reduction of sludge volume and the use of heat to pasteurize the sludge creates a useful fertilizer product with lower volume and corresponding diesel fuel input to haul the product to farms.

### **Goals**

- Complete the fuel cell research evaluation and make a recommendation to the Board of Directors.
- Continue to design energy efficiency into every project.
- Search for new research opportunities to improve conversion of organic sludge to energy.
- Search for new research opportunities to optimize processes energy and to minimize hauling energy.

### **Desired Outcome**

- Reaffirm the OCSD commitment to leadership in energy efficiency and energy conversion from organic sludge to electricity, gas, and useful heat.

# disinfection of OCSD's ocean discharge

## Should OCSD stop the disinfection of effluent?

### ***Why is this issue important to the District?***

During the summer of 1999, stretches of Orange County beaches were closed due to elevated levels of fecal indicator bacteria. In response, Orange County Sanitation District (OCSD) and numerous other organizations conducted extensive studies to determine the source(s) of this contamination. The outcome of these studies recognized several potential sources, including birds, Talbert Marsh and the Santa Ana River discharge, and groundwater contamination. A trunk line near the coast and the effluent plume discharging from the OCSD's 5 mile outfall were also investigated, but were not found to be contributing sources of bacterial contamination. However, in an effort to be proactive and insure protection of public health, in 2002 OCSD began disinfection of its final effluent using chlorine at both treatment plants as a temporary measure to eliminate any uncertainty.

In 2006, OCSD observed degradation of marine life near the ocean outfall. Staff conducted 10 individual studies targeting potential causes for these observed effects. Results showed that the OCSD's use of chlorine for ocean outfall disinfection was highly correlated with the observed effects and is therefore the likely cause of the decline in biological communities near the outfall.

In addition, staff performed a historical analysis using the most recent 14-years of bacterial data from beaches monitored by OCSD in order to assess if public health protection improved since the initiation of OCSD's disinfection of its ocean discharge. The results from this assessment showed that disinfection of OCSD wastewater at an average annual cost of \$4.18 million dollars over the 14 year period had no measurable public health benefit. Regardless of disinfection, bacteria concentrations did not change significantly, either temporally or spatially, at Orange County beaches.

A 2008 review of OCSD's disinfection practices by a 9 member independent panel of experts organized by the National Water Research Institute produced a recommendation to re-evaluate the need for disinfection once full-secondary treatment was achieved. With full secondary treatment now in place, these studies indicate no public health benefit has been gained; there are negative impacts to the biological community near OCSD's ocean outfall and going forward disinfection costs OCSD's rate payers approximately \$500,000 annually.

### ***Goal***

- Cessation of disinfection of OCSD's effluent.

### ***Desired Outcome***

- Requirement to disinfect long outfall removed from our ocean discharge permit.
- Full recovery of marine life around the ocean outfall.

# local sewer transfers

## Should the Sanitation District continue its efforts to transfer local sewers to member cities and sewerage agencies?

### ***Why is this issue important to the District?***

The Strategic Plan of November 2007 recommended transferring back to cities local assets that are not serving a true regional purpose. Successor Strategic Plans reaffirmed this initiative. This allows OCSD to focus staff's full attention on the medium and larger diameter regional sewer pipes and pumping facilities that we own and operate, i.e., our core business.

### ***Background***

Since 1984, we have successfully transferred 61 miles of our sewers and 2 pumping facilities to member cities and sewerage agencies. Most recently we transferred 3 miles of local sewers to the City of Anaheim. We anticipate completing the transfer of an additional 174 miles of local sewers serving parts of Tustin and unincorporated areas north of Tustin by December 31, 2013.

OCSD Resolution No. 11-11 provides the criteria for classifying a local facility as compared to a regional facility. Regional facilities transport combined flows from two or more jurisdictions. Local facilities are directly connected to the properties they serve and allow the local utility to assess and collect local fees for service including reserves for future replacement. Local facilities also transport flows within the boundaries of the city or sewerage agency to the point of connection at the downstream OCSD regional sewer.

Discussions are underway with staff in Newport Beach, Huntington Beach, Santa Ana, Orange and Costa Mesa Sanitary District to transfer about 72 miles of sewers and 6 pumping facilities serving only local purposes.

All cities and sewerage agencies must establish appropriate local fees for services as mandated by state regulations. The GM's FY 13/14 Proposed Work Plan recommends that we seek the Board's input on whether to continue to pursue transfers of local sewers and pumping facilities to local sewer agencies.

### ***Desired Outcome***

- Gain Board support for the current direction as is or,
- Seek Board input and support for desired changes in the current Resolution or program.

# legislative advocacy and public outreach

## Should OCSD expand its legislative advocacy and public outreach efforts?

### ***Why is this issue important to the District?***

As a special district, we owe it to our ratepayers to keep them apprised of our efforts to accomplish our mission of protecting public health and the environment. A mandated Proposition 218 notice is among the only points of communication that we have with our customers. It is far more effective for OCSD to reach out to the communities we serve throughout the year to describe our cost-management efforts, our budget process, audits, findings, and capital improvement projects.

As the largest regional wastewater utility in Orange County, and the third largest west of the Mississippi River, OCSD recognizes the need for an active state and federal legislative advocacy program to ensure that the interests of the ratepayers and board of directors are protected. Towards that end, staff monitors activities in Sacramento and Washington, D.C., and, with the assistance of our legislative advocates, takes appropriate action to support or oppose legislative initiatives.

A unified legislative advocacy and public outreach program is essential in delivering our messages and positioning the District as a leader in our field.

### ***Goals***

- Establish a special committee of the Board of Directors to oversee and guide development of the legislative and public outreach program.
- Develop a legislative advocacy strategic plan to set priorities for state and federal elected official outreach.
- Track bills and legislative activities.
- Identify and pursue grant funding opportunities.
- Analyze and lobby on behalf of proposed legislation that may impact the District.
- Carry out public outreach and legislative advocacy activities in support of the policy guidance contained in the strategic plan.
- Promote What 2 Flush outreach program that educates the public about the importance of infrastructure investment and supports the District's mission to protect the public's health and the environment.

### ***Desired Outcome***

- Position OCSD as a leader in innovative solutions to infrastructure issues.
- Secure additional funding for OCSD programs.
- Educate the public about OCSD's purpose, mission, and the services we provide.

# future water recycling options

## Should OCSD study the possibility of expanding water recycling to Treatment Plant No. 2 in Huntington Beach?

### ***Why is this issue important to the District?***

Water demands are forecasted to increase in north and central Orange County, emphasizing the importance of water recycling to boost local water resources and reduce dependence on imported water. Estimated water demands in the OCSD and Orange County Water District service area are projected to increase from approximately 480,000 acre-feet per year up to 558,000 acre-feet per year in 2035 (OCWD, “Long Term Facilities Plan”, 2009). Presently, about one-third of the area’s water demands are supplied with imported water. To bolster local supplies, OCSD and OCWD have jointly sponsored renowned water recycling projects such as the Groundwater Replenishment System and the Green Acres Project. Yet, about half of OCSD’s treated wastewater is lost to ocean disposal. Treated wastewater from OCSD’s Plant No. 2 could be used as source water for water recycling, via groundwater recharge, a purple pipe irrigation system, and/or wetlands restoration. This Project will help OCSD, along with its partner OCWD, determine if Plant No. 2 effluent could be used as feedwater to support expansion of the Groundwater Replenishment System or for a new reclamation facility. More water recycling will help serve Orange County’s escalating water demands, maximizing local water independence, enhancing supply reliability, restoring and protecting wetlands, and shielding against droughts.

### ***Goals***

- Develop alternative treatment and utilization alternatives for Plant No. 2 effluent including potential technologies and partnerships;
- Create an evaluation methodology to weigh the benefits, costs, and risks of each alternative;
- Compare alternatives and make recommendations for the best apparent project(s) and partner(s) to be implemented.

### ***Desired Outcome***

- OCSD will begin to plan for the highest and best utilization of effluent water at Treatment Plant No. 2.

# workforce planning and workforce development

**Should OCSD advance the workforce planning and workforce development initiative as a means to ensure workforce capabilities match the work required to meet the mission and levels of service?**

## ***Why is this issue important to the District?***

OCSD continues to face staffing challenges. Since March 2010 to date, 110 employees have left OCSD taking 1,985 years of knowledge and experience with them. Based on retirement eligibility today, analysis of OCSD core wastewater occupations and management positions indicates potential job replacement rates of over 38% and 57%, respectively. Robust technical skills training and leadership development efforts are in place to deal with the challenges. It is essential that OCSD continues to act on preparing for future staffing needs and ensuring access to qualified applicants while developing the existing workforce.

The workforce planning and workforce development (WFPD) programs position organizations for improved performance by ensuring that workforce capabilities match the work required to meet their mission and levels of service. To that end, it is important to have a diverse, competitive group competing for a position instead of simply hiring the next person in line based on time on the job. This Initiative will continue to help OCSD get the right people with the right skills in the right positions at the right time.

Ongoing efforts aimed at District-wide WFPD activities are necessary to ensure the ongoing delivery of efficient and effective levels of service to meet our mission. Workforce planning reinforces authorized staffing levels while addressing future needs and changing work requirements. Workforce development strengthens the workforce by preparing employees for future opportunities and focusing efforts on growth of technical skills to ensure staff is well-trained.

It is important that WFPD remains an OCSD Strategic Plan Goal for the Board of Directors to emphasize to District management that this issue requires organization-wide attention and resource allocation.

## ***Goals***

- Develop and implement workforce plans that ensure critical work is performed, identify new ways to perform work, and meet future workforce needs.
- Enhance OCSD's ability to recruit highly qualified, diverse staff.
- Develop employees to meet workforce demands.
- Actively manage employee performance to ensure OCSD goals are met.
- Create an environment that encourages retention of employees.

## ***Desired Outcome***

- Integrate WFPD efforts to ensure workforce capabilities match work required to meet the mission and levels of service.

## appendix B summary of accomplishments

Goal	Completed						
	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14
<b>SARI Line Relocation</b> - Work in conjunction with the County of Orange and the Federal Government to relocate the SARI Line by December 31, 2013.							●
<b>Management System for Environmental Compliance</b> - Implement a management control system for environmental compliance information that incorporates a dashboard-style report.	●						
<b>Contaminants of Potential Concern (CPC)</b> - Complete three phase testing and analysis of 550+ CPC, prepare report on findings and recommendations, develop initial source control strategy if they are CPCs identified that require control.	●						
<b>Climate Change/Greenhouse Gases</b>							
Develop an overall strategy for responding to climate change regulations and proactively adapting to the effects of climate change including identification and mitigation of greenhouse gases and adapting to any impacts to our facilities and operations.		●					
Develop models to estimate greenhouse gas and traditional pollutant emissions for determination of our environmental footprint. (Functional predictive greenhouse gas model completed)				●			
<b>Engine Emission Compliance</b>							
Complete study to evaluate alternatives for complying with lower emission limits in the South Coast Air Quality Management's Rule 1110.2. Initiate planning and design of demonstration testing of most promising technology(s) identified in the study.	●						
Implement capital improvements or operational modifications in order to achieve compliance..							●
<b>Providing Ongoing Leadership Development</b> - Maximize the development of a pool of dedicated and talented employees ready to lead OCSD into the future.				●			



## summary of accomplishments

Goal	Completed						
	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14
<b>Fuel Cell Evaluation</b>							
Start up 300kW demonstration unit. .				●			
Evaluate cost feasibility of replacing or supplementing CGS engines with fuel cell.							●
<b>Reclaiming Santa Ana River Interceptor Line (SARI) Flows</b> - Meet with stakeholders, develop a list of obstacles that need to be overcome to reclaim the SARI Line and develop a strategy to obtain regulatory approval to reclaim SARI Line flows. This goal was canceled due to inability to obtain regulatory approval.		●					
<b>Sewer Rate for Green Development</b> - Submit for Board approval an amendment to sewer rate ordinance with incentives for green developments.	●						
<b>Complete Facilities Master Plan Update</b> - Complete a comprehensive update of the Facilities Master Plan and obtain Board approval	●						
<b>Enterprise Information Technology Strategic Plan</b> - Complete a District-wide Information Technology Strategic Plan.			●				
<b>Updating OCSD's Risk Register</b> - Review and update OCSD's risk register to include an assessment of technical, regulatory, financial, and political risks (among others) and possible mitigation strategies	●						
<b>Annex Unincorporated Areas</b> - With Board concurrence, annex unincorporated areas onto OCSD's service area.	●						
<b>Review Interagency Agreements</b> - Conduct a comprehensive review of agreements with the Santa Ana Watershed Project Authority and Irvine Ranch Water District, and, if appropriate, reopen for discussion.			●				
<b>Strategic Business Plan</b> - With Board concurrence, annually update and implement the Strategic Plan and Business Plan.				●			

# summary of accomplishments

Goal	Completed						
	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14
<b>Business Accountability Charters</b> – Create Business Accountability Charters for each department consistent with those developed by managers and supervisors.				●			
<b>Chemical Supplies</b> – Develop a Chemical Sustainability Plan that provides OCSD with options for obtaining wastewater treatment chemicals during chemical shortages, emergencies or complete stoppages.				●			
<b>Chemical Sustainability</b> - Ensure a reliable and sustainable chemical supply using multiple vendor contracts to reduce the risk of supply disruption while benefiting from competitive pricing.						●	
<b>Full-Cost Recovery 2010-11</b> - Conduct a comprehensive review of the Sanitation District's Urban Runoff Program to ensure a fair share recovery of costs for services.				●			
<b>Full-Cost Recovery 2012-13</b> - Implement a direct charging mechanism to recover the full cost of urban runoff treatment starting July 1, 2013 when the new rate structure is in place. This goal was canceled in FY 12-13 to allow additional urban runoff at no cost to the local jurisdiction.						●	
<b>Groundwater Replenishment System</b> - Maximize the production of GWR System product water to augment and protect the Orange County groundwater basin with a goal of 70 mgd.		●					
<b>Sustainable Biosolids Program</b>							
Complete new in-county Compost Take-Back Program Plan Strategy.	●						
Evaluate the feasibility of deep injection/methane recovery including commissioning a study of the geological formations below Plants 1 and 2, and availability and acceptability of any existing wells		●					
Evaluate option of processing some biosolids at the City of Los Angeles Terminal Island demonstration well.		●					
Implement Energy Master Plan – After the completion of the plan, assess final recommendations to ensure adequate power resources and energy management.			●				

# summary of accomplishments

Goal	Completed						
	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14
<b>Disinfection of Final Effluent</b> - Develop a cost effective program to sustain protection of public health associated with bacteria in the effluent and incorporate program elements into our NPDES Permit.				●			
<b>Ocean Protection</b> – Undertake studies to determine the cause of benthic community changes near the ocean outfall and take corrective action to return affected areas to reference conditions.					●		
<b>Space Planning Study Recommendations</b> – Complete relocation of staff housed in Information Technology Trailers, Administration Building, Control Center and Building 6.	●						
<b>Improve the Sanitation District Security</b> - Provide long-term security enhancements at both treatment plants and within OCSD's Collection System.	●						
<b>Safety and Health Strategic Plan</b> – Develop and implement a Safety and Health Strategic Plan for all OCSD activities.		●					
<b>Human Resources Strategic Plan</b> - Design, develop and implement human resources policies, practices, systems and tools to ensure OCSD has a workforce that meets future needs of OCSD and the public it serves.		●					
<b>Succession Plan</b> - Implement the Succession Management Plan including management training and the creation of a Leadership Academy.		●					
<b>North County Yard</b> – Open the North County Maintenance Yard and complete the relocation of selected staff and equipment to the facility. Implement flex space for added agency-wide needs as appropriate. This goal was canceled in FY 10-11 and the facility is currently being leased.				●			
<b>Five-Year Rate Plan</b> – Prepare an updated 5-year rate schedule for Board consideration to go into effect July 1, 2013						●	
<b>Sustainable Biosolids Program</b> - Conduct research to reduce the amount of biosolids produced and increase digester gas production						●	

## appendix C: glossary

**Activated-sludge process**—A secondary biological wastewater treatment process where bacteria reproduce at a high rate with the introduction of excess air or oxygen, and consume dissolved nutrients in the wastewater.

**Biochemical Oxygen Demand (BOD)**—The amount of oxygen used when organic matter undergoes decomposition by microorganisms. Testing for BOD is done to assess the amount of organic matter in water.

**Biosolids**—Biosolids are nutrient rich organic and highly treated solid materials produced by the wastewater treatment process. This high-quality product can be recycled as a soil amendment on farm land or further processed as an earth-like product for commercial and home gardens to improve and maintain fertile soil and stimulate plant growth.

**Business Accountability Charters**—A business unit strategic plan.

**Capital Improvement Program (CIP)**—Projects for repair, rehabilitation, and replacement of assets. Also includes treatment improvements, additional capacity, and projects for the support facilities.

**Coliform bacteria**—A group of bacteria found in the intestines of humans and other animals, but also occasionally found elsewhere used as indicators of sewage pollution. E. coli are the most common bacteria in wastewater.

**Collections system**—In wastewater, it is the system of typically underground pipes that receive and convey sanitary wastewater or storm water.

**Certificate of Participation (COP)**—A type of financing where an investor purchases a share of the lease revenues of a program rather than the bond being secured by those revenues.

**Contaminants of Potential Concern (CPC)**—Pharmaceuticals, hormones, and other organic wastewater contaminants.

**Dashboard**—A computer based business tool used to visually track performance.

**Dilution to Threshold (D/T)**— the dilution at which the majority of the people detect the odor becomes the D/T for that air sample.

**1,4-Dioxane**—A chemical used in solvents for manufacturing, fumigants and automotive coolant. Like NDMA, it occurs in the Groundwater Replenishment System water and is eliminated with hydrogen peroxide and additional ultra-violet treatment.

**Greenhouse gases**—In the order of relative abundance water vapor, carbon dioxide, methane, nitrous oxide, and ozone gases that are considered the cause of global warming (“greenhouse effect”).

**Groundwater Replenishment (GWR) System**—A joint water reclamation project that proactively responds to Southern California’s current and future water needs. This joint project between the Orange County Water District and the Orange County Sanitation District will provide 70 million gallons a day of drinking quality water to replenish the local groundwater supply.

**Levels of Service (LOS)**—Goals to support environmental and public expectations for performance.

**Million gallons per day (mgd)**—A measure of flow used in the water industry.

**Most Probable Number (MPN)**—Number of organisms per 100 ml that would yield a test result or the observed test result with the greatest frequency. Commonly used for coliform bacteria.

**NDMA**—N-Nitrosodimethylamine is an N-nitrosoamine suspected cancer-causing agent. It has been found in the Groundwater Replenishment System process and is eliminated using hydrogen peroxide with extra ultra-violet treatment.

## appendix C: glossary

**National Biosolids Partnership (NBP)**—An alliance of the National Association of Clean Water Agencies (NACWA) and Water Environment Federation (WEF), with advisory support from the U.S. Environmental Protection Agency (EPA). NBP is committed to developing and advancing environmentally sound and sustainable biosolids management practices that go beyond regulatory compliance and promote public participation in order to enhance the credibility of local agency biosolids programs and improved communications that lead to public acceptance.

**O&M**—Operations and maintenance of the treatment plants facilities and collections system.

**Publicly-owned Treatment Works (POTW)**—Municipal wastewater treatment plant.

**Recycling**—The conversion of solid and liquid waste into usable materials or energy.

**Risk Register**—An internal document that describes vulnerabilities of the Sanitation District.

**Santa Ana River Interceptor (SARI) Line**—A regional brine line designed to convey 30 million gallons per day (MGD) of non-reclaimable wastewater from the upper Santa Ana River basin to the ocean for disposal, after treatment.

**Sanitary sewer**—Separate sewer systems specifically for the carrying of domestic and industrial wastewater. Combined sewers carry both wastewater and urban run-off.

**South Coast Air Quality Management District (SCAQMD)**—Regional regulatory agency that develops plans and regulations designed to achieve public health standards by reducing emissions from business and industry.

**Secondary treatment**—Biological wastewater treatment, particularly the activated-sludge process, where bacteria and other microorganisms consume dissolved nutrients in wastewater.

**Sludge**—Untreated solid material created by the treatment of wastewater.

**Total suspended solids (TSS)**—The amount of solids floating and in suspension in wastewater.

**Trickling filter**—A biological secondary treatment process in which bacteria and other microorganisms, growing as slime on the surface of rocks or plastic media, consume nutrients in wastewater as it trickles over them.

**Urban runoff**—Water from city streets and domestic properties that carry pollutants into the storm drains, rivers, lakes, and oceans.

**Wastewater**—Any water that enters the sanitary sewer.

**Watershed**—A land area from which water drains to a particular water body. OCSD's service area is in the Santa Ana River Watershed.





***Strategic Planning  
Project Team***

**Jennifer Cabral**  
Principal Staff Analyst

**Barbara Collins**  
Principal Financial Analyst

**Gregg Deterding**  
Graphics Coordinator

Thank you to the entire  
management team, staff analysts,  
and support staff for your time  
and effort on this project.



**Reclamation Plant No. 1 (Administration Offices)**  
10844 Ellis Avenue • Fountain Valley, California 92708 • 714.962.2411

**Treatment Plant No. 2**  
22212 Brookhurst Street • Huntington Beach, California 92646

[www.ocsewers.com](http://www.ocsewers.com)





## Accomplishments

### Local Sewer Transfers Completed as of 9-24-13:

<u>Date</u>	<u>City/Agency</u>	<u>Linear Miles</u>	<u>Pump Stations</u>
April 1984	City of Santa Ana	0.25	
July 2003	Irvine Ranch Water District (IBC)	44.0	
July 2003	IRWD—McGaw Pump Station		1
July 2003	IRWD—Michelson Pump Station		1
December 2010	Costa Mesa Sanitary District	3.0	
July 2010	Irvine Ranch Water District	0.1	
August 2010	Tract 3709 near La Mirada	0.8	
September 2010	City of Orange (Phase I)	4.4	
December 2010	City of Anaheim (Euclid)	0.5	
October 2011	CMSD/32 <sup>nd</sup> Ag (OC Fairgrounds)	5.1	
June 2012	City of Newport Beach (Back Bay)	0.28	
November 2012	City of Huntington Beach (Newland)	0.02	
June 2013	City of Anaheim	<u>3.02</u>	
<b>Total</b>		<b>61.47</b>	<b>2</b>

**NJA note:**

Local cities and agencies establish local fees consistent with the ir studies and requirements of the state's WDR Order for Sewers issued statewide in 2006.

**If needed:**

Completing the transfer of the local sewers serving parts of Tustin and adjacent unincorporated areas is expected to be completed by December 31, 2013.

# MEMO

**TO: BOARD OF DIRECTORS**  
**FROM: GENERAL MANAGER**  
**SUBJECT: GOVERNOR BROWN'S DECLARATION OF DROUGHT EMERGENCY**  
**DATE: FEBRUARY 27, 2014**

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## **BACKGROUND**

On January 17, 2014, Governor Edmund G. Brown proclaimed a State of Emergency and directed state officials to take all necessary actions to prepare for the drought conditions that are being experienced throughout the state. The proclamation gives state water officials more flexibility to manage supply throughout California, including suspension of some environmental regulations if necessary. As of the date of the proclamation, the snowpack was 20 percent of normal average for this date and the state's rivers systems have significantly reduced water flows.

One of the effects of the proclamation is the use of the California Office of Emergency Services (Cal OES) as one of the lead coordinating agencies at the state level. Cal OES is working with the local Operational Areas (Sheriff's Department) to facilitate coordination between the local level and state. WEROC staff have been working with the Orange County Operational Area to provide information on the Orange County water utilities; District staff has informed WEROC of the status of our drought activities, water conservation ordinance status and water conservation activities.

On February 11<sup>th</sup>, the Board of Directors of MET declared a Water Supply Alert throughout its service area as part of a set of actions designed to assist the state in addressing the drought. In addition to urging cities, counties, local water agencies and retailers to achieve extraordinary conservation, the MET Board doubled MET's annual conservation and outreach budget from \$20 million to \$40 million and has pledged to explore ways it can help other parts of the state address water supply challenges. Shortly after taking this action, MET was notified that for the first time in 54 years of operation, MET would be receiving zero percent of their requested allocation.

The state is rolling out its "Californians Don't Waste" public awareness campaign that expands on the "Save our Water" campaign. MWDOC has supplied all of its member agencies with the attached Drought Talking Points; this document was developed with input from the Public Affairs Workgroup members, MWDOC management staff and staff of MET. These points include the following:

1. It's official: California is in a drought. 2013 was the driest year on record, and as the dry conditions continue, some regions throughout the state are severely impacted.
2. There is no immediate danger of water supply interruptions here in Orange County, but we don't know how the long drought will last, so we must be good stewards and use our water supplies as efficiently as possible.
3. Governor Brown asked that everyone reduce their water use by 20%. In turn, Orange County water providers are asking that all residents and businesses make simple changes to reduce their daily water use.

- 
4. A variety of rebates, water use efficiency tips, and other resources are currently available to help residents and businesses become more water efficient.
  5. We'd like to thank our ratepayers for supporting investments in local water reliability, like water recycling and water use efficiency programs, that are now sustaining the region.
  6. The drought is a reminder that we must continue to invest in new water infrastructure and reliability projects, especially the Bay Delta Conservation Plan, in order to ensure our water supplies remain reliable for future generations.

2

Staff will also be reviewing the District's conservation ordinance (adopted in 2009) and updating it to reflect changes that have occurred in the District's budget-based billing system. These changes will be brought to the Operations, Planning and Personnel Committee in March.

**Recommendation**

The Board direct staff to enhance current water conservation outreach and education efforts and return at the March Board meeting with recommended updates to the Water Conservation Ordinance.



## **Drought Talking Points**

Updated 2/14/14

### Executive Summary

1. It's official: California is in a drought. 2013 was the driest year on record, and as the dry conditions continue, some regions throughout the state are severely impacted.
2. There is no immediate danger of water supply interruptions here in Orange County, but we don't know how the long drought will last, so we must be good stewards and use our water supplies as efficiently as possible.
3. Governor Brown asked that everyone reduce their water use by 20%. In turn, Orange County water providers are asking that all residents and businesses make simple changes to reduce their daily water use.
  - a. A variety of rebates, water use efficiency tips, and other resources are currently available to help residents and businesses become more water efficient.
4. We'd like to thank our ratepayers for supporting investments in local water reliability, like water recycling and water use efficiency programs, that are now sustaining the region.
5. The drought is a reminder that we must continue to invest in new water infrastructure and reliability projects, especially the Bay Delta Conservation Plan, in order to ensure our water supplies remain reliable for future generations.

### Drought

1. 2013 was the driest year on record, and as the dry conditions continue, some regions in the state are being impacted severely.
2. Governor Brown recently declared a drought emergency in the state of California and asked that everyone voluntarily reduce their water use by 20%.
  - a. In turn, Orange County water providers are asking all residents and businesses to make simple changes to reduce their daily water use.
3. Southern California water providers have planned for dry periods like this, and as a result we are well-prepared.
  - a. Over the past 20 years, we have invested more than \$15 billion in water storage and infrastructure improvements that will sustain us during temporary drought conditions.
  - b. During "wet" years, water providers secure extra water supplies and store it for use during "dry" periods, like the present.
  - c. We have also made significant investments in water recycling, water use efficiency, groundwater treatment, and water storage programs to ensure a reliable water supply for the region.
  - d. Thank you to our ratepayers for supporting these investments that are now sustaining the region.

4. The drought is a reminder that we must continue to invest in water infrastructure and reliability projects throughout the state. We're better off today because we invested yesterday, and we'll be better off tomorrow if we continue investing today.
  - a. By continuing to invest in key water reliability projects, like the water conveyance facilities proposed in the Bay Delta Conservation Plan as well as local projects, we can ensure our water supplies remain reliable in the future.
5. There is no immediate danger of water supply interruptions here in Orange County, but the dry conditions may persist for some time, so we ask that everyone be as efficient as possible in their water use.
  - a. Residents and businesses are asked to assess their current water usage and make simple changes to reduce their daily water use.
  - b. We offer a variety of water use efficiency rebates and programs to help all water users reduce their water use. Please visit [www.mwdoc.com/wue](http://www.mwdoc.com/wue) for info.
6. We are concerned about the continuing dry conditions throughout the state, and we will continue to closely monitor our water supplies.
7. We do not anticipate that any mandatory water restrictions will be imposed in Orange County this year, but please check with your local water provider for additional information.

#### BDCP

1. 25 million Californians throughout Northern, Central, and Southern California depend on water imported from the Sacramento-San Joaquin Bay Delta Southern California.
2. Nearly 50% of Orange County's imported water supply must be imported from other regions, and more than half of this imported water comes from the Sacramento-San Joaquin Bay Delta.
  - a. Environmental regulations and pumping restrictions have greatly reduced our water supplies from the Bay Delta.
    - i. Last year, pumping restrictions reduced Southern California's water supply by nearly 300,000 acre-feet – enough water for nearly 750,000 households for a year.
3. This year, the California Department of Water Resources estimates that it will not be able to deliver any water from the Bay Delta to State Water Project contractors.
  - a. This could be the first time in the 54-year history of the State Water Project that the system will not be able to deliver any water.
  - b. Regardless of whether or not we receive any of water from the Bay Delta, we still have to pay for our full allocation.
4. The Delta's water conveyance system is broken and in desperate need of repair.
  - a. The fragile levees that transport our drinking water supplies are highly vulnerable to failure due to earthquakes and other natural disasters.
  - b. In addition to a broken conveyance system, the Delta's fragile ecosystem is in crisis.
5. The Bay Delta Conservation Plan is a comprehensive plan that would repair the Delta through the co-equal goals of restoring vital habitats and ensuring reliable water deliveries.

- a. The Plan is the result of more than seven years of collaboration, scientific analysis, policy review and public input to address the Delta's ecosystem and water management challenges.
- 6. The success of the Bay Delta Conservation Plan is critical to ensuring a reliable water supply for Southern California and many other parts of the state.
  - a. Without the Bay Delta Conservation Plan, Southern California could lose up to one third of its water supply from the Delta.
- 7. The Bay Delta Conservation Plan is currently in a 120-day comment period, which ends April 14, 2014.
  - a. You are encouraged to participate in a public hearing or provide written comments. For details please visit [www.baydeltaconservationplan.com](http://www.baydeltaconservationplan.com).
  - b. You can show your support for the Bay Delta Conservation Plan by writing to Governor Brown and by engaging in conversation with your friends and neighbors about the importance of the Plan.

#### Water Supply Reliability

- 1. Orange County gets its drinking water supplies from a variety of sources, including: the Sacramento-San Joaquin Bay Delta, the Colorado River, local groundwater supplies, water recycling, and water use efficiency.
  - a. Over the past 20 years, Orange County has diversified its water resources portfolio to reduce dependence on imported water supplies and develop new local water supplies.
- 2. Local water providers have invested heavily in water recycling and water use efficiency.
  - a. Orange County is a worldwide leader in water recycling with renowned projects including the Groundwater Replenishment System, the world's largest water purification system for potable reuse.
  - b. Orange County is also a longtime leader in water use efficiency, having piloted and implemented a wide variety of innovative programs that save more than 21 million gallons of water per day.
- 3. We are currently studying the costs and benefits of ocean water desalination as a local, drought-proof water supply.
  - a. Two projects are being studied: the 15-million gallon per day Doheny Ocean Desalination Project proposed by MWDOC and its Project Partners; and the 50-million gallon per day Huntington Beach Seawater Desalination Facility proposed by Poseidon Resources.
- 4. In order to ensure a reliable water supply for Orange County, we are working to promote passage of the Bay Delta Conservation Plan while also exploring new and innovative water supply projects, like water recycling and ocean desalination.
- 5. A reliable water supply is critical to California's economy.
  - a. Businesses cannot manufacture goods without water, and farmers cannot grow crops without water.

## Water Use Efficiency

1. Orange County is known and respected throughout the state for its innovative and collaborative approach to developing award-winning water use efficiency programs that target all types of water users.
2. MWDOC and its member agencies offer a wide variety of water use efficiency programs and rebates to assist residents, businesses, and institutions in reducing their water use.
  - a. For information on water use efficiency programs, rebates, and water-saving tips, please visit [www.mwdoc.com/wue](http://www.mwdoc.com/wue).
3. To date, Orange County's water use efficiency programs have saved nearly 300,000 acre-feet of water through programs such as high efficiency clothes washer rebates, turf removal, and home water surveys.
4. Residents have done a great job being water efficient inside their homes, but there is still water savings potential outside the home, where nearly 50% of our water use occurs.
  - a. Residents are encouraged to replace grass with California Friendly plants that require less water, install rotating sprinkler nozzles and a "smart" sprinkler timers that gives plants the appropriate amount of water, and repair leaks inside and outside the home.
5. It is important that we use water wisely in order to protect the long-term interest of all living things, including plants, animals, and people.
6. MWDOC recently completed and adopted a Master Plan that outlines Orange County's efforts to pursue cost-effective water use efficiency activities that will reduce per capita water use by at least 20 percent by 2020.
  - a. The Master Plan was developed in collaboration with numerous stakeholder groups, and it is estimated to save about 44,000 acre-feet of water over the lifetime of the measures.





# MEMO

**TO:** BOARD OF DIRECTORS  
**FROM:** GENERAL MANAGER  
**SUBJECT:** RESOLUTION OF APPRECIATION – HARVEY GOBAS  
**DATE:** FEBRUARY 27, 2014

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## **BACKGROUND**

Harvey Gobas provided District Engineer services to the District for over 30 years while employed at Boyle Engineering, Brown & Caldwell Engineers and Psomas Engineering. Throughout this time, he provided excellent service to the District while participating in and overseeing important engineering activities including the rebuilding of the Wholesale Zone's Peters Canyon (6 MG) Reservoir Roof and the execution of extensive replacement, repair and rehabilitation projects for the Retail Zone.

Mr. Gobas' professionalism, courteous manner and excellent engineering skills will always be valued and remembered by the District. It is fitting that his excellent service be recognized with the attached resolution of appreciation. Staff will have the resolution framed and presented to him at a future date.

## **RECOMMENDATION**

The Board approve the attached resolution of appreciation recognizing the service of Mr. Harvey Gobas as District Engineer.

RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE EAST ORANGE COUNTY WATER DISTRICT  
EXPRESSING APPRECIATION, COMMEMORATING AND INVITING PUBLIC  
ATTENTION TO THE OUTSTANDING SERVICES RENDERED BY

**HARVEY R. GOBAS**

*AS THE DISTRICT'S ENGINEER*

**WHEREAS**, HARVEY R. GOBAS served as the East Orange County Water District's District Engineer; and

**WHEREAS**, Mr. GOBAS, for over thirty years, ably assisted the District with implementation of many of its master-planned wholesale projects, forming the core system of storage and delivery facilities that enabled the District to fulfill its mission of providing its retail agencies with access to the Metropolitan Water District of Southern California's imported water supply as a reliable supplemental supply for their groundwater supplies; and

**WHEREAS**, Mr. GOBAS also assisted the District with several categories of Retail Zone projects, that led from the assumption of the system operated by Orange County Waterworks District #8 in 1985 to the reliable system that exists today; and

**WHEREAS**, Mr. GOBAS's services were not limited to the aforementioned large projects, but also included planning, analysis and the many everyday engineering needs essential to the smooth running of the District; and

**WHEREAS**, Mr. GOBAS' dedicated, professional, and outstanding services as District Engineer during the 1980s, 1990s and 2000s were most appreciated by the District and the Board of Directors;

NOW, THEREFORE, the Board of Directors of the East Orange County Water District  
DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

1. Full measure of appreciation is hereby expressed and acknowledged for the services rendered by HARVEY GOBAS during his tenure as District Engineer;
2. Public attention is hereby called and directed to the services rendered by HARVEY GOBAS during his service as District Engineer; and
3. This Resolution shall be maintained in the permanent records of the District in recognition of HARVEY GOBAS' outstanding performance of services.

*ADOPTED, SIGNED AND APPROVED this 27<sup>th</sup> day of February, 2014.*

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*President  
EAST ORANGE COUNTY WATER DISTRICT  
and of the Board of Directors  
thereof*

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*Secretary  
EAST ORANGE COUNTY WATER DISTRICT  
and of the Board of Directors  
thereof*

[alternate signature page for ceremonial "framing" version]

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**William VanderWerff, President**

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**Richard B. Bell, Director**

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**John Dulebohn, Director**

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**Douglass Davert, Director**

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**Richard Barrett, Director**

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**Lisa Ohlund, General Manager**

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**Carl R. Schoonover, District Treasurer**

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**Joan C. Arneson, Secretary**

I, JOAN C. ARNESON, Secretary of the Board of Directors of the EAST ORANGE

COUNTY WATER DISTRICT, do hereby certify that the foregoing Resolution No. \_\_\_\_ was duly adopted by the Board of Directors of said District at an Adjourned Regular Meeting of said District held on February 27, 2014, and that it was so adopted by the following vote:

AYES:        BELL, DAVERT, DULEBOHN, VANDERWERFF, \_\_\_\_\_

NOES:        NONE

ABSENT:     NONE

ABSTAIN:    NONE

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Secretary  
EAST ORANGE COUNTY WATER DISTRICT  
and of the Board of Directors  
thereof



# MEMO

**TO: BOARD OF DIRECTORS**  
**FROM: GENERAL MANAGER**  
**SUBJECT: WHOLESALE AND RETAIL ZONE WATER DEMANDS – JANUARY 2014**  
**DATE: FEBRUARY 27, 2014**

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## **Wholesale Zone Water Demands**

Attached is a graphical representation of the Wholesale Zone water demand through January 31, 2014. Water sales for the month of January total 545.2 AF; total year-to-date sales are 4,635.1 AF. This is a 281AF or 215% increase in demand from January, 2013.

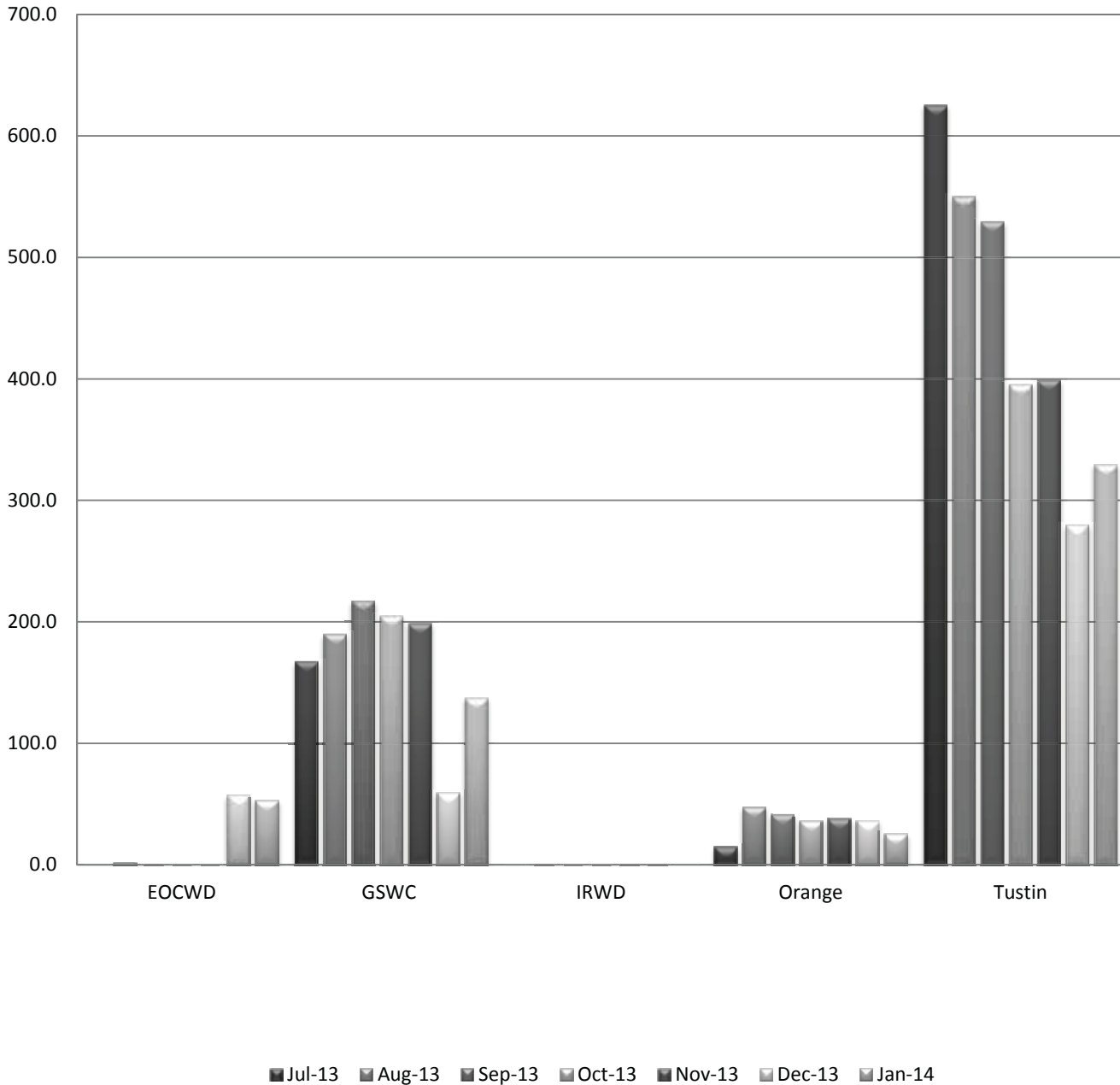
## **Retail Zone Water Demands**

Also attached are graphs depicting the Retail Zone's water demand. As shown in Figure 1, total demand for the month of January was 81 AF; this is 15 AF or 22% above our average demand for the last 5 years. Figure 2 shows that RZ demand is now tracking above the most recent 5-year average demand. If this trend holds, this would confirm the increasing demand trend that began in late 2012.

## Wholesale Zone Water Demand

Total Monthly Sales for January, 2014 = 545.2 AF

Total YTD Sales for July - January, 2014 = 4,635.1(AF)



**Fig. 1**

**Monthly Retail Water Usage: FY 13-14 "Retail" Water [1] versus Average**

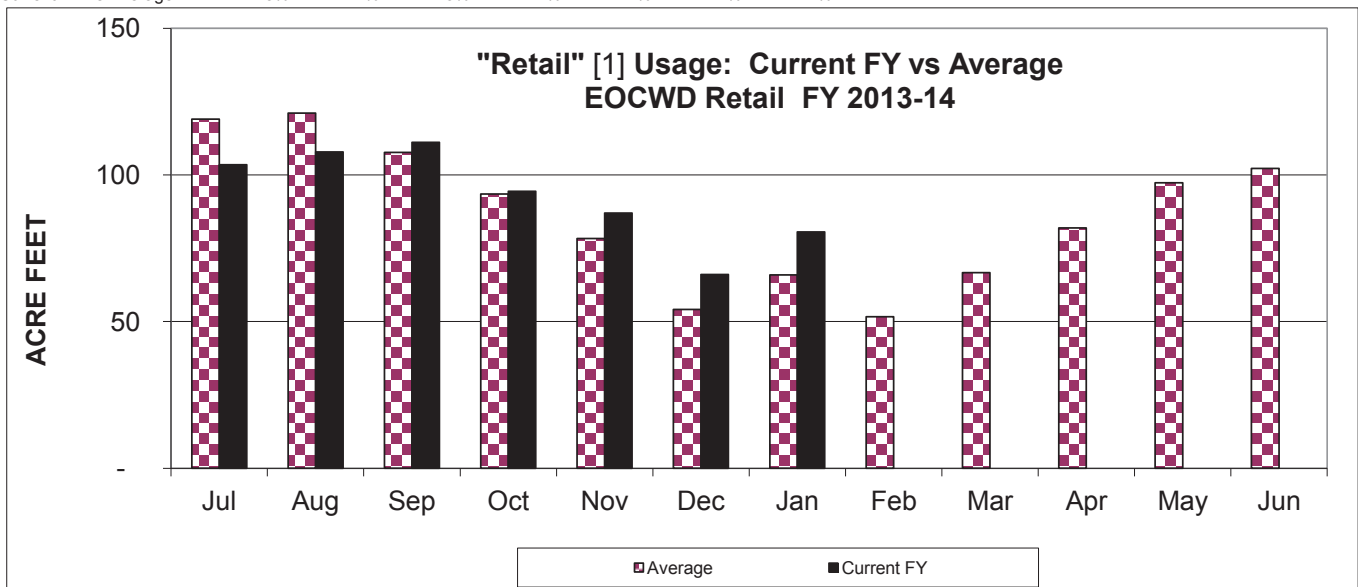
Retail Agency: **EOCWD Retail Zone**

*Preliminary  
numbers subject to change*

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
2008-09 Usage	127	127	114	108	96	57	91	46	83	101	103	100	1,152
2009-10 Usage	123	124	112	97	86	55	52	35	59	74	96	110	1,021
2010-11 Usage	112	118	109	76	73	49	58	55	54	78	92	98	970
2011-12 Usage	120	119	98	88	63	68	70	60	65	72	95	100	1,017
2012-13 Usage	114	118	107	99	75	42	58	62	73	85	101	103	1,037
<b>Average Usage</b>	<b>119</b>	<b>121</b>	<b>108</b>	<b>93</b>	<b>78</b>	<b>54</b>	<b>66</b>	<b>52</b>	<b>67</b>	<b>82</b>	<b>97</b>	<b>102</b>	<b>1,039</b>

**Current Year "Retail" [1] Usage, by Source**

MET water purch.													-
plus CUP-IN	-	-	-	-	-	-	-	-	-	-	-	-	-
MET purch. via EO Whole:	0.0	1.6	0.0	0.0	0.0	57.3	53.0	-	-	-	-	-	111.9
subtract In-Lieu	-	-	-	-	-	-	-	-	-	-	-	-	-
MET sold to													-
<b>MET Total</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57</b>	<b>53</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>112</b>
OCWD Pumped GW	103.5	106.3	111.1	94.4	87.0	8.8	27.6						538.7
OCWD In-Lieu	-	-	-	-	-	-	-	-	-	-	-	-	-
other:													-
other:													-
other:													-
<b>Local Total</b>	<b>104</b>	<b>106</b>	<b>111</b>	<b>94</b>	<b>87</b>	<b>9</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>539</b>
<b>"Retail" [1] Usage 13-14</b>	<b>104</b>	<b>108</b>	<b>111</b>	<b>94</b>	<b>87</b>	<b>66</b>	<b>81</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>651</b>
Current FY vs Average	-13%	-11%	+3%	+1%	+11%	+22%	+22%						



[1] "Retail" usage includes MET water and Local water but **excludes recycled water**.

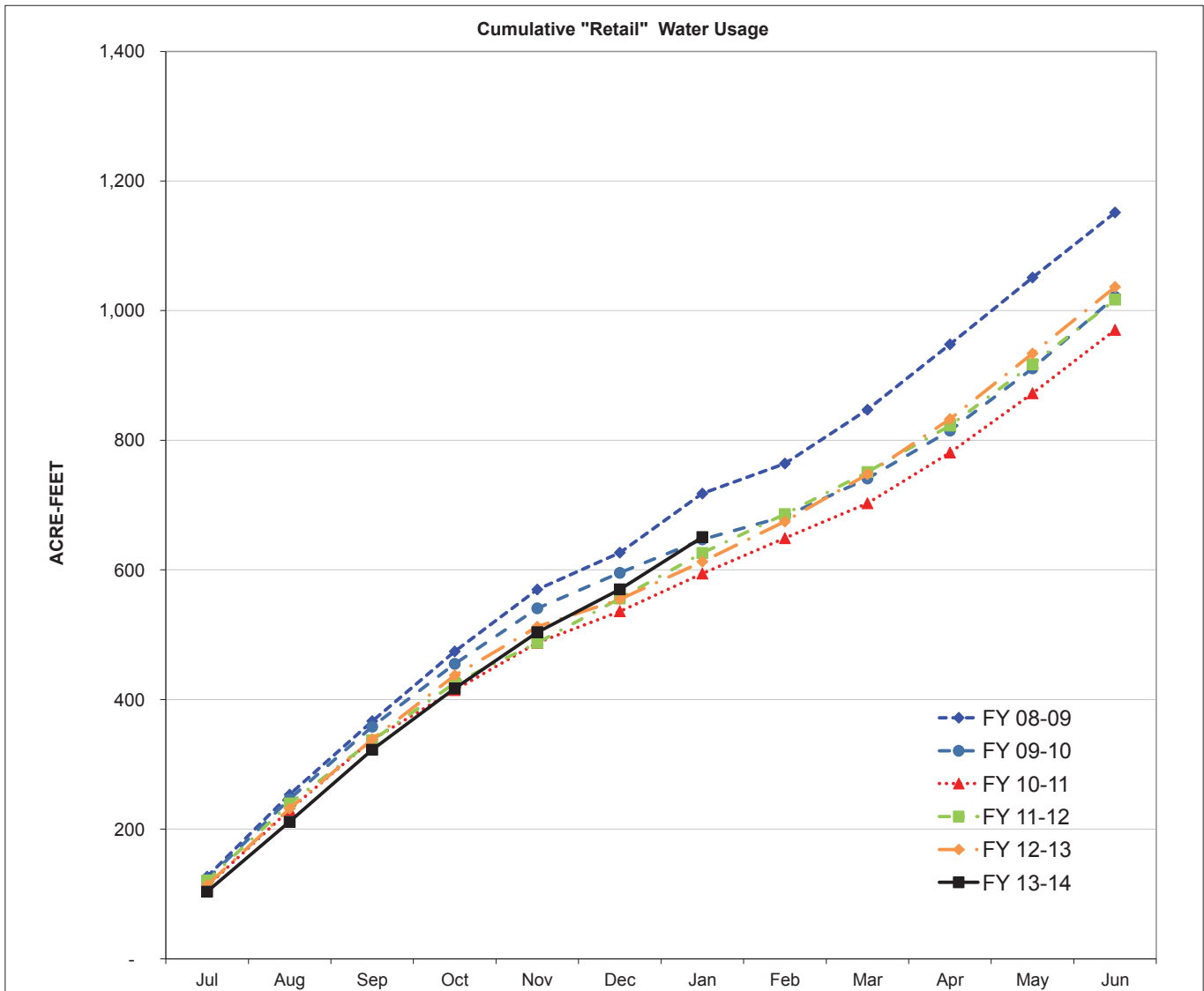


Preliminary

**Fig. 2**  
**Cumulative Monthly "Retail Water" [1] Demand In Current and Previous Fiscal Years**  
 cumulative through the end of the last month shown

**EOCWD Retail Zone**

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
FY 08-09	127	253	367	474	570	627	718	764	847	948	1,051	1,152
FY 09-10	123	246	358	455	541	595	647	682	741	815	911	1,021
FY 10-11	112	230	338	415	487	536	594	649	703	781	873	970
FY 11-12	120	240	337	425	488	556	626	686	751	823	917	1,017
FY 12-13	114	232	339	437	512	555	613	675	748	833	934	1,037
FY 13-14	104	211	323	417	504	570	651					



[1] "Retail" usage includes MET water and Local water (excluding recycled water).

**EAST ORANGE COUNTY WATER DISTRICT**

**DISBURSEMENT SUMMARY  
FEBRUARY 27, 2014**

WHOLESALE AND RETAIL BILLS	\$557,511.75
DIRECTOR'S PAYROLL	\$2,646.22
EMPLOYEE'S PAYROLL	\$35,660.97
<b>DISBURSEMENT TOTAL</b>	<b><u>\$595,818.94</u></b>

**TRANSFER SUMMARY  
FEBRUARY 27, 2014**

TRANSFERS	\$ 511,527.66
<b>TRANSFER TOTAL</b>	<b><u>\$511,527.66</u></b>

NOTE: THE EXPLANATION OF FUNDS TRANSFERRED IS SHOWN ON THE FUNDS TRANSFERRED SHEET ATTACHED.

Check History Report  
Sorted By Check Number  
Activity From: 1/11/2014 to 2/13/2014

EAST ORANGE COUNTY WATER DIST (EOC)

Bank Code: A CHECKING- CA BANK & TRUST

Check Number	Check Date	Vendor Number	Name	Check Amount	Check Type
008587	1/16/2014	A647854	ARAMARK UNIFORM SERVICES	221.75	Auto
008588	1/16/2014	A724082	AT&T	30.55	Auto
008589	1/16/2014	B565648	BOWIE ARNESON WILES & GIANNONE	2,635.50	Auto
008590	1/16/2014	C647974	CR&R INC.	49.46	Auto
008591	1/16/2014	H004494	HACH COMPANY	250.09	Auto
008592	1/16/2014	I133422	ID MODELING, INC.	1,420.00	Auto
008593	1/16/2014	I690327	ISDOC	200.00	Auto
008594	1/16/2014	M188342	MEYERS NAVE	32,201.80	Auto
008595	1/16/2014	N29283	NATIONAL METER & AUTOMATION, I	603.20	Auto
008596	1/16/2014	PETTY	PETTY CASH	159.08	Auto
008597	1/16/2014	S088147	SCHOONOVER ACCOUNTANCY CORP	1,195.50	Auto
008598	1/16/2014	S563332	SOUTHERN CALIFORNIA EDISON	304.62	Auto
008599	1/16/2014	Y533326	YO FIRE	695.41	Auto
008600	2/3/2014	A034150	ACWA-JPIA (EMP INSURANCE)	13,440.70	Auto
008601	2/3/2014	A156872	AECOM	3,794.15	Auto
008602	2/3/2014	A435319	ALLCOM	170.00	Auto
008603	2/3/2014	A647854	ARAMARK UNIFORM SERVICES	128.27	Auto
008604	2/3/2014	A724082	AT&T	790.23	Auto
008605	2/3/2014	A724083	AT&T	191.60	Auto
008606	2/3/2014	B565648	BOWIE ARNESON WILES & GIANNONE	3,235.00	Auto
008607	2/3/2014	B647368	BRADY	7,496.50	Auto
008608	2/3/2014	C002110	CA BANK & TRUST	2,677.26	Auto
008609	2/3/2014	CUST RZ	SUMMERTIME INK	92.36	Auto
008610	2/3/2014	E028422	EAST ORANGE COUNTY WATER DIST.	53,541.63	Auto
008611	2/3/2014	G017805	GALLADE CHEMICAL	109.41	Auto
008612	2/3/2014	G172337	GENERATOR SERVICES CO, INC	2,205.00	Auto
008613	2/3/2014	G647638	GRAINGER	86.51	Auto
008614	2/3/2014	H004494	HACH COMPANY	171.62	Auto
008615	2/3/2014	H21093	HENSON CONSULTING GROUP	1,575.00	Auto
008616	2/3/2014	I522422	INSTANT LUBE, INC.	46.60	Auto
008617	2/3/2014	I678193	IRVINE PIPE SUPPLY	384.09	Auto
008618	2/3/2014	M028769	MATRIX COMPUTER SERVICE	380.00	Auto
008619	2/3/2014	M029877	MATT-CHLOR, INC	3,450.00	Auto
008620	2/3/2014	M842327	MWDOC	390,124.29	Auto
008621	2/3/2014	P420232	PLATINUM CONSULTING GROUP	4,988.75	Auto
008622	2/3/2014	S077326	SC FUELS	1,059.21	Auto
008623	2/3/2014	S563332	SOUTHERN CALIFORNIA EDISON	2,237.23	Auto
008624	2/3/2014	T002605	TAB ANSWER NETWORK	32.56	Auto
008625	2/3/2014	T764656	TRUESDAIL LABORATORIES, INC	2,087.00	Auto
008626	2/3/2014	W325309	WINWATER	268.27	Auto
008627	2/3/2014	X178697	XEROX CORPORATION	40.50	Auto
008628	2/13/2014	A034150	ACWA-JPIA (EMP INSURANCE)	11,407.95	Auto
008629	2/13/2014	A724082	AT&T	108.31	Auto
008630	2/13/2014	C647974	CR&R INC.	49.46	Auto
008631	2/13/2014	CUST RZ	SANDRA WESTGATE	91.20	Auto
008632	2/13/2014	F554501	FOOTHILLS COMMUNITY ASSOCIATIO	20.00	Auto
008633	2/13/2014	F554602	FOOTHILL SENTRY, INC	506.25	Auto
008634	2/13/2014	G647638	GRAINGER	311.07	Auto
008635	2/13/2014	H004494	HACH COMPANY	255.50	Auto
008636	2/13/2014	H21093	HENSON CONSULTING GROUP	1,006.25	Auto
008637	2/13/2014	H550882	HOME DEPOT CREDIT SERVICES	387.55	Auto
008638	2/13/2014	I133422	ID MODELING, INC.	5,537.50	Auto
008639	2/13/2014	N29283	NATIONAL METER & AUTOMATION, I	238.96	Auto
008640	2/13/2014	S563332	SOUTHERN CALIFORNIA EDISON	1,977.92	Auto

Check History Report  
Sorted By Check Number  
Activity From: 1/11/2014 to 2/13/2014

EAST ORANGE COUNTY WATER DIST (EOC)

Bank Code: A CHECKING- CA BANK & TRUST

Check Number	Check Date	Vendor Number	Name	Check Amount	Check Type
008641	2/13/2014	U499787	UNDERGROUND SERVICE ALERT	67.50	Auto
008642	2/13/2014	V178373	VERIZON WIRELESS	336.62	Auto
008643	2/13/2014	W04494	E H WACHS	439.01	Auto
Bank A Total:				557,511.75	
Report Total:				557,511.75	

EAST ORANGE COUNTY WATER DISTRICT  
CALIFORNIA BANK & TRUST  
Prior Month's Checks To Ratify  
DIRECTORS' PAYROLL\*  
FEBRUARY 27, 2014

***PAYMENT FOR BOARD AND COMMITTEE MEETINGS IN THE MONTH OF  
DECEMBER 2013***

DATE	CHECK NO	AMOUNT	PAYABLE TO
01/16/14	623	\$314.47	BOARD DIRECTOR - VICE PRESIDENT
01/16/14	624	\$548.10	BOARD DIRECTOR
01/16/14	625	\$319.72	BOARD DIRECTOR
01/16/14	626	\$775.31	BOARD DIRECTOR - PRESIDENT
		<u>\$1,957.60</u>	TOTAL PAYROLL CHECKS

**PAYROLL TAXES, ADP CHARGE, AND PERS EFT**  
**(PERS TRANSFERRED WITH EMPLOYEE PAYROLL)**

1/16/2014	\$414.98	ADP TAXES
1/16/2014	\$93.05	ADP CHARGE
1/16/2014	\$180.59	PERS ELECTRONIC FUNDS TRANSFER
	<u>\$688.62</u>	TOTAL CHARGES & TRANSFER
	<u>\$2,646.22</u>	GRAND TOTAL PAYROLL

**\*\*\* NOTE: DOUG DAVERT DECLINED PAYMENT FOR ALL MEETINGS**

\*Note: Payroll is processed by ADP (Automatic Data Processing)



EAST ORANGE COUNTY WATER DISTRICT  
CALIFORNIA BANK & TRUST  
Prior Month's Checks To Ratify  
EMPLOYEES' PAYROLL\*  
FEBRUARY 27, 2014

	CHECK DATE	CHECK AMOUNT	PAYABLE TO
AUTO DEPOSIT	1/8/2014	\$ 1,087.20	WATER DISTRIBUTION I
AUTO DEPOSIT	1/8/2014	\$ 1,993.53	OFFICE MANAGER
AUTO DEPOSIT	1/8/2014	\$ 560.70	OFFICE ASSISTANT
AUTO DEPOSIT	1/8/2014	\$ 2,323.22	MAINTENANCE AND OPERATIONS SUPERINTENDENT
AUTO DEPOSIT	1/8/2014	\$ 1,362.84	GENERAL MANAGER
AUTO DEPOSIT	1/8/2014	\$ 1,579.15	WATER DISTRIBUTION II
AUTO DEPOSIT	1/8/2014	\$ 732.54	WATER DISTRIBUTION III
AUTO DEPOSIT	1/22/2014	\$ 904.28	WATER DISTRIBUTION I
AUTO DEPOSIT	1/22/2014	\$ 1,974.01	OFFICE MANAGER
AUTO DEPOSIT	1/22/2014	\$ 476.86	OFFICE ASSISTANT
AUTO DEPOSIT	1/22/2014	\$ 1,814.77	MAINTENANCE AND OPERATIONS SUPERINTENDENT
AUTO DEPOSIT	1/22/2014	\$ 1,347.99	GENERAL MANAGER
AUTO DEPOSIT	1/22/2014	\$ 1,464.89	WATER DISTRIBUTION II
		<u>\$ 17,621.98</u>	TOTAL PAYROLL CHECKS

**PAYROLL TAXES, ADP CHARGES, AND PERS EFT**

1/8/2014	\$5,941.58	ADP TAXES
1/8/2014	\$1,961.16	PERS ELECTRONIC FUNDS TRANSFER
1/8/2014	\$195.80	PERS PEPRA MEMBER
1/8/2014	\$1,375.00	CAL PERS 457 - ING BANK
1/8/2014	\$93.49	ADP CHARGE
1/22/2014	\$5,040.79	ADP TAXES
1/22/2014	\$1,768.91	PERS ELECTRONIC FUNDS TRANSFER
1/22/2014	\$195.80	PERS PEPRA MEMBER
1/22/2014	\$1,375.00	CAL PERS 457 - ING BANK
1/22/2014	\$91.46	ADP CHARGE & ADJUSTMENT

PAYROLL 1/8/2014	PAYROLL 1/22/2014
\$9,639.18	\$7,982.80
\$9,567.03	\$8,471.96
<b>\$19,206.21</b>	<b>\$16,454.76</b>

<u>\$18,038.99</u>	TOTAL TRANSFERS
<u><b>\$35,660.97</b></u>	<b>GRAND TOTAL PAYROLL</b>

\*Note: Payroll is processed by ADP (Automatic Data Processing)

FUNDS TRANSFERRED BETWEEN ACCOUNTS  
FEBRUARY 27, 2014

<u>DATE PAID</u>	<u>TRANSFER NO</u>	<u>AMOUNT</u>	<u>FROM</u>	<u>TO</u>	<u>REASON FOR FUND TRANSFER</u>
1/17/2014	T27	\$ 211,527.66	CALBT MONEY MARKET	CALBT CHECKING	EXCESS FUNDS TO CHECKING
1/21/2014	T28	\$ 300,000.00	CALBT CHECKING	LAIF	TRANSFER OF EXCESS FUNDS
<u>\$ 511,527.66</u>					GRAND TOTAL





## Treasurer's Report

February 12, 2014

Board of Directors  
East Orange County Water District

### DIRECTORS

Richard E. Barrett  
Richard B. Bell  
Douglass S. Davert  
John Dulebohn  
William Vanderwerff

Lisa Ohlund  
General Manager

The accompanying information contained in Schedule 1, Distribution of Investment Activity for the month January 2014, and Schedule 2, Investment Portfolio, as of January 31, 2014 (which are presented only for supplementary analysis purposes) have been prepared by management who is responsible for their integrity and objectivity. These schedules have not been compiled, reviewed or audited by outside accountants.

East Orange County Water District maintains a system of internal accounting control designed to provide reasonable assurance that assets are safeguarded and that transactions are properly executed, recorded and summarized to produce reliable records and reports.

To the best of management's knowledge and belief, the schedules and related information were prepared in conformity with generally accepted accounting principles, and are based on recorded transactions and management's best estimates and judgments.

*Carl R. Schoonover*

Carl R. Schoonover  
Treasurer

185 N Mc Pherson Road  
Orange, CA 92869-3720

[www.eocwd.com](http://www.eocwd.com)

Ph: (714) 538-5815  
Fax: (714) 538-0334

**EAST ORANGE COUNTY WATER DISTRICT  
SCHEDULE 1 - INVESTMENT ACTIVITY  
MONTH OF JANUARY 2014**

	SECURITY TYPE	BOOK VALUE
<b>BEGINNING BALANCES JANUARY 1, 2014</b>		
LOCAL AGENCY INVESTMENT FUND	DEMAND LAIF	5,341,886
RAYMOND JAMES-CDs	DEMAND BROKERAGE	1,514,475
DUE TO FROM OTHER FUNDS	DUE TO/FROM	0
US TREASURY OBLIGATIONS	US TREASURY	0
<b>Total</b>		<b>6,856,361</b>
<b>ACTIVITY</b>		
<b>ADDITIONS</b>		
DEPOSIT TO MORGAN STANLEY SMITH BARNEY	DEMAND MM	0
DEPOSIT TO LAIF-FROM CHECKING	DEMAND LAIF	300,000
DEPOSIT TO LAIF-INTEREST	DEMAND LAIF	3,134
DEPOSIT TO RAYMOND JAMES-FROM CHECKING	DEMAND BROKERAGE	0
DEPOSIT TO RAYMOND JAMES-INTEREST	DEMAND BROKERAGE	0
SOLD MS LS US TREAS	MUTUAL FUND	0
TRANSFERS BETWEEN FUNDS	DUE TO/FROM	0
<b>REDUCTIONS</b>		
TRANSFER FROM LAIF TO CHECKING	DEMAND LAIF	0
TRANSFERS BETWEEN FUNDS	DUE TO/FROM	0
TRANSFERS TO CHECKING	DEMAND MM	0
TRANSFER TO RAYMOND JAMES	DEMAND MM	0
SOLD US TREASURY BOND	US TREASURY BOND/NOTE	0
MATURITY OF US TREASURY NOTE	US TREASURY NOTE	0
PURCHASE US TREASURY BOND FED STRIP	TREASURY BOND	0
<b>ENDING BALANCES JANUARY 31, 2014</b>		
LOCAL AGENCY INVESTMENT FUND	DEMAND LAIF	5,645,020
RAYMOND JAMES-CDs and CASH	CERTIFICATES OF DEPOSIT	1,514,475
DUE TO FROM OTHER FUNDS	DUE TO/FROM	0
US TREASURY OBLIGATIONS	US TREASURY	0
<b>TOTAL</b>		<b>7,159,495</b>

**EAST ORANGE COUNTY WATER DISTRICT  
SCHEDULE 2 - INVESTMENT PORTFOLIO  
JANUARY 31, 2014**

NAME	SECURITY TYPE AND NUMBER	PURCHASE DATE	MATURITY DATE	INTEREST		MARKET VALUE	PURCHASE PRICE	PREMIUM OR (DISCOUNT)	ACCRUED INTEREST	FACE VALUE	% TO PORTFOLIO
				STATED	YIELD						
LAIF	DEMAND	N/A	N/A	0.244%	0.244%	5,645,020	5,645,020	0	0	5,645,020	78.90%
RJ-CD	ALLY BANK	12/05/12	12/05/14	0.750%	0.750%	200,620	200,000	0	0	200,000	2.80%
RJ-CD	AMERICAN EXPRESS	10/25/12	01/26/15	0.850%	0.850%	100,286	100,000	0	0	100,000	1.40%
RJ-CD	AMERICAN EXPRESS	10/25/12	07/27/15	1.000%	1.000%	100,502	100,000	0	0	100,000	1.40%
RJ-CD	BMW BANK OF N AMERICA	11/19/12	11/12/15	2.000%	2.000%	102,430	102,937	2,898	38	100,000	1.40%
RJ-CD	CIT BANK	03/06/13	03/06/18	1.100%	1.100%	143,327	145,000	0	0	145,000	2.03%
RJ-CD	DISCOVER BANK	10/17/12	10/17/16	1.200%	1.200%	100,522	100,000	0	0	100,000	1.40%
RJ-CD	DISCOVER BANK	02/20/13	02/20/18	1.100%	1.100%	148,386	150,000	0	0	150,000	2.10%
RJ-CD	GE MONEY BANK	10/25/12	08/31/17	1.650%	1.650%	100,434	100,998	754	244	100,000	1.40%
RJ-CD	GE CAPITAL RETAIL BANK	11/19/12	11/09/16	1.350%	1.350%	100,379	100,536	499	37	100,000	1.40%
RJ-CD	GE CAPITAL RETAIL BANK	02/22/13	02/22/18	1.100%	1.100%	146,610	150,000	0	0	150,000	2.10%
RJ-CD	GOLDMAN SACHS BANK	02/13/13	02/13/18	1.200%	1.200%	148,052	150,000	0	0	150,000	2.10%
RJ-CD	GOLDMAN SACHS BANK	10/11/12	10/03/17	1.550%	1.550%	100,050	99,977	-11	34	100,000	1.40%
RJ	CASH	N/A	N/A	0.000%	0.000%	15,027	15,027			15,027	0.21%
						<b>\$7,151,644</b>	<b>\$7,159,495</b>	<b>\$4,142</b>	<b>\$354</b>	<b>\$7,155,047</b>	<b>100.00%</b>

\* Monthly adjustments to interest income should be made to amortize accrued interest and premiums/discounts to face value at maturity.

LAIF=LOCAL AGENCY INVESTMENT FUND  
RJ=RAYMOND JAMES

**CERTIFICATION**

I CERTIFY THAT (1) ALL INVESTMENT ACTIONS EXECUTED SINCE THE LAST REPORT HAVE BEEN MADE IN FULL COMPLIANCE WITH THE DISTRICT'S INVESTMENT POLICY AND (2) THE DISTRICT WILL MEET ITS EXPENDITURE OBLIGATIONS FOR THE NEXT SIX MONTHS AS REQUIRED BY CALIFORNIA GOVERNMENT CODE SECTIONS 53646(b)(2) AND (3), RESPECTIVELY.

Carl R. Schoonover  
CARL R. SCHOONOVER, TREASURER

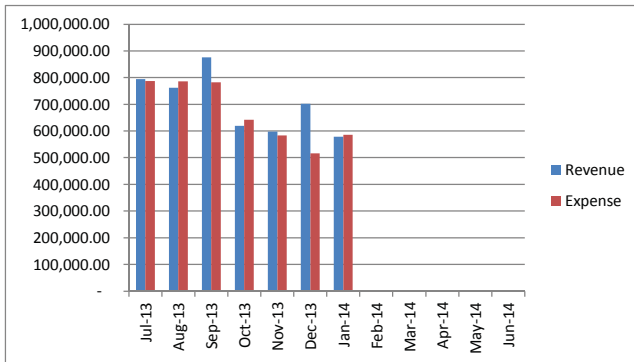
# Wholesale Zone Financial Summary

## For Period Ending January 31, 2014

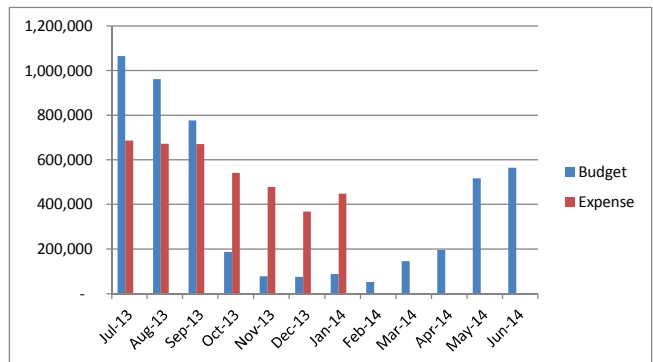
YTD Operating Income     \$     4,928,316

YTD Operating Expense     \$     4,681,093

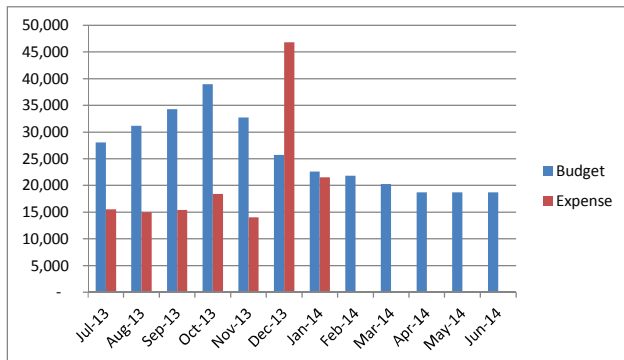
Revenue vs. Expenses



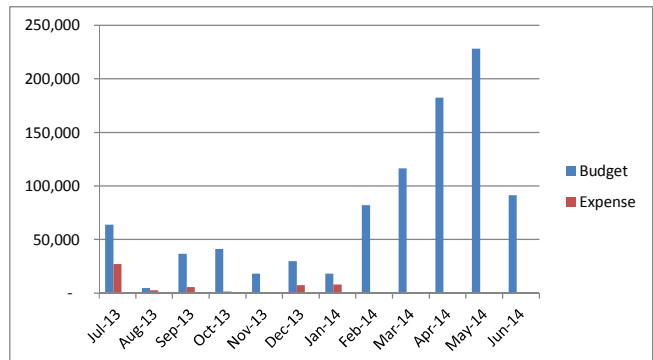
Water Purchased Budget vs. Actual



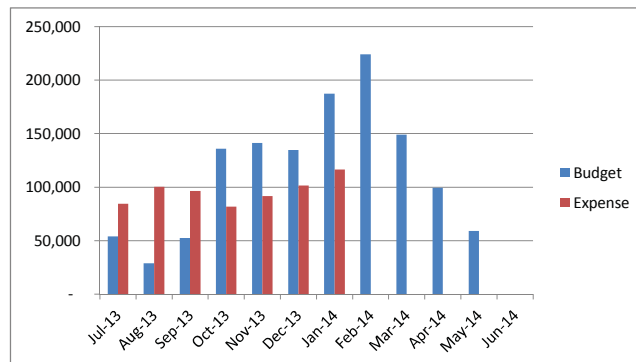
Salaries & Benefits Budget vs. Actual



CIP Budget & Actual



O&M Budget vs. Actual



## WHOLESALE ZONE

EAST ORANGE COUNTY WATER DISTRICT  
2013-2014 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
MONTH: JANUARY 2014

REVENUE						
DESCRIPTION	MONTHLY ACTUAL REVENUE	YTD ACTUAL REVENUE	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED	
1 OPERATING REVENUE:						
2 WATER SALES	447,159	3,862,209	4,705,463	(843,254)	82.08%	
3 FIXED CHARGES	37,087	259,606	480,255	(220,649)	54.06%	
4 EOCWD FIXED CHARGES	21,772	152,404	250,000	(97,596)	60.96%	
5 REIMBURSED EXP-IRWD	1,476	8,960	19,516	(10,556)	45.91%	
6 OTHER CHARGES	202	2,691	30	2,661	8969.80%	
7 TOTAL OPERATING REVENUE:	507,695	4,285,870	5,455,264	(1,169,394)		
8 NON-OPERATING REVENUES (EXPENSES):						
9 PROPERTY TAXES	60,106	393,492	659,500	(266,008)	59.67%	
10 RENTAL INCOME - CELLULAR ANTENNAS	8,616	64,180	100,000	(35,820)	64.18%	
11 INTEREST & INVESTMENT EARNINGS	1,116	10,852	14,640	(3,788)	74.13%	
12 NOTE RECEIVABLE - AMP	-	173,573	47,355	126,218	366.53%	
13 MISCELLANEOUS INCOME	50	350	500	(150)	70.00%	
14 TOTAL NON-OPERATING REVENUES, NET	69,888	642,447	821,995	(179,548)		
15 NET OPERATING INCOME	577,583	4,928,316	6,277,259	(1,348,942)		

EXPENSES						
DESCRIPTION	MONTHLY ACTUAL EXPENSES	YTD ACTUAL EXPENSES	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED	
16 OPERATING EXPENSE:						
17 SOURCE OF SUPPLY	447,317	3,861,070	4,705,463	(844,392)	82.06%	
18 MET/MW/DOC FIXED CHARGE	23,811	166,678	328,607	(161,929)	50.72%	
19 EOCWD FIXED CHARGE	14,525	103,041	166,648	(63,607)	61.83%	
20 ENERGY	183	1,154	2,600	(1,446)	44.40%	
21 OPERATIONS & MAINTENANCE	35,877	239,099	536,100	(297,001)	44.60%	
22 GENERAL & ADMINISTRATIVE	46,384	169,439	304,351	(134,912)	55.67%	
23 TRANSFER TO CAPITAL PROJECTS EXPENSE & RESERVES	20,778	145,445	239,990	(94,545)	60.60%	
24 DEPRECIATION & AMORTIZATION	-	-	-	-	0.00%	
25 MARKET VALUE ADJUSTMENT ON INVESTMENTS	(3,364)	(4,833)	-	(4,833)	0.00%	
26 TOTAL OPERATING EXPENSE	585,511	4,681,093	6,283,759	(1,602,665)		
27 NET INCOME FROM OPERATIONS	(7,928)	247,223	(6,500)	253,723		
28 PRIOR YEARS INCOME (EXPENSES)	-	(4,030)	(500)	(4,530)		
29 NET INCOME (LOSS)	(7,928)	243,193	(7,000)	258,254		



## Wholesale Zone

### January 2014 Variance Report - 58.3% of Budget Year Expended

Account Number	Account Name	Income(I) Expense (E)	YTD Amount	Percent Received/ Spent	Comments
<b>Jan-14</b>					
<b><u>New</u></b>					
4917-0001-1	INTEREST- LAIF- OP	I	1,894	1847.79%	More interest received than expected
5313-0001-1	SMALL TOOLS	E	2,471	102.98%	More small tools purchased than expected
5645-0001-1	LEGAL	E	84,430	105.54%	Legal fees associated with sewer
<b><u>Ongoing</u></b>					
4110-0001-1	WATER SALES	I	3,862,209	82.08%	Water sales are higher than anticipated
4924-0001-1	INTEREST EARNED - RAYMOND JAMES	I	8,900	68.46%	Interest earned is higher than expected
4975-0001-1	RENT INCOME- AT&T	I	35,283	70.57%	Budget based on prior year contract
4980-0001-1	AMP SALE INSTALLMENTS	I	173,573	366.53%	MWDOC paid the full portion of their loan outstanding
5130-0043-1	EOCF #2 NONINTERR OC 43	E	1,141,291	80.85%	Increased sales causing increased supply costs
5130-0048-1	EOCF #2 NONINTERR OC 48	E	1,114,508	118.43%	Increased sales causing increased supply costs
5130-0070-1	WATER PURCHASED AMP	E	1,605,272	68.23%	Increased sales causing increased supply costs
5313-0001-1	SMALL TOOLS	E	2,471	102.98%	Unplanned purchase of a gas detector
5339-0001-1	OPERATIONS REPORTING SOFTWARE	E	3,873	86.06%	Purchase of I-Pads in November
5345-0001-1	PRESSURE REGULATORS R&M	E	4,455	148.49%	Overage due to pressure regulator maintenance
5350-0041-1	SERVICE CONNECTIONS R&M	E	992	99.15%	Replace sampling valve
5359-0001-1	SAC LINE R&M	E	2,074	103.69%	R&M is higher than expected
5365-0001-1	EQUIPMENT RENTAL	E	12,601	315.03%	Unplanned generator rental
5610-0009-1	MCPHERSON FAX	E	160	80.20%	Underbudgeted based on current billings
5610-0015-1	MCPHERSON OFFICE PHONES	E	1,217	76.04%	Underbudgeted based on current billings
5618-0031-1	DUES & MEMBERSHIPS- AWWA	E	207	68.83%	Annual dues paid at the beginning of the year
5639-0001-1	OUTSIDE SERVICES	E	3,390	141.23%	Unplanned pest control services
5644-0003-1	ACCOUNTING- SERRANO	E	21,858	99.35%	Unplanned consulting expenses
9510-0001-1	PRIOR YEARS INCOME (EXPENSES)	E	(4,030)	806.10%	Prior year Department of Health invoice

## Capital Projects

### **New**

<b><u>Ongoing</u></b>					
107	BACKUP GENERATOR AT OC70 PUMP STATION	E	25,240	70.11%	Costs are higher than anticipated due to MET design review of proposed generator.

## EAST ORANGE COUNTY WATER DISTRICT

FOR WHOLESALE  
MONTH: JANUARY 2014

ACCOUNT DESCRIPTION		MONTHLY ACTUAL REVENUE	YTD ACTUAL REVENUE	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
<b>REVENUE</b>						
1	4110-0001-1 WATER SALES	447,159	3,862,209	4,705,463	(843,254)	82.08%
2	4111-0001-1 STANDBY	202	1,550	-	1,550	0.00%
3	4112-0001-1 LATE CHARGE	-	-	30	(30)	0.00%
4	4114-0001-1 EOCWD RESERVE FUND CHARGE-WS	17,445	122,117	200,000	(77,883)	61.06%
5	4115-0001-1 READINESS TO SERVE - EOCWD	4,327	30,287	50,000	(19,713)	60.57%
6	4130-0001-1 RETAIL SERVICE CONNECTIONS	14,525	101,677	166,648	(64,971)	61.01%
7	4131-0001-1 READINESS TO SERVE - MWDOC	14,637	102,460	203,564	(101,104)	50.33%
8	4133-0001-1 MET-MWDOC CAPACITY CHARGE	7,924	55,469	110,043	(54,574)	50.41%
9	4134-0001-1 MET-MWDOC CHOICE-WS	-	1,141	-	1,141	0.00%
10	4160-0060-1 REIMBURSED EXP- IRWD	1,476	8,960	19,516	(10,556)	45.91%
11	4160-0065-1 REFUNDS	-	-	-	-	0.00%
12	Total OPERATING REVENUE:	507,695	4,285,870	5,455,264	(1,169,394)	
13	NON OPERATING INCOME					
14	4915-0001-1 INTEREST INCOME-WS	-	-	51	(51)	0.00%
15	4916-0001-1 INTEREST-MORGAN STANLEY-OP	-	-	-	-	0.00%
16	4916-0957-1 INTEREST-MORGAN STANLEY- CONT	-	-	-	-	0.00%
17	4917-0001-1 INTEREST- LAIF- OP	1,082	1,894	103	1,791	1847.79%
18	4917-0957-1 INTEREST-LAIF-CONT.	34	59	-	59	0.00%
19	4918-0001-1 INTEREST-US TREASURY BOND	-	-	-	-	0.00%
20	4918-0957-1 INTEREST US TREASURY BOND	-	-	-	-	0.00%
21	4922-0001-1 INTEREST INCOME-CTY OF ORANGE	-	-	51	(51)	0.00%
22	4923-0001-1 INTEREST INCOME-ACWA	-	-	1,435	(1,435)	0.00%
23	4924-0001-1 INTEREST EARNED - RAYMOND JAMES	0	8,900	13,000	(4,100)	68.46%
24	4930-0030-1 TAXES SECURED	22,386	327,174	585,000	(257,826)	55.93%
25	4930-0031-1 TAXES UNSECURED	-	17,696	15,000	2,696	117.98%
26	4930-0032-1 TAXES SUPPLEMENTAL ROLL	296	5,856	5,000	856	117.11%
27	4930-0040-1 TAXES PRIOR YEARS	334	5,674	15,000	(9,326)	37.83%
28	4930-0052-1 TAXES HOMEOWNER'S SUBVENTION	-	-	4,000	(4,000)	0.00%
29	4930-0054-1 TAXES PUBLIC UTILITY	-	-	10,000	(10,000)	0.00%
30	4930-0055-1 TAXES TUSTIN RDA	37,091	37,091	40,000	(2,909)	92.73%
31	4930-0056-1 TAXES MISC	-	-	500	(500)	0.00%
32	4930-0057-1 TAXES ACCRUED	-	-	(15,000)	15,000	0.00%
33	4930-0058-1 STATE TAXES CONFISCATED	-	-	-	-	0.00%
34	4930-0059-1 PROCEEDS IN-LIEU TAXES	-	-	-	-	0.00%
35	4975-0001-1 RENT INCOME- AT&T	4,416	35,283	50,000	(14,717)	70.57%
36	4977-0001-1 RENT INCOME- CROWN CASTLE	4,200	28,897	50,000	(21,103)	57.79%
37	4980-0001-1 AMP SALE INSTALLMENTS	-	173,573	47,355	126,218	366.53%
38	4990-0001-1 MISCELLANEOUS INCOME	50	350	500	(150)	70.00%
39	Total NON OPERATING INCOME:	69,888	642,447	821,995	(179,548)	
40	Total OPERATING REVENUE	577,583	4,928,316	6,277,259	(1,348,942)	
41	NET OPERATING INCOME:	577,583	4,928,316	6,277,259	(1,348,942)	



## EAST ORANGE COUNTY WATER DISTRICT

FOR WHOLESALE  
MONTH: JANUARY 2014

ACCOUNT	DESCRIPTION	MONTHLY ACTUAL REVENUE	YTD ACTUAL REVENUE	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
<b>EXPENSES</b>						
42	5130-0043-1 EOCF #2 NONINTERR OC 43	145,818	1,141,291	1,411,639	(270,348)	80.85%
43	5130-0048-1 EOCF #2 NONINTERR OC 48	116,909	1,114,508	941,093	173,415	118.43%
44	5130-0070-1 WATER PURCHASED AMP	184,589	1,605,272	2,352,731	(747,459)	68.23%
45	5138-0001-1 WATER PURCHASED	-	-	-	-	0.00%
46	5139-0001-1 WATER PURCHASED IN-LIEU	-	-	-	-	0.00%
47	5141-0001-1 WATER PURCHASED-IN LIEU CREDIT	-	-	-	-	0.00%
48	5149-0001-1 AMP_FAP LEASE EXPENSE	1,250	8,750	15,000	(6,250)	58.33%
49	5161-0001-1 MET-MWDOC READINESS TO SERVE	14,637	102,460	203,564	(101,104)	50.33%
50	5163-0001-1 MET-MWDOC CAPACITY FEES	7,924	55,469	110,043	(54,574)	50.41%
51	5164-0001-1 MWDOC RETAIL SERVICE CONNECT	14,525	103,041	166,648	(63,607)	61.83%
52	5219-0001-1 UTILITY- SCADA RTU	183	1,154	2,600	(1,446)	44.40%
53	5313-0001-1 SMALL TOOLS	675	2,471	2,400	71	102.98%
54	5320-0001-1 GASOLINE, OIL & DIES-WS	-	-	-	-	0.00%
55	5320-0022-1 GASOLINE, OIL & DIESEL FUEL	360	2,140	8,800	(6,660)	24.32%
56	5324-0001-1 REGULATORY PERMITS	543	3,043	5,000	(1,957)	60.86%
57	5326-0001-1 NPDS PERMIT	-	-	-	-	0.00%
58	5327-0001-1 PROF SERV WATER QUAL. CONTROL	1,995	7,419	25,000	(17,581)	29.67%
59	5338-0001-1 SCADA REPAIR/UPGRADE	207	5,152	12,500	(7,348)	41.21%
60	5339-0001-1 OPERATIONS REPORTING SOFTWARE	459	3,873	4,500	(627)	86.06%
61	5343-0001-1 METER PURCHASE/REPAIR	162	8,905	15,000	(6,095)	59.37%
62	5345-0001-1 PRESSURE REGULATORS R&M	-	4,455	3,000	1,455	148.49%
63	5350-0035-1 R/M- MAINS	27	812	25,000	(24,188)	3.25%
64	5350-0039-1 DAMAGE REPAIR- CAL EMA	-	-	-	-	0.00%
65	5350-0041-1 SERVICE CONNECTIONS R&M	-	992	1,000	(8)	99.15%
66	5350-0051-1 RESERVOIRS R&M	4,162	7,284	20,000	(12,716)	36.42%
67	5350-0052-1 R/M- VAULTS	-	319	10,000	(9,681)	3.19%
68	5350-0402-1 R/M- CATHODIC PROTECTION	121	1,162	20,500	(19,338)	5.67%
69	5357-0001-1 MAINTAIN & OPERATE EOCF#2	3,833	26,833	46,000	(19,167)	58.33%
70	5358-0001-1 METER TESTING	-	-	3,000	(3,000)	0.00%
71	5359-0001-1 SAC LINE R&M	296	2,074	2,000	74	103.69%
72	5365-0001-1 EQUIPMENT RENTAL	1,260	12,601	4,000	8,601	315.03%
73	5370-0070-1 BACKHOE R&M	-	63	3,000	(2,937)	15.58%
74	5370-0071-1 VEHICLES R&M	225	1,558	10,000	(8,442)	15.58%
75	5370-0080-1 BUILDING/GROUNDS R&M	-	1,193	3,500	(2,307)	34.10%
76	5467-0001-1 WAGES	13,805	101,694	175,000	(73,306)	58.11%
77	5469-0069-1 PAYROLL TAXES- FICA & MEDICARE	1,145	8,247	18,000	(9,753)	45.82%
78	5469-0083-1 RETIREMENT- PERS	1,788	12,856	42,000	(29,144)	30.61%
79	5480-0070-1 PAYROLL TAXES- SUI & ETT	444	583	2,000	(1,417)	29.14%
80	5480-0072-1 HEALTH & ACCIDENT INSURANCE	3,692	19,352	55,000	(35,648)	35.18%
81	5480-0075-1 DENTAL INSURANCE	295	1,475	4,000	(2,525)	36.87%
82	5480-0076-1 VISION INSURANCE	55	281	1,000	(719)	28.09%
83	5480-0080-1 LIFE INSURANCE	34	222	900	(678)	24.63%
84	5480-0082-1 WORKER'S COMP INSURANCE	225	1,558	10,000	(8,442)	15.58%
85	5486-0001-1 UNIFORMS	67	483	4,000	(3,517)	12.07%
86	5607-0001-1 DISTRICT WEBSITE	-	460	1,500	(1,040)	30.64%
87	5610-0009-1 MCPHERSON FAX	23	160	200	(40)	80.20%
88	5610-0010-1 MCPHERSON INTERNET	49	340	1,000	(660)	33.96%
89	5610-0015-1 MCPHERSON OFFICE PHONES	188	1,217	1,600	(383)	76.04%
90	5610-0016-1 ANSWERING SERVICE	16	140	246	(106)	57.06%

## EAST ORANGE COUNTY WATER DISTRICT

FOR WHOLESALE  
MONTH: JANUARY 2014

	ACCOUNT	DESCRIPTION	MONTHLY ACTUAL REVENUE	YTD ACTUAL REVENUE	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
91	5610-0017-1	PHONE CIRCUITS TO CTRL EQUIP	326	2,453	4,600	(2,147)	53.33%
92	5610-0019-1	CELLPHONES	168	974	1,650	(676)	59.00%
93	5610-0020-1	UNDERGROUND SERVICE ALERT	34	201	400	(199)	50.25%
94	5611-0001-1	TRAINING/SCHOOLS	-	251	2,500	(2,249)	10.03%
95	5613-0001-1	CONSERVATION EDUCATION	-	108	15,000	(14,892)	0.72%
96	5614-0001-1	TRAVEL- CONF/SEMINARS	300	1,536	5,000	(3,465)	30.71%
97	5616-0001-1	MILEAGE	10	210	300	(90)	69.90%
98	5618-0029-1	DUES & MEMBERSHIP- ACWA	-	1,535	2,800	(1,265)	54.81%
99	5618-0030-1	DUES & MEMBERSHIPS- OCWA	25	25	100	(75)	25.00%
100	5618-0031-1	DUES & MEMBERSHIPS- AWWA	-	207	300	(94)	68.83%
101	5618-0032-1	DUES & MEMBERSHIP- FCA	-	-	30	(30)	0.00%
102	5618-0033-1	DUES & MEMBERSHIP- CSDA	-	1,079	2,000	(921)	53.96%
103	5618-0037-1	DUES- ISDOC/URBAN WTR	117	367	900	(533)	40.78%
104	5619-0001-1	MISCELLANEOUS EXP	(3)	21	500	(479)	4.12%
105	5620-0021-1	DIRECTOR- R. BARRETT	175	613	2,500	(1,888)	24.50%
106	5620-0022-1	DIRECTOR- W. VANDERWERFF	425	2,988	5,000	(2,013)	59.75%
107	5620-0023-1	DIRECTOR- D. CHAPMAN	-	-	-	-	0.00%
108	5620-0024-1	DIRECTOR- J. DULEBOHN	175	925	3,600	(2,675)	25.69%
109	5620-0026-1	DIRECTOR- R. BELL	300	1,425	3,600	(2,175)	39.58%
110	5620-0027-1	DIRECTOR- D. DAVERT	-	-	-	-	0.00%
111	5621-0001-1	BOARD MEETING EXPENSE	58	699	2,000	(1,301)	34.93%
112	5632-0001-1	POSTAGE	25	144	800	(656)	18.06%
113	5633-0001-1	OFFICE SUPPLY/FURN/SMALL EQUIP	256	2,543	7,000	(4,457)	36.33%
114	5634-0001-1	PUBLICATIONS & LEGAL NOTICES	-	58	5,500	(5,442)	1.06%
115	5635-0001-1	COPIER CONTRACT	20	143	425	(282)	33.59%
116	5638-0001-1	BANK CHARGES	124	914	3,300	(2,386)	27.71%
117	5639-0001-1	OUTSIDE SERVICES	161	3,390	2,400	990	141.23%
118	5640-0001-1	AUDITING	-	3,763	8,800	(5,037)	42.76%
119	5641-0001-1	TAX COLLECTION FEES	71	923	2,000	(1,077)	46.15%
120	5644-0001-1	TREASURER	598	1,410	10,000	(8,590)	14.10%
121	5644-0003-1	ACCOUNTING- SERRANO	2,494	21,858	22,000	(142)	99.35%
122	5645-0001-1	LEGAL	37,025	84,430	80,000	4,430	105.54%
123	5646-0001-1	COMPUTER CONSULTING	95	475	4,000	(3,525)	11.88%
124	5647-0001-1	ENGINEERING-WS	1,897	11,108	30,000	(18,892)	37.03%
125	5648-0001-1	LAFCO	-	11,144	18,000	(6,856)	61.91%
126	5650-0050-1	INSURANCE-AUTO & GEN LIABILITY	879	5,930	15,000	(9,070)	39.54%
127	5650-0051-1	INSURANCE-PROPERTY	176	1,229	5,000	(3,771)	24.59%
128	5650-0052-1	INSURANCE-EMP. FIDELITY BOND	18	123	500	(377)	24.67%
129	5670-0072-1	OFFICE EQUIPMENT R&M	9	33	300	(267)	11.15%
130	5680-0083-1	UTILITIES-DUMPSTER	25	286	1,500	(1,214)	19.09%
131	5680-0084-1	UTILITIES- THE GAS CO.- OFFICE	-	-	-	-	0.00%
132	5680-0085-1	UTILITIES- OFFICE- ELECT & WTR	124	1,604	3,500	(1,896)	45.82%
133	5686-0001-1	SECURITY	-	-	2,000	(2,000)	0.00%
134	5689-0001-1	ELECTION EXPENSE	-	-	25,000	(25,000)	0.00%
135	8910-0001-1	DEPRECIATION EXP.	-	-	-	-	0.00%
136	8955-0001-1	TRANS. TO WRCI-CAPITAL PROJECT	-	-	-	-	0.00%
137	8961-0001-1	TRANS TO CAPITAL PROJECTS	3,333	23,328	39,990	(16,663)	58.33%
138	8981-0001-1	TRANSFER TO (FROM) RESERVES	17,445	122,117	200,000	(77,883)	61.06%
139	9011-0001-1	MARKET VALUE ADJUST-INVESTMENT	-	-	-	-	0.00%
140	9011-0953-1	MARKET VALUE ADJUST-INVESTMENT	(3,364)	(4,833)	-	(4,833)	0.00%
141	9011-0957-1	MARKET VALUE ADJUST-INVESTMENT	-	-	-	-	0.00%
142		Total EXPENSES:	585,511	4,681,093	6,283,759	(1,602,665)	

## EAST ORANGE COUNTY WATER DISTRICT

FOR WHOLESALE  
MONTH: JANUARY 2014

ACCOUNT	DESCRIPTION	MONTHLY ACTUAL REVENUE	YTD ACTUAL REVENUE	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
143	NET INCOME FROM OPERATIONS:	(7,928)	247,223	(6,500)	253,723	
144	OTHER INCOME AND EXPENSE					
145	9510-0001-1 PRIOR YEARS INCOME (EXPENSES)	-	(4,030)	(500)	(4,530)	806.10%
146	Total OTHER INCOME AND EXPENSE	-	(4,030)	(500)	(4,530)	806.10%
147	NET INCOME (LOSS)	(7,928)	243,193	(7,000)	258,254	

# WHOLESALE ZONE CAPITAL PROJECTS

EAST ORANGE COUNTY WATER DISTRICT  
2013-2014 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
MONTH: JANUARY 2014

REVENUE						
DESCRIPTION	MONTHLY ACTUAL REVENUE	YTD ACTUAL REVENUE	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED	
1 FUNDS PROVIDED BY RESERVE	-	-	819,010	(819,010)	0.00%	
2 CAPITAL PROJECTS REVENUE	-	5,538	10,000	(4,463)	55.38%	
3 CONNECTION FEES	2,057	3,599	15,000	(11,401)	24.00%	
4 INTEREST EARNINGS	-	1	15,000	(14,999)	0.00%	
5 INTEREST RECEIVABLE- AMP SALE	3,333	23,328	39,990	(16,663)	58.33%	
6 TRANSFER FROM OPERATING EXPENSES	-	-	-	-	0.00%	
7 REIMBURSEMENT FOR STORM DAMAGE REPAIRS	-	-	-	-	0.00%	
8 REIMBURSEMENT FOR SECURITY UPGRADES	-	-	-	-	0.00%	
9 NET OPERATING INCOME	5,389	32,465	899,000	(866,535)		
EXPENSES						
DESCRIPTION	MONTHLY ACTUAL EXPENSES	YTD ACTUAL EXPENSES	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED	
10 CAPITAL PROJECTS EXPENSES	-	-	5,000	(5,000)	0.00%	
11 CAPITALIZED ACCOUNTING COSTS	-	74	11,000	(10,926)	0.67%	
12 METAL FLASHING AT PETERS CANYON RESERVOIR	-	-	9,000	(9,000)	0.00%	
13 SECURITY GATE AT 6 MG SITE-CONST	328	2,337	20,000	(17,663)	11.68%	
14 SECURITY SYSTEM AT PETERS CANYON RESERVOIR	-	25,240	36,000	(10,760)	70.11%	
15 BACKUP GENERATOR AT OC70 PUMP STATION	-	-	26,000	(26,000)	0.00%	
16 PIPELINE INSPECTIONS-ENGINEERING	-	1,000	75,000	(74,000)	1.33%	
17 BETTERMENT AND REPLACEMENT PLAN	7,497	21,251	190,000	(168,749)	11.18%	
18 6 MG RESERVOIR ROOF REPAIRS	-	-	50,000	(50,000)	0.00%	
19 6 MG RESERVOIR - LANDSCAPE/V-DITCH	-	-	11,000	(11,000)	0.00%	
20 SLURRY SEAL ASPHALT AROUND ANDRES & NEWPORT RESERVOIRS	-	-	26,000	(26,000)	0.00%	
21 CATHODIC PROTECTION - PIPELINES	-	347	13,000	(12,653)	2.67%	
22 MCPHERSON OFFICE/YARD IMPROVEMENTS	-	-	36,000	(36,000)	0.00%	
23 11.5 MG RESERVOIR CATHODIC PROTECTION SYSTEM	-	-	15,000	(15,000)	0.00%	
24 USED VEHICLE TO SUPPLEMENT FLEET	-	1,638	-	1,638	0.00%	
25 MOBILE ENGINE DRIVEN PUMP	-	-	255,000	(255,000)	0.00%	
26 NEW PROJECT - 6 MG TREATMENT PLANT FEASIBILITY STUDY	-	-	15,000	(15,000)	0.00%	
27 VULNERABILITY UPGRADES-ANDRES RESERVOIR	-	-	23,000	(23,000)	0.00%	
28 VALVE REPLACEMENTS (12" - 27")	-	-	25,000	(25,000)	0.00%	
29 REPLACE BACKHOE	-	-	31,000	(31,000)	0.00%	
30 NEW PROJECT - NEWPORT RESERVOIR MIXING SYSTEM	-	-	41,000	(41,000)	0.00%	
31 NEW PROJECT- ISOLATION VALVES - 11.5 & 1 MG	-	-	-	-	0.00%	
32 TOTAL OPERATING EXPENSE	7,824	51,886	913,000	(861,114)		
33 NET INCOME FROM OPERATIONS	(2,435)	(19,421)	(14,000)	(5,421)		
34 PRIOR YEARS INCOME (EXPENSES)	-	-	-	-		
35 NET INCOME (LOSS)	(2,435)	(19,421)	(14,000)	(5,421)		

## EAST ORANGE COUNTY WATER DISTRICT

FOR WHOLESALE  
MONTH: JANUARY 2014

ACCOUNT	DESCRIPTION	MONTHLY ACTUAL REVENUE	YTD ACTUAL REVENUE	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
<b>REVENUE</b>						
	FUNDED BY RESERVES	-	-	819,010	(819,010)	
1	4113-0001-1 CONNECTION FEES	-	5,538	10,000	(4,463)	55.38%
2	4914-0953-1 INTEREST- RAYMOND JAMES	-	-	15,000	(15,000)	0.00%
3	4916-0953-1 INTEREST-MORGAN STANLEY-CAP	-	-	-	-	0.00%
4	4917-0953-1 INTEREST-LAIF-CAP	2,057	3,599	-	3,599	0.00%
5	4918-0953-1 INTEREST-US TREASURY BOND	-	-	-	-	0.00%
6	4925-0001-1 INTEREST INCOME-AMP SALE	-	1	15,000	(14,999)	0.00%
7	4991-0010-1 REIMBURSEMENT- STORM DAMAGE	-	-	-	-	0.00%
8	4991-0011-1 REIMBURSEMENT-SECURITY UPGRAD	-	-	-	-	0.00%
9	4993-0953-1 TRANSFER FROM WS OPERATIONS	-	-	-	-	0.00%
10	Total NON OPERATING INCOME:	3,333	23,328	39,990	(16,663)	58.33%
11	Total OPERATING REVENUE	5,389	32,465	899,000	(866,534)	
12	NET OPERATING INCOME:	5,389	32,465	899,000	(866,534)	
<b>EXPENSES</b>						
13	7900-100C-1 CAPITALIZED ACCOUNTING COSTS	-	-	5,000	(5,000)	0.00%
14	7912-102C-1 METAL FLASHING AT PETERS CANYON RESERVOIR-CONSTRUCTION	-	-	10,000	(10,000)	0.00%
15	7912-102L-1 METAL FLASHING AT PETERS CANYON RESERVOIR-LABOR	-	74	1,000	(926)	7.37%
16	7912-103C-1 SECURITY GATE AT 6 MG SITE-CONST (WZ PORTION)(CARRYOVER)	-	-	8,000	(8,000)	0.00%
17	7912-103L-1 SECURITY GATE AT 6 MG SITE-LABOR (WZ PORTION)(CARRYOVER)	-	-	1,000	(1,000)	0.00%
18	7912-105C-1 SECURITY SYSTEM AT PETERS CANYON RESERVOIR-CONSTRUCTION	328	2,337	15,000	(12,663)	15.58%
19	7912-105L-1 SECURITY SYSTEM AT PETERS CANYON RESERVOIR-LABOR	-	-	5,000	(5,000)	0.00%
20	7912-107C-1 BACKUP GENERATOR AT OC70 PUMP STATION-CONST (CARRYOVER)	-	25,000	35,000	(10,000)	71.43%
21	7912-107L-1 BACKUP GENERATOR AT OC70 PUMP STATION-LABOR	-	240	1,000	(760)	24.05%
22	7912-110E-1 PIPELINE INSPECTIONS-ENGINEERING (CARRYOVER)	-	-	25,000	(25,000)	0.00%
23	7912-110L-1 PIPELINE INSPECTIONS-LABOR	-	-	1,000	(1,000)	0.00%
24	7912-201E-1 BETTERMENT AND REPLACEMENT PLAN-ENGINEERING (CARRYOVER)	-	1,000	75,000	(74,000)	1.33%
25	7913-102C-1 6 MG RESERVOIR ROOF REPAIRS-CONSTRUCTION	-	-	150,000	(150,000)	0.00%
26	7913-102E-1 6 MG RESERVOIR ROOF REPAIRS-ENGINEERING	7,497	21,198	30,000	(8,802)	70.66%
27	7913-102L-1 6 MG RESERVOIR ROOF REPAIRS-LABOR	-	53	10,000	(9,947)	0.53%
28	7913-104C-1 6 MG RESERVOIR - LANDSCAPE/V-DITCH-CONSTRUCTION	-	-	30,000	(30,000)	0.00%
29	7913-104E-1 6 MG RESERVOIR - LANDSCAPE/V-DITCH-ENGINEERING	-	-	5,000	(5,000)	0.00%
30	7913-104L-1 6 MG RESERVOIR - LANDSCAPE/V-DITCH-LABOR	-	-	15,000	(15,000)	0.00%
31	7913-105C-1 SLURRY SEAL ASPHALT AROUND ANDRES & NEWPORT RESERVOIRS-CONST.	-	-	10,000	(10,000)	0.00%
32	7913-105L-1 SLURRY SEAL ASPHALT AROUND ANDRES & NEWPORT RESERVOIRS-LABOR	-	-	1,000	(1,000)	0.00%
33	7913-106C-1 CATHODIC PROTECTION - PIPELINES-CONSTRUCTION	-	-	20,000	(20,000)	0.00%
34	7913-106E-1 CATHODIC PROTECTION - PIPELINES-ENGINEERING	-	-	5,000	(5,000)	0.00%
35	7913-106L-1 CATHODIC PROTECTION - PIPELINES-LABOR	-	-	1,000	(1,000)	0.00%
36	7913-201C-1 MCPHERSON OFFICE/YARD IMPROVEMENTS-CONSTRUCTION	-	347	10,000	(9,653)	3.47%
37	7913-201L-1 MCPHERSON OFFICE/YARD IMPROVEMENTS-LABOR	-	-	3,000	(3,000)	0.00%
38	7913-202C-1 11.5 MG RESERVOIR CATHODIC PROTECTION SYSTEM-CONSTRUCTION	-	-	25,000	(25,000)	0.00%
39	7913-202E-1 11.5 MG RESERVOIR CATHODIC PROTECTION SYSTEM-ENGINEERING	-	-	10,000	(10,000)	0.00%
40	7913-202L-1 11.5 MG RESERVOIR CATHODIC PROTECTION SYSTEM-LABOR	-	-	1,000	(1,000)	0.00%
41	7913-203C-1 USED VEHICLE TO SUPPLEMENT FLEET	-	-	15,000	(15,000)	0.00%
42	7913-204C-1 MOBILE ENGINE DRIVEN PUMP- CONST.	-	1,638	-	1,638	0.00%
43	7914-101E-1 NEW PROJECT - 6 MG TREATMENT PLANT FEASIBILITY STUDY-ENGINEERING	-	-	250,000	(250,000)	0.00%
44	7914-101L-1 NEW PROJECT - 6 MG TREATMENT PLANT -LABOR	-	-	5,000	(5,000)	0.00%
45	7914-102C-1 VULNERABILITY UPGRADES-ANDRES RESERVOIR-CONSTRUCTION	-	-	9,000	(9,000)	0.00%
46	7914-102E-1 VULNERABILITY UPGRADES-ANDRES RESERVOIR-ENGINEERING	-	-	5,000	(5,000)	0.00%
47	7914-102L-1 VULNERABILITY UPGRADES-ANDRES RESERVOIR-LABOR	-	-	1,000	(1,000)	0.00%
48	7914-103C-1 VALVE REPLACEMENTS (12" - 27")-CONSTRUCTION	-	-	12,000	(12,000)	0.00%
49	7914-103E-1 VALVE REPLACEMENTS (12" - 27")-ENGINEERING	-	-	5,000	(5,000)	0.00%
50	7914-103L-1 VALVE REPLACEMENTS (12" - 27")-LABOR	-	-	6,000	(6,000)	0.00%
51	7914-201C-2 REPLACE BACKHOE	-	-	25,000	(25,000)	0.00%
52	7914-xx1C-1 NEW PROJECT- CONTSTRUCTION - NEWPORT RESERVOIR MIXING SYSTEM	-	-	25,000	(25,000)	0.00%
53	7914-xx2C-1 NEW PROJECT- CONSTRUCTION - ISOLATION VALVES - 11.5 & 1 MG	-	-	30,000	(30,000)	0.00%
54	7914-xx1E-1 NEW PROJECT- ENGINEERING - NEWPORT RESERVOIR MIXING SYSTEM	-	-	5,000	(5,000)	0.00%
55	7914-xx2E-1 NEW PROJECT- ENGINEERING - ISOLATION VALVES - 11.5 & 1 MG RESERVOIRS	-	-	5,000	(5,000)	0.00%
56	7914-xx1L-1 NEW PROJECT- LABOR - NEWPORT RESERVOIR MIXING SYSTEM	-	-	1,000	(1,000)	0.00%
57	7914-xx2L-1 NEW PROJECT- LABOR- ISOLATION VALVES - 11.5 & 1 MG	-	-	6,000	(6,000)	0.00%
58	Total EXPENSES:	7,824	51,886	913,000	(861,114)	
59	NET INCOME FROM OPERATIONS:	(2,435)	(19,421)	(14,000)	(5,421)	
60	NET INCOME (LOSS)	(2,435)	(19,421)	(14,000)	(5,421)	

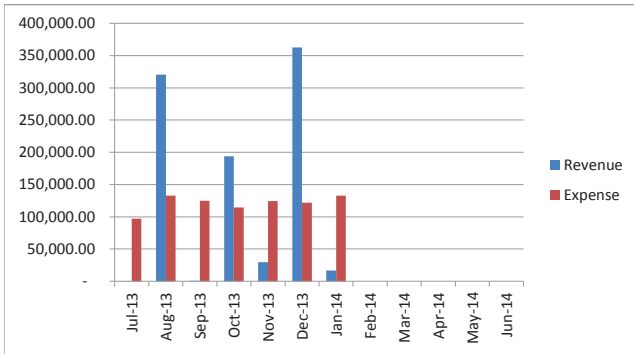
## Retail Zone Financial Summary

### For Period Ending January 31, 2014

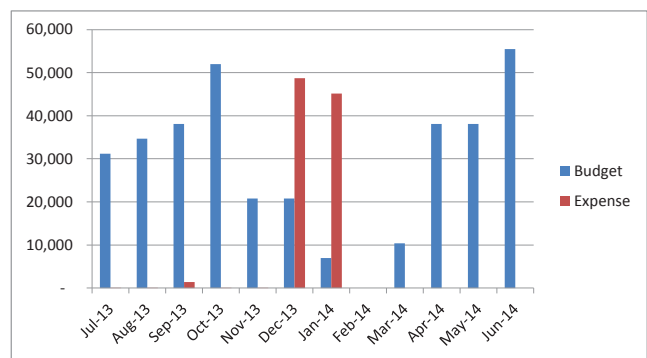
YTD Operating Income     \$            924,183

YTD Operating Expense     \$            848,465

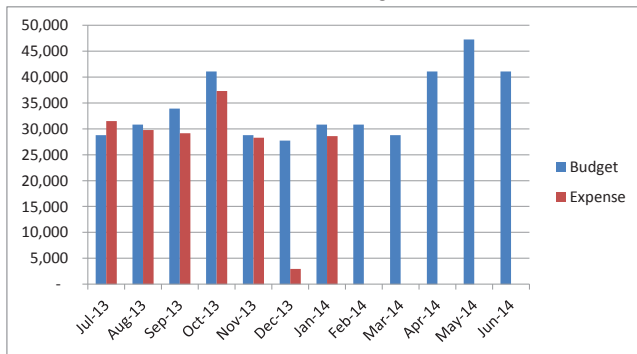
**Revenue vs Expenses**



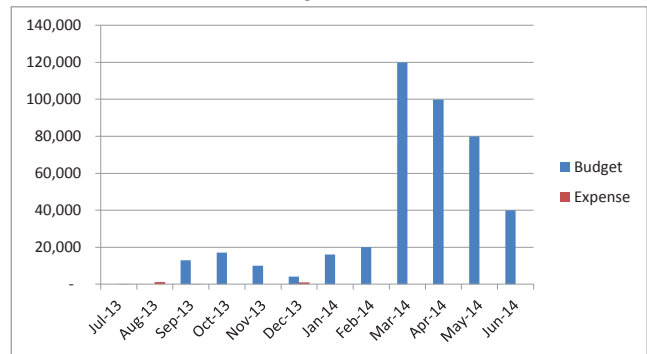
**Water Purchased Budget vs. Actual**



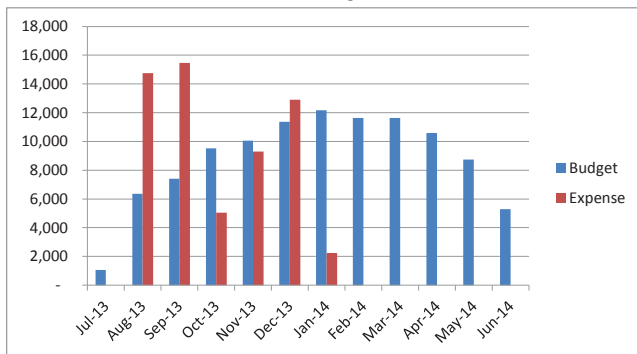
**Salaries & Benefits Budget vs. Actual**



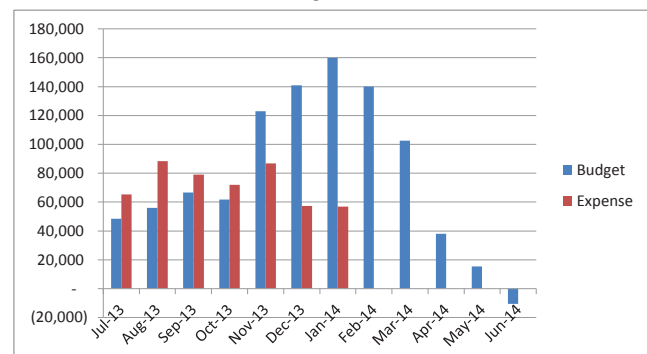
**CIP Budget vs. Actual**



**Electrical Budget vs. Actual**



**O&M Budget vs. Actual**



## RETAIL ZONE

EAST ORANGE COUNTY WATER DISTRICT  
2013-2014 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
MONTH: JANUARY 2014

REVENUE						
DESCRIPTION	MONTHLY ACTUAL REVENUE	YTD ACTUAL REVENUE	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED	
1 OPERATING REVENUE:						
2 WATER SALES	511	540,860	1,095,925	(555,065)	49.35%	
3 METER CHARGE	144	170,770	364,000	(193,230)	46.91%	
4 OTHER CHARGES	2,592	8,901	5,200	3,701	171.17%	
5 TOTAL OPERATING REVENUE:	3,247	720,531	1,465,125	(744,593)	49.18%	
6 NON-OPERATING REVENUES (EXPENSES):						
7 PROPERTY TAXES	12,854	203,052	361,200	(158,148)	56.22%	
8 INTEREST & INVESTMENT EARNINGS	393	599	440	159	136.04%	
9 MISCELLANEOUS INCOME	-	1	500	(499)	0.12%	
10 MARKET VALUE ADJUSTMENT ON INVESTMENTS	-	-	-	-	0.00%	
11 DISPOSAL OF ASSET GAIN (LOSS)	-	-	-	-	0.00%	
12 TOTAL NON-OPERATING REVENUES, NET	13,248	203,651	362,140	(158,489)		
13 NET OPERATING INCOME	16,494	924,183	1,827,265	(903,082)		

EXPENSES						
DESCRIPTION	MONTHLY ACTUAL EXPENSES	YTD ACTUAL EXPENSES	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED	
14 OPERATING EXPENSE:						
15 SOURCE OF SUPPLY	52,677	243,634	540,496	(296,862)	45.08%	
16 MET/MW/DOC FIXED CHARGE	846	5,924	10,156	(4,231)	58.33%	
17 WZ FIXED CHARGE	1,242	8,696	15,000	(6,304)	57.97%	
18 PIPELINE CAPACITY LEASE	2,724	19,071	44,000	(24,929)	43.34%	
19 ENERGY	2,555	58,095	101,750	(43,655)	57.10%	
20 OPERATIONS & MAINTENANCE	35,914	254,311	590,095	(335,784)	43.10%	
21 GENERAL & ADMINISTRATIVE	12,833	87,175	229,765	(142,590)	37.94%	
22 TRANSFER TO CAPITAL PROJECTS EXPENSE	14,508	101,558	174,100	(72,542)	58.33%	
23 RETAIL OPERATIONS CONTINGENCY FUND	5,833	40,833	70,000	(29,167)	58.33%	
24 FUNDED TO/BY RESERVE	4,167	29,167	50,000	(20,833)	58.33%	
25 DEPRECIATION & AMORTIZATION	-	-	-	-	0.00%	
26 TOTAL OPERATING EXPENSE	133,300	848,465	1,825,362	(976,897)		
27 NET INCOME FROM OPERATIONS	(116,805)	75,718	1,903	73,815		
28 PRIOR YEARS INCOME (EXPENSES)	-	(202)	(1,903)	1,701		
29 NET INCOME (LOSS)	(116,805)	75,919	-	75,516		



## Retail Zone

### January 2014 Variance Report - 58.3% of Budget Year Expended

Account Number	Account Name	Income(I) Expense (E)	YTD Amount	Percent Received/ Spent	Comments
<b><u>New</u></b>					
4115-0002-2	RETURNED CHECK CHARGE	I	552	110.38%	Returned checks are higher than expected
4116-0002-2	TURN OFF CHARGE	I	600	85.71%	Turn off charges are higher than expected
5313-0002-2	SMALL TOOLS	E	2,264	73.61%	Small tools are higher than budgeted currently but are not planned to go over budget.
<b><u>Ongoing</u></b>					
4112-0002-2	LATE CHARGE	I	7,749	86.10%	Late charges are higher than expected
4116-0002-2	TURN OFF CHARGE	I	600	85.71%	Turn off charges are higher than expected
4917-0002-2	INTEREST-LAIF-OP	I	590	589.92%	More LAIF Interest received than expected
5130-0070-2	WATER PURCHASED	E	95,568	27.57%	Purchased water is low due to the reliance on OCWD water
5146-0002-2	OCWD- REPLENISH ASSESSMENT	E	148,067	76.36%	OCWD water is high due to not using EOCWD purchased water
5324-0002-2	REGULATORY PERMITS	E	4,093	163.73%	Fees for the SWRCB were not budgeted
5339-0002-2	OPERATIONS REPORTING SOFTWARE	E	13,673	85.46%	There was one time Sedaru set up, configuration, training, and implementation costs
5345-0002-2	PRV- R & M	E	1,345	67.26%	One time expense related to Daniger fire pump installation
5350-0041-2	SERVICE LATERALS R&M	E	13,961	69.80%	Unplanned expense of \$.6K of asphalt repairs at various locations
5365-0002-2	EQUIPMENT RENTAL	E	8,504	4251.83%	Unplanned generator rental
5610-0009-2	MCPHERSON FAX	E	160	78.22%	Underbudgeted
5610-0015-2	MCPHERSON OFFICE PHONES	E	1,217	76.04%	Underbudgeted
5618-0031-2	DUES & MEMBERSHIPS- AWWA	E	207	75.09%	These are one time dues paid at the beginning of the year
5638-0002-2	BANK CHARGES	E	3,750	93.74%	Bank charges are higher than expected
5644-0003-2	ACCOUNTING- SERRANO	E	21,857	93.01%	Unplanned accounting consultant expenses

	ACCOUNT	DESCRIPTION	MONTHLY ACTUAL REVENUE	YTD ACTUAL REVENUE	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
	REVENUE						
1	4110-0002-2	WATER SALES	511	540,860	1,095,925	(555,065)	49.35%
2	4111-0002-2	METER CHARGE	144	170,770	364,000	(193,230)	46.91%
3	4112-0002-2	LATE CHARGE	2,100	7,749	9,000	(1,251)	86.10%
4	4115-0002-2	RETURNED CHECK CHARGE	492	552	500	52	110.38%
5	4116-0002-2	TURN OFF CHARGE	-	600	700	(100)	85.71%
6	4117-0002-2	OTHER CHARGES	-	-	-	-	0.00%
7	4118-0002-2	UNCOLLECTIBLE ACCOUNTS	-	-	(5,000)	5,000	0.00%
8	4121-0002-2	TURN ON NEW SERVICE	-	-	-	-	0.00%
9	4160-0065-2	REFUNDS	-	-	-	-	0.00%
10	4166-0002-2	SERVICE UPGRADE FEE	-	-	-	-	0.00%
11		Total OPERATING REVENUE:	3,247	720,531	1,465,125	(744,593)	
12	4915-0002-2	INTEREST INCOME-MM	-	9	40	(31)	21.65%
13	4916-0002-2	INTEREST-MORGAN STANLEY-OP	-	-	-	-	0.00%
14	4917-0002-2	INTEREST-LAIF-OP	393	590	100	490	589.92%
15	4918-0002-2	INTEREST- US TREASURY BOND	-	-	200	(200)	0.00%
16	4922-0002-2	INTEREST INCOME-CTY OF ORANGE	-	-	100	(100)	0.00%
17	4930-0030-2	TAXES SECURED	12,496	186,368	315,000	(128,632)	59.16%
18	4930-0031-2	TAXES UNSECURED	-	10,119	13,000	(2,881)	77.84%
19	4930-0032-2	TAXES SUPPLEMENTAL ROLL	169	3,348	2,200	1,148	152.20%
20	4930-0040-2	TAXES PRIOR YEARS	189	3,217	8,000	(4,783)	40.22%
21	4930-0052-2	TAXES HOMEOWNER'S SUBVENTION	-	-	3,000	(3,000)	0.00%
22	4930-0054-2	TAXES PUBLIC UTILITY	-	-	5,000	(5,000)	0.00%
23	4930-0055-2	TAXES TUSTIN RDA	-	-	20,000	(20,000)	0.00%
24	4930-0056-2	TAXES MISC	-	-	-	-	0.00%
25	4930-0057-2	TAXES ACCRUED	-	-	(5,000)	5,000	0.00%
26	4930-0058-2	STATE TAXES CONFISCATED	-	-	-	-	0.00%
27	4930-0059-2	PROCEEDS IN-LIEU TAXES	-	-	-	-	0.00%
28	4990-0002-2	MISCELLANEOUS INCOME	-	1	500	(499)	0.12%
29		Total NON OPERATING INCOME:	13,248	203,651	362,140	(158,489)	
30		Total OPERATING REVENUE	16,494	924,183	1,827,265	(903,082)	
31		NET OPERATING INCOME:	16,494	924,183	1,827,265	(903,082)	

**EXPENSES**

32	5130-0070-2	WATER PURCHASED	45,161	95,568	346,596	(251,028)	27.57%
33	5139-0002-2	WATER PURCHASED IN-LIEU	-	-	-	-	0.00%
34	5141-0002-2	WATER PURCHASED IN LIEU CREDIT	-	-	-	-	0.00%
35	5146-0002-2	OCWD- REPLENISH ASSESSMENT	7,515	148,067	193,900	(45,833)	76.36%
36	5161-0002-2	MET-MWDOC READINESS TO SERVE	1,999	13,996	27,500	(13,504)	50.89%
37	5163-0002-2	MET-MWDOC CAPACITY FEES	725	5,075	16,500	(11,425)	30.76%
38	5164-0002-2	MWDOC RETAIL SERVICE CONNECT	846	5,924	10,156	(4,231)	58.33%
39	5165-0010-2	EOCWD WR READINESS TO SERVE	247	1,728	3,000	(1,272)	57.60%
40	5165-0020-2	EOCWD WR RESERVE FUND CHARGE	995	6,968	12,000	(5,032)	58.06%
41	5206-0002-2	UTILITY STOLLER RESERVOIR	2,074	26,045	45,000	(18,955)	57.88%
42	5212-0002-2	UTILITY VISTA PANORAMA BOOSTER	163	3,441	6,750	(3,309)	50.98%
43	5216-0002-2	ULILITIES- WELLS- EAST/WEST	318	28,610	50,000	(21,390)	57.22%
44	5313-0002-2	SMALL TOOLS	468	2,264	3,075	(812)	73.61%
45	5320-0002-2	GASOLINE, OIL & DIES-RZ	-	-	-	-	0.00%
46	5320-0022-2	GASOLINE, OIL & DIESEL FUEL	699	4,174	9,020	(4,846)	46.28%
47	5324-0002-2	REGULATORY PERMITS	662	4,093	2,500	1,593	163.73%
48	5326-0002-2	NPDS PERMIT	-	-	-	-	0.00%
49	5327-0002-2	PROF SERV WATER QUAL. CONTROL	531	3,471	20,000	(16,529)	17.36%
50	5328-0002-2	CHLORINE GENERATOR/SALT PURCH	-	917	2,700	(1,783)	33.95%
51	5329-0002-2	WEST WELL MAINTENANCE	-	128	3,250	(3,122)	3.93%
52	5330-0002-2	EAST WELL MAINTENANCE	-	263	3,250	(2,987)	8.09%
53	5331-0002-2	STOLLER RESERVOIR/BOOSTER R&M	-	-	6,000	(6,000)	0.00%
54	5332-0002-2	VISTA PANORAMA BOOSTER R&M	-	279	4,200	(3,921)	6.65%
55	5333-0002-2	R&M VISTA PANORAMA RESERVOIR	-	-	5,300	(5,300)	0.00%
56	5334-0002-2	CHLORINE GENERATOR	87	87	3,000	(2,913)	2.90%
57	5338-0002-2	SCADA REPAIR/UPGRADE	121	121	2,100	(1,979)	5.78%
58	5339-0002-2	OPERATIONS REPORTING SOFTWARE	1,317	13,673	16,000	(2,327)	85.46%

## EAST ORANGE COUNTY WATER DISTRICT

FOR RETAIL  
MONTH: JANUARY 2014

	ACCOUNT	DESCRIPTION	MONTHLY ACTUAL REVENUE	YTD ACTUAL REVENUE	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
59	5342-0002-2	HYDRANT REPAIR & REPLACEMENTS	-	78	16,100	(16,022)	0.49%
60	5343-0002-2	METER PURCHASE REPAIR	603	2,889	9,200	(6,311)	31.40%
61	5345-0002-2	PRV- R & M	-	1,345	2,000	(655)	67.26%
62	5350-0035-2	R/M- MAINS	27	3,431	23,000	(19,569)	14.92%
63	5350-0039-2	DAMAGE REPAIR- CAL EMA	-	-	-	-	0.00%
64	5350-0041-2	SERVICE LATERALS R&M	1,135	13,961	20,000	(6,039)	69.80%
65	5350-0051-2	RESERVOIRS R&M	1	748	2,000	(1,252)	37.38%
66	5350-0052-2	R/M- VAULTS	-	-	1,500	(1,500)	23.51%
67	5350-0402-2	R/M- CATHODIC PROTECTION	437	3,057	13,000	(9,943)	23.51%
68	5358-0002-2	METER TESTING	-	210	1,000	(790)	21.00%
69	5365-0002-2	EQUIPMENT RENTAL	945	8,504	200	8,304	4251.83%
70	5370-0070-2	BACKHOE R&M	-	63	3,500	(3,437)	1.79%
71	5370-0071-2	VEHICLES R&M	273	1,737	3,100	(1,363)	56.04%
72	5370-0080-2	BUILDING/GROUNDS R&M	-	1,193	4,000	(2,807)	29.83%
73	5467-0002-2	WAGES	15,883	116,811	255,000	(138,189)	45.81%
74	5469-0069-2	PAYROLL TAXES- FICA & MEDICARE	1,305	9,461	22,000	(12,539)	43.00%
75	5469-0083-2	RETIREMENT- PERS	2,044	14,754	51,100	(36,346)	28.87%
76	5480-0070-2	PAYROLL TAXES- SUI & ETT	506	665	1,000	(335)	66.54%
77	5480-0072-2	HEALTH & ACCIDENT INSURANCE	7,557	38,087	60,000	(21,913)	63.48%
78	5480-0075-2	DENTAL INSURANCE	573	2,875	5,000	(2,125)	57.50%
79	5480-0076-2	VISION INSURANCE	107	547	1,200	(653)	45.60%
80	5480-0080-2	LIFE INSURANCE	67	431	800	(369)	53.87%
81	5480-0082-2	WORKER'S COMP INSURANCE	437	3,057	13,000	(9,943)	23.51%
82	5486-0002-2	UNIFORMS	130	937	2,000	(1,063)	46.86%
83	5607-0002-2	DISTRICT WEBSITE	-	460	3,000	(2,540)	15.32%
84	5610-0009-2	MCPHERSON FAX	23	160	205	(45)	78.22%
85	5610-0010-2	MCPHERSON INTERNET	49	340	525	(185)	64.68%
86	5610-0015-2	MCPHERSON OFFICE PHONES	188	1,217	1,600	(383)	76.04%
87	5610-0016-2	ANSWERING SERVICE	16	140	250	(110)	56.14%
88	5610-0017-2	PHONE CIRCUITS TO CTRL EQUIP	191	1,545	3,000	(1,455)	51.49%
89	5610-0019-2	CELLPHONES	168	974	1,550	(576)	62.81%
90	5610-0020-2	UNDERGROUND SERVICE ALERT	34	201	400	(199)	50.25%
91	5611-0002-2	TRAINING/SCHOOLS	-	289	2,000	(1,711)	14.46%
92	5613-0002-2	CONSERVATION EDUCATION	-	244	4,000	(3,756)	6.10%
93	5614-0002-2	TRAVEL-CONF/SEMINARS	300	1,491	5,000	(3,509)	29.81%
94	5616-0002-2	MILEAGE	10	267	500	(233)	53.44%
95	5618-0029-2	DUES & MEMBERSHIPS- ACWA	-	1,535	3,500	(1,965)	43.85%
96	5618-0030-2	DUES & MEMBERSHIPS- OCWA	25	25	75	(50)	33.33%
97	5618-0031-2	DUES & MEMBERSHIPS- AWWA	-	207	275	(69)	75.09%
98	5618-0032-2	DUES & MEMBERSHIP- FCA	-	-	10	(10)	0.00%
99	5618-0033-2	DUES & MEMBERSHIP-CSDA	-	2,095	3,500	(1,405)	59.85%
100	5618-0037-2	DUES- ISDOC/URBAN WTR	117	367	900	(533)	40.78%
101	5619-0002-2	MISCELLANEOUS EXP	-	15	500	(485)	3.07%
102	5620-0021-2	DIRECTOR- R. BARRETT	175	613	2,500	(1,888)	24.50%
103	5620-0022-2	DIRECTOR- W. VANDERWERFF	425	2,988	6,000	(3,013)	49.79%
104	5620-0023-2	DIRECTOR- D. CHAPMAN	-	-	-	-	0.00%
105	5620-0024-2	DIRECTOR- J. DULEBOHN	175	925	3,600	(2,675)	25.69%
106	5620-0026-2	DIRECTOR- R. BELL	300	1,425	3,600	(2,175)	39.58%
107	5620-0027-1	DIRECTOR- D. DAVERT	-	-	-	-	0.00%
108	5621-0002-2	BOARD MEETING EXPENSE	58	531	1,000	(469)	53.10%
109	5632-0002-2	POSTAGE	198	1,974	6,000	(4,026)	32.90%
110	5633-0002-2	OFFICE SUPPLY/FURN/SMALL EQUIP	256	2,543	6,500	(3,957)	39.12%
111	5634-0002-2	PUBLICATIONS & LEGAL NOTICES	-	295	7,550	(7,255)	3.90%
112	5635-0002-2	COPIER CONTRACT	20	143	550	(407)	25.96%
113	5636-0002-2	VERSATERM CONTRACT (RZ BILLS)	-	2,269	3,000	(731)	75.62%
114	5638-0002-2	BANK CHARGES	281	3,750	4,000	(250)	93.74%
115	5639-0002-2	OUTSIDE SERVICES	161	3,619	6,000	(2,381)	60.32%
116	5640-0002-2	AUDITING	-	3,337	8,200	(4,863)	40.70%
117	5641-0002-2	TAX COLLECTION FEES	42	528	4,000	(3,472)	13.19%
118	5642-0002-2	COMPUTER BILLING (RZ BILLS)	-	3,471	7,000	(3,529)	49.59%
119	5644-0002-2	TREASURER	598	1,410	10,250	(8,840)	13.75%
120	5644-0003-2	ACCOUNTING- SERRANO	2,494	21,857	23,500	(1,643)	93.01%
121	5645-0002-2	LEGAL	3,628	7,056	20,000	(12,945)	35.28%
122	5646-0002-2	COMPUTER CONSULTING	95	475	10,000	(9,525)	4.75%
123	5647-0002-2	ENGINEERING-RZ	1,897	6,945	45,000	(38,056)	15.43%
124	5648-0002-2	LAFCO	-	2,446	5,000	(2,554)	48.93%
125	5650-0050-2	INSURANCE-AUTO & GEN LIABILITY	611	4,121	7,500	(3,379)	54.95%

	ACCOUNT	DESCRIPTION	MONTHLY ACTUAL REVENUE	YTD ACTUAL REVENUE	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
126	5650-0051-2	INSURANCE-PROPERTY	122	854	1,675	(821)	51.00%
127	5650-0052-2	INSURANCE-EMP. FIDELITY BOND	16	109	150	(41)	72.94%
128	5670-0072-2	OFFICE EQUIPMENT R&M	9	33	300	(267)	11.14%
129	5680-0083-2	UTILITIES-DUMPSTER	25	286	1,000	(714)	28.63%
130	5680-0084-2	UTILITIES- THE GAS CO.- OFFICE	-	-	-	-	0.00%
131	5680-0085-2	UTILITIES- OFFICE- ELECT & WTR	125	1,604	4,100	(2,496)	39.11%
132	5686-0002-2	SECURITY	-	-	1,000	(1,000)	0.00%
133	5689-0002-2	ELECTION EXPENSE	-	-	-	-	0.00%
134	5912-0002-2	INTEREST EXPENSE DWR	-	-	-	-	0.00%
135	8900-0002-2	DISPOSAL OF ASSET GAIN (LOSS)	-	-	-	-	0.00%
136	8910-0002-2	DEPRECIATION EXP.	-	-	-	-	0.00%
137	8920-0959-2	PRIOR YEAR ADJUSTMENTS	-	-	-	-	0.00%
138	8960-0002-2	TRANS TO CAPITAL PROJECT AF	-	-	-	-	0.00%
139	8961-0002-2	TRANS TO CAPITAL PROJECTS	14,508	101,558	174,100	(72,542)	58.33%
140	8975-0002-2	RZ- CONTINGENCY FUND	5,833	40,833	70,000	(29,167)	58.33%
141	8996-0002-2	FUNDED TO/BY RESERVE-RZ	4,167	29,167	50,000	(20,833)	58.33%
142	9011-0002-2	MARKET VALUE ADJUST-INVESTMENT	-	-	-	-	0.00%
143		TOTAL OPERATING EXPENSES:	133,300	848,465	1,825,362	(976,897)	
144		NET INCOME FROM OPERATIONS:	(116,805)	75,718	1,903	73,815	
145	9510-0002-2	PRIOR YEARS INCOME (EXPENSES)	-	(202)	(1,903)	1,701	0.00%
146	9510-0959-2	PRIOR YEARS INCOME (EXPENSES)	-	-	-	-	0.00%
147		Total OTHER INCOME AND EXPENSES	-	(202)	(1,903)	1,701	
148		NET INCOME (LOSS)	(116,805)	75,919	-	75,516	

## RETAIL ZONE CAPITAL PROJECTS

EAST ORANGE COUNTY WATER DISTRICT  
2013-2014 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
MONTH: JANUARY 2014

REVENUE						
DESCRIPTION	MONTHLY ACTUAL REVENUE	YTD ACTUAL REVENUE	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED	
1 FUNDS PROVIDED BY RESERVE	-	-	213,650	(213,650)	0.00%	
2 CAPITAL PROJECTS REVENUE	75	136,678	288,000	(151,322)	47.46%	
3 CAPITAL PROJECTS FEES	-	500	-	500	0.00%	
4 CONNECTION FEES	3	4	-	4	0.00%	
5 INTEREST EARNINGS	14,508	101,558	174,100	(72,542)	58.33%	
6 TRANSFER FROM OPERATING EXPENSES	-	-	-	-	0.00%	
7 FUNDS BORROWED FROM WHOLESALZ ZONE	-	-	-	-	0.00%	
8 REIMBURSEMENT - RZ BILL RATE STUDY	-	-	-	-	0.00%	
9 NET OPERATING INCOME	14,586	238,740	675,750	(437,010)		
EXPENSES						
DESCRIPTION	MONTHLY ACTUAL EXPENSES	YTD ACTUAL EXPENSES	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED	
10 CAPITAL PROJECTS EXPENSES	-	-	5,000	5,000	0.00%	
11 RZ CAPITALIZED ACCOUNTING COST	-	1,000	70,500	69,500	1.42%	
12 BETTERMENT & REPLACEMENT PLAN	-	347	15,000	14,653	2.31%	
13 MCPHERSON OFFICE/YARD IMPROVE-	-	-	5,500	5,500	0.00%	
14 CATHODIC PROTECTIONS-	-	-	15,000	15,000	0.00%	
15 USED VEHICLE TO SUPPLEMENT FLEET	-	1,638	-	(1,638)	0.00%	
16 MOBILE ENGINE DRIVEN PUMP	-	-	-	-	0.00%	
17 MCPHERSON HOUSE REMODEL	-	-	-	-	0.00%	
18 VIEW RIDGE MODIFICATION-	-	-	-	-	0.00%	
19 VP VAULT PIPING/METER UPGRADE-	-	-	27,000	27,000	0.00%	
20 VISTA PANORAMA RESERVOIR REPAIR-	-	(720)	85,000	85,720	-0.85%	
21 VP PUMP REBUILD-	-	-	5,250	5,250	0.00%	
22 VALVE RAISING-CRAWFORD CANYON-	-	-	13,000	13,000	0.00%	
23 VALVE REPLACEMENTS- SYSTEM	-	-	20,000	20,000	0.00%	
24 ALLOW FOR SYSTEM RELOCATION-	-	-	12,000	12,000	0.00%	
25 BACKUP GENERATOR FOR VP BOOSTER-	-	26	-	(26)	0.00%	
26 6" MAG METERS @ STOLLER PRVS-	-	-	15,000	15,000	0.00%	
27 STOLLER 150HP BOOSTER PUMP -	-	-	37,000	37,000	0.00%	
28 REPLACE BACKHOE-	-	-	25,000	25,000	0.00%	
29 BACKUP SYSTEM PRV - CIRCULA PANORAMA-	-	-	50,000	50,000	0.00%	
30 JOINT WELL - ENGINEERING	-	-	105,000	105,000	0.00%	
31 WELL DISINFECTION CONVERSION -	-	-	57,500	57,500	0.00%	
32 WEST WELL REHABILITATION -REPLACEMENT-	-	-	72,000	72,000	0.00%	
33 CHARMAINE / FOWLER PIPING MODIFICATION -	-	-	26,000	26,000	0.00%	
34 SCADA SYSTEM SITE ADDITIONS - VP SIDEHILL AND RZ FIRE PUMP	-	-	15,000	15,000	0.00%	
35 TOTAL OPERATING EXPENSE	-	2,291	675,750	673,459		
36 NET INCOME FROM OPERATIONS	14,586	236,449	-	236,449		
37 PRIOR YEARS EXPENSES	-	-	-	-		
38 NET INCOME (LOSS)	14,586	236,449	-	236,449		

## EAST ORANGE COUNTY WATER DISTRICT

FOR RETAIL  
MONTH: JANUARY 2014

ACCOUNT DESCRIPTION	MONTHLY ACTUAL REVENUE	YTD ACTUAL REVENUE	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
<b>REVENUE</b>					
1 FUNDED BY RESERVES	-	-	213,650	(213,650)	
2 4109-0002-2 WATER SALES-CAPITAL PROJECTS	75	136,678	288,000	(151,322)	47.46%
3 4113-0002-2 CONNECTION FEES	-	500	-	500	0.00%
4 4915-0959-2 INTEREST INCOME- CHAPMAN AVE	-	-	-	-	0.00%
5 4916-0959-2 INTEREST-MORGAN STANLEY-CAP	-	-	-	-	0.00%
6 4917-0959-2 INTEREST-LAIF-CAP	3	4	-	4	0.00%
7 4918-0959-2 INTEREST US TREASURY BOND	-	-	-	-	0.00%
8 4991-0012-2 REIMBURSEMENT- RZ BILL RATE STUDY	-	-	-	-	0.00%
9 4994-0959-2 TRANSFER IN CAPITAL PROJECTS	14,508	101,558	174,100	(72,542)	58.33%
10 Total NON OPERATING INCOME:	14,586	238,740	675,750	(437,010)	
11 Total OPERATING REVENUE	14,586	238,740	675,750	(437,010)	
12 NET OPERATING INCOME:	14,586	238,740	675,750	(437,010)	

**EXPENSES**

13 7900-100C-2 RZ CAPITALIZED ACCOUNTING COST	-	-	5,000	(5,000)	0.00%
14 7912-201E-2 BETTERMENT & REPLACEMENT PLAN	-	1,000	70,000	(69,000)	1.43%
15 7912-201L-2 BETTERMENT & REPLACEMENT PLAN	-	-	500	(500)	0.00%
16 7913-201C-2 MCPHERSON OFFICE/YARD IMPROVE-CONST.	-	347	10,000	(9,653)	3.47%
17 7913-201L-2 MCPHERSON OFFICE/YARD IMPROVE-LABOR	-	-	5,000	(5,000)	0.00%
18 7913-202C-2 CATHODIC PROTECTIONS-CONST.	-	-	5,000	(5,000)	0.00%
19 7913-202L-2 CATHODIC PROTECTION-LABOR	-	-	500	(500)	0.00%
20 7913-203C-2 USED VEHICLE TO SUPPLEMENT FLEET	-	-	15,000	(15,000)	0.00%
21 7913-204C-2 MOBILE ENGINE DRIVEN PUMP	-	1,638	-	1,638	0.00%
22 7913-204L-2 MOBILE ENGINE DRIVEN PUMP LABOR	-	-	-	-	0.00%
23 7913-205C-2 MCPHERSON HOUSE REMODEL	-	-	-	-	0.00%
24 7913-501C-2 VIEW RIDGE MODIFICATION-CONST.	-	-	-	-	0.00%
25 7913-503C-2 VP VAULT PIPING/METER UPGRADE-CONST.	-	-	20,000	(20,000)	0.00%
26 7913-503E-2 VP VAULT PIPING/METER UPGRADE-ENG.	-	-	5,000	(5,000)	0.00%
27 7913-503L-2 VP VAULT PIPING/METER UPGRADE-LABOR	-	-	2,000	(2,000)	0.00%
28 7913-504C-2 VISTA PANORAMA RESERVOIR REPAIR-CONST.	-	(720)	65,000	(65,720)	-1.11%
29 7913-504E-2 VISTA PANORAMA RESERVOIR REPAIR-ENG.	-	-	15,000	(15,000)	0.00%
30 7913-504L-2 VISTA PANORAMA RESERVOIR REPAIR-LABOR	-	-	5,000	(5,000)	0.00%
31 7913-505C-2 VP PUMP REBUILD-CONST.	-	-	5,000	(5,000)	0.00%
32 7913-505L-2 VP PUMP REBUILD-LABOR	-	-	250	(250)	0.00%
33 7913-507C-2 VALVE RAISING-CRAWFORD CANYON-CONST.	-	-	12,000	(12,000)	0.00%
34 7913-507E-2 VALVE RAISING-CRAWFORD CANYON-ENG.	-	-	500	(500)	0.00%
35 7913-507L-2 VALVE RAISING-CRAWFORD CANYON-LABOR	-	-	500	(500)	0.00%
36 7913-508C-2 VALVE REPLACEMENTS- SYSTEM CONST.	-	-	15,000	(15,000)	0.00%
37 7913-508L-2 VALVE REPLACEMENTS- SYSTEM LABOR	-	-	5,000	(5,000)	0.00%
38 7913-509C-2 ALLOW FOR SYSTEM RELOCATION-CONST.	-	-	10,000	(10,000)	0.00%
39 7913-509E-2 ALLOW FOR SYSTEM RELOCATION-ENG.	-	-	2,000	(2,000)	0.00%
40 7913-510C-2 BACKUP GENERATOR FOR VP BOOSTER-CONST.	-	26	-	26	0.00%
41 7913-510L-2 BACKUP GENERATOR FOR VP BOOSTER-LABOR	-	-	-	-	0.00%
42 7913-511C-2 6" MAG METERS @ STOLLER PRVS-CONST.	-	-	10,000	(10,000)	0.00%
43 7913-511L-2 6" MAG METERS @ STOLLER PRVS-LABOR	-	-	5,000	(5,000)	0.00%
44 7913-512C-2 STOLLER 150HP BOOSTER PUMP - CONSTRUCTION	-	-	35,000	(35,000)	0.00%
45 7913-512E-2 STOLLER 150HP BOOSTER PUMP - ENGINEERING	-	-	1,000	(1,000)	0.00%
46 7913-512L-2 STOLLER 150HP BOOSTER - LABOR	-	-	1,000	(1,000)	0.00%
47 7914-201C-2 REPLACE BACKHOE-CONSTRUCTION	-	-	25,000	(25,000)	0.00%
48 7914-503C-2 BACKUP SYSTEM PRV - CIRCULA PANORAMA-CONSTRUCTION	-	-	30,000	(30,000)	0.00%

## EAST ORANGE COUNTY WATER DISTRICT

FOR RETAIL  
MONTH: JANUARY 2014

		MONTHLY ACTUAL REVENUE	YTD ACTUAL REVENUE	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
ACCOUNT	DESCRIPTION					
49	7914-503E-2 BACKUP SYSTEM PRV - CIRCULA PANORAMA-ENGINEERING	-	-	10,000	(10,000)	0.00%
50	7914-503L-2 BACKUP SYSTEM PRV - CIRCULA PANORAMA-LABOR	-	-	10,000	(10,000)	0.00%
51	7914-507E-2 JOINT WELL - ENGINEERING	-	-	100,000	(100,000)	0.00%
52	7914-507L-2 JOINT WELL - LABOR	-	-	5,000	(5,000)	0.00%
53	7914-508C-2 WELL DISINFECTION CONVERSION -CONST/EQUIP	-	-	45,000	(45,000)	0.00%
54	7914-508E-2 WELL DISINFECTION CONVERSION-ENGINEERING	-	-	10,000	(10,000)	0.00%
55	7914-508L-2 WELL DISINFECTION CONVERSION - LABOR	-	-	2,500	(2,500)	0.00%
56	7914-509C-2 WEST WELL REHABILITATION -REPLACEMENT-CONSTRUCTION	-	-	70,000	(70,000)	0.00%
57	7914-509L-2 WEST WELL REHABILITATION -REPLACEMENT-LABOR	-	-	2,000	(2,000)	0.00%
58	7914-515C-2 CHARMAINE / FOWLER PIPING MODIFICATION - CONST	-	-	5,000	(5,000)	0.00%
59	7914-515E-2 CHARMAINE / FOWLER PIPING MODIFICATION - ENG	-	-	2,000	(2,000)	0.00%
60	7914-515L-2 CHARMAINE / FOWLER PIPING MODIFICATION - LABOR	-	-	7,000	(7,000)	0.00%
61	7912-201C-2 MCPHERSON OFFICE/YARD IMPROVEMENTS	-	-	10,000	(10,000)	0.00%
62	7913-509L-2 ALLOW FOR SYSTEM RELOCATION-LABOR.	-	-	2,000	(2,000)	0.00%
63	7914-540E-2 SCADA SYSTEM SITE ADDITIONS - VP SIDEHILL AND RZ FIRE PUMP	-	-	15,000	(15,000)	0.00%
64	TOTAL OPERATING EXPENSES:	-	2,291	675,750	(673,459)	
65	Net Income (Loss):	14,586	236,449	-	236,449	





# MEMO

**TO:** BOARD OF DIRECTORS  
**FROM:** GENERAL MANAGER  
**SUBJECT:** ANNUAL INVESTMENT POLICY REVIEW  
**DATE:** FEBRUARY 27, 2014

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## **Background**

The District's Investment Policy requires that the Policy be reviewed annually, and that after such review, the Policy (and any changes if desired) be submitted to the Board for approval. The current Investment Policy was adopted on January 17, 2013.

No changes are proposed to the current investment policy. This policy was reviewed by the Finance Committee and is recommended for adoption by the Board.

## **Recommendation**

The Board approve Resolution No. \_\_\_\_ approving the Investment policy and authorizing the Treasurer to invest funds.

**APPROVING INVESTMENT POLICY AND  
AUTHORIZING THE TREASURER TO INVEST FUNDS**

WHEREAS, the Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern (Government Code Section 53600.6); and

WHEREAS, the legislative body of a local agency may invest monies not required for the immediate necessities of the local agency in accordance with the provisions of Government Code Sections 5921 and 53600 *et seq.*; and

WHEREAS, the treasurer/chief fiscal officer of the East Orange County Water District is permitted by Government Code Section 53646 to annually render to the Board of Directors a statement of investment policy, for consideration by the Board at a public meeting; and

WHEREAS, Government Code Section 53607 permits the Board of Directors to delegate to the treasurer the Board's authority to invest or reinvest funds of the District or sell or exchange securities so purchased, limits the delegation to a one-year period, allows renewal by the Board on an annual basis and establishes a requirement for monthly reporting of the transactions by the Treasurer to the Board, and Government Code Section 53608 permits the Board to delegate to the treasurer the Board's authority to deposit for safekeeping the bonds, notes, bills, debentures, obligations, certificates of indebtedness, warrants or other evidences of indebtedness in which money of the District is invested;

NOW, THEREFORE, the Board of Directors of the East Orange County Water District DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. The Investment Policy of the East Orange County Water District is hereby approved in the form presented to the Board of Directors by the Treasurer. This policy shall remain in effect until it is amended or superseded by a subsequently adopted policy.

Section 2. The authority of the Board of Directors to invest or reinvest funds of the District, sell or exchange securities so purchased, and deposit for safekeeping the bonds, notes, bills, debentures, obligations, certificates of indebtedness, warrants or other evidences of instruments in which money of the District is invested, subject to the requirements of the Investment Policy approved hereby, is hereby delegated to the Treasurer of the District. This delegation shall remain in effect until it is revoked or is superseded by a subsequent delegation.

ADOPTED, SIGNED AND APPROVED this 27<sup>th</sup> day of February, 2014.

\_\_\_\_\_  
President  
EAST ORANGE COUNTY WATER DISTRICT  
and of the Board of Directors  
thereof

\_\_\_\_\_  
Secretary

COUNTY OF ORANGE )  
I, JOAN C. ARNESON, Secretary of the Board of Directors of the EAST ORANGE  
COUNTY WATER DISTRICT, do hereby certify that the foregoing Resolution No. \_\_\_\_ was  
duly adopted by the Board of Directors of said District at an adjourned Regular Meeting of said  
District held on February 27, 2014, and that it was so adopted by the following vote:

AYES: BELL, DAVERT, DULEBOHN, VANDERWERFF

NOES: NONE

ABSENT: NONE

ABSTAIN: NONE

\_\_\_\_\_  
Secretary  
EAST ORANGE COUNTY WATER DISTRICT  
and of the Board of Directors  
thereof

# **EAST ORANGE COUNTY WATER DISTRICT**

## **INVESTMENT POLICY**

It shall be the policy of the East Orange County Water District to invest funds in a manner which will provide the highest investment return with the maximum security, while meeting the daily cash flow demands of the district and conforming to all statutes governing the investment of East Orange County Water District funds.

### **SCOPE OF POLICY**

This Investment Policy ("Policy") applies to all financial assets of the District. These funds are accounted for in the annual district audited financial statements and include:

1. Operating Funds, Retail and Wholesale
2. Replacement and Capital Improvement (Construction) Funds, Retail and Wholesale
3. Emergency/Contingency Fund, Wholesale and Retail

Funds in the deferred compensation plan are not included, since they are held in trust and not invested under this authority.

### **PRUDENCE**

Investments shall be made with judgment and care under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent investor" standard (California Government Code Section 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers, acting in accordance with written procedures and the Policy, and when exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

### **OBJECTIVES**

As specified in California Government Code Section 53600.3, when investing, reinvesting, purchasing, acquiring; exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

1. Safety: Safety of principal is the foremost objective of the Policy. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
2. Liquidity: The investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.
3. Return on Investments. The investment portfolio shall be designed with the objective of

attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

## DELEGATION OF AUTHORITY

Authority to manage the Policy is derived from California Government Code Section 53600.3, *et. seq.* Management responsibility for the Policy is hereby delegated to the treasurer/fiscal officer within the parameters (investment types, maturities, type of issuers, percentages of portfolio or particular District fund or dollar amount limitations) set from time to time by the Board of Directors. No person may engage in as investment transaction except as provided under the terms of this Policy. The Board of Directors shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Under the provisions of California Government Code Section 53600.3, the Board of Directors and the treasurer/fiscal officer are trustees and fiduciaries subject to the prudent investor standard.

## ETHICS AND CONFLICTS OF INTEREST

The Board of Directors, Finance Committee members, and all officers and employees involved in the investment process shall fully comply with the District's Conflict of Interest Code in the execution of this policy.

## AUTHORIZED FINANCIAL INSTITUTIONS AND DEALER

The treasurer/fiscal officer will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the Board of Directors, Finance Committee, or treasurer/fiscal officer shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the Board of Directors or Treasurer/Fiscal Officer shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the District's account with that firm has reviewed the District's Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the District that are appropriate under the terms and conditions of the Policy.

## AUTHORIZED AND SUITABLE INVESTMENTS

Permitted investments: District funds may be invested as authorized by, and subject to the limitations and special conditions of California Government Code Section 53601 *et. seq.*

Prohibited Investments: Under the provisions of California Government Code Section 53601.6 the District shall not invest any funds covered by this Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity.

## COLLATERALIZATION

All non-negotiable certificates of deposit, issued in excess (principal and interest) of the FDIC insurance limit, must be collateralized by U.S. Treasury obligations. Collateral must be held by a third party trustee and valued on a monthly basis. The percentage of collateralization on repurchase and reverse repurchase agreements will adhere to the amount required under California Government Code Section 53601(j)(2).

## SAFEKEEPING AND CUSTODY

All security transactions entered into by the District shall be conducted on a delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the District by book entry, physical delivery or by third party custodial agreement as required by California Government Code Section 53601.

## DIVERSIFICATION

The District will diversify its investments by security type and institution. It is the policy of the District to diversify its investment portfolio. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Diversification strategies shall be determined and revised periodically. In establishing specific diversification strategies, the following general policies and constraints shall apply:

1. Portfolio maturities shall be matched versus liabilities to avoid undue concentration in a specific maturity sector.
2. Maturities selected shall provide for stability of income and liquidity.

Disbursement and payroll dates shall be covered through maturities investments, marketable U.S. Treasury Bills or other cash equivalent instruments such as money market mutual funds.

## REPORTING

In accordance with California Government Code Section 53646(b)(1), the treasurer/fiscal officer may submit to each member of the Board a monthly investment report. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and current market values of each component of the portfolio, including funds managed for the District by third party contracted managers, if applicable. The report will also include the source of the portfolio valuation. The report must also include a certification that (1) all investment actions executed since the last report have been made in full compliance with the Policy and, (2) the District will meet its expenditure obligations for the next six months as required by California Government Code Sections 53646(b)(2) and (3), respectively. The treasurer/fiscal officer shall maintain a complete and timely record of all investment transactions.

## INVESTMENT POLICY ADOPTION

The Policy shall be adopted by resolution of the Board of Directors. The Policy shall be reviewed on an annual basis, and modifications must be approved by the Board of Directors.



# MEMO

**TO: BOARD OF DIRECTORS**  
**FROM: GENERAL MANAGER**  
**SUBJECT: DISTRICT RESERVE POLICY UPDATE**  
**DATE: FEBRUARY 27, 2014**

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## **Background**

As noted in the California Special District Association's *2013 Reserve Fund Guidelines*, "Reserves are the foundation of the sustainable delivery of core services. Through prudent reserves, special districts offer taxpayers and ratepayers significant benefits including:

1. Savings to balance budgets
2. Emergency preparedness
3. Stable rates
4. Well-maintained infrastructure
5. Investment in the future"

The District adopted its current reserve fund policies, Resolution 595, Reserve & Contingency Fund Policy and Resolution 596, Capital Projects Fund in 2001. Staff recently reviewed these policies and recommended to the Finance Committee that they be consolidated into one policy, and then reviewed and updated based upon best practice information from the water industry. The proposed updated and Reserve Fund Policy (Reserve Policy) is attached.

The proposed Reserve Policy incorporates Resolutions 595 and 596 by reference, as well as Resolution 669 that established the Wholesale Zone and Retail Zone as separate enterprise funds. The proposed policy defines restricted, unrestricted and designated reserves and establishes, operating reserves, capital reserves and self-insurance and litigation reserves. The policy also establishes how these reserves can be used and restates the annual requirements to examine the reserve levels during the budget process.

The Finance Committee reviewed the proposed policy at the November, January and February meetings and recommends approval.

## **Recommendation**

The Board approve Resolution No. 14-\_\_\_\_ approving a Reserve Funds Policy.



## **APPROVING RESERVE FUNDS POLICY**

WHEREAS, key elements of prudent financial planning and fiscal responsibility are to ensure that sufficient funding is available for current operating, capital and debt service cost needs and to anticipate and prepare for future funding requirements as well as for unforeseen disasters and other unforeseen events; and

WHEREAS, the East Orange County Water District desires to set forth a policy for maintaining reserve funds within each of the District's separate enterprise funds (including the Wholesale System and Retail Zone operating funds and replacements and capital improvements funds and the wholesale emergency/contingency/reserve fund maintained within such enterprise funds) and within such other enterprise funds as the District may establish and maintain from time to time;

NOW, THEREFORE, the Board of Directors of the East Orange County Water District DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. The Reserve Funds Policy of the East Orange County Water District is hereby approved in the form presented to the Board of Directors by the Treasurer. This policy shall remain in effect until it is amended or superseded by a subsequently adopted policy.

Section 2. The District's Accountant and other staff of the District are hereby authorized and directed to take steps to implement the directives as set forth in the Policy and make reports to the Board of Directors as described therein.

ADOPTED, SIGNED AND APPROVED this 27<sup>th</sup> day of February, 2014.

---

President  
EAST ORANGE COUNTY WATER DISTRICT  
and of the Board of Directors  
thereof

---

Secretary  
EAST ORANGE COUNTY WATER DISTRICT  
and of the Board of Directors  
thereof

COUNTY OF ORANGE )  
I, JOAN C. ARNESON, Secretary of the Board of Directors of the EAST ORANGE  
COUNTY WATER DISTRICT, do hereby certify that the foregoing Resolution No. \_\_\_\_ was  
duly adopted by the Board of Directors of said District at an adjourned Regular Meeting of said  
District held on February 27, 2014, and that it was so adopted by the following vote:

AYES: BELL, DAVERT, DULEBOHN, VANDERWERFF, \_\_\_\_\_

NOES: NONE

ABSENT: NONE

ABSTAIN: NONE

\_\_\_\_\_  
Secretary  
EAST ORANGE COUNTY WATER DISTRICT  
and of the Board of Directors  
thereof

# East Orange County Water District

## Reserve Funds Policy

### PURPOSE

A key element of prudent financial planning is to ensure that sufficient funding is available for current operating, capital and debt service cost needs. An additional critical element of fiscal responsibility is to anticipate and prepare for future funding requirements as well as for unforeseen disasters and other unforeseen events. The East Orange County Water District (District) will at all times strive to have sufficient funding available to meet its operating, capital, and debt service cost obligations. Reserve funds will be accumulated and maintained in a manner, which allows the District to fund costs consistent with long range financial and capital planning, avoiding significant rate fluctuations due to changes in cash flow requirements. Reserve funds will also include an emergency reserve position that may be utilized to fund unexpected disasters or unanticipated major failures. The Board of Directors will annually review the level of reserve funds maintained, including as provided in Resolution No. **595** (restating policy concerning maintenance and use of emergency/contingency/reserve (“ECR”) fund and establishing replacements and capital improvements (“RCI”) fund – wholesale system) and Resolution No. **596** (designating capital projects fund as replacements and capital improvements (“RCI”) fund – retail zone, and restating policy concerning maintenance and use thereof) (the “Reserve Fund Resolutions”).

The District shall maintain reserve funds within each of the separate enterprise funds (including the Wholesale System and Retail Zone operating funds and RCI funds and the Wholesale ECR Fund maintained within such enterprise funds) and within such other enterprise funds as the District may establish and maintain from time to time (ref. Resolution No. 669). This policy establishes the level of reserves necessary for maintaining the District's credit worthiness and for adequately providing for:

- Funding infrastructure replacement.
- Economic uncertainties and other financial hardships.
- Loss of significant revenue sources such as property tax receipts or connection fees.
- Local disasters or catastrophic events.
- Future debt or capital obligations.
- Cash flow requirements.
- Unfunded mandates including costly regulatory requirements.
- Projects or programs, including litigation, that the Board has determined to be of significant benefit to the majority of the customers of the District.

### DEFINITIONS:

**Restricted Reserves:** Restrictions on their use are imposed by an outside source such as creditors, grantors, contributors, or laws or regulations of other governments.

**Unrestricted Reserves:** Have no externally imposed use restriction. The use of Unrestricted Reserve funds is at the discretion of the Board of Directors. There are two categories of Unrestricted Reserves - Designated and Undesignated. At the District, all Unrestricted Reserves are Designated Reserves. [Lisa: I think a legal argument can be made, from a constitutional perspective, that a special district's funds are never “unrestricted” (but I’ve never been able to convince an auditor of this .)]

**Designated Reserves:** Set-aside for a specific purpose, which is, determined by the Board of Directors. The Board of Directors also has the authority to redirect the use of these reserve funds as needs of the District change. These reserves have various names (e.g., Operating Reserve, Capital Reserve, etc.) to indicate the subgroup use for the specific reserve fund.

**Capital Reserve Fund Charge (Wholesale):** a fee or charge, which may from time to time be levied by the Board of Directors relative to wholesale water sales, connections, or otherwise in the wholesale system pursuant to Resolution No. 595, to provide funds necessary to contribute such amounts to the wholesale RCI, ECR or reserves within the wholesale enterprise funds as the Board may deem reasonable and proper.

**Capital Projects Fee (Retail):** The monthly fee, referred to in the schedule of rates as the “Monthly Fee for Existing Water System Capital Projects” or similar term, levied for the cost of repairing, rehabilitating, replacing and/or improving capital facilities in the Retail Zone water system.

## POLICY

### Operating Reserves

Operating reserves are used to fund ongoing cash flow needs of the agency. Due to the large variability in the month-to-month cash flow needs due to the seasonal demand for water, the minimum amount of operating reserves will equal ten (10) months of budgeted operating expenses. The maximum amount of operating reserves will equal twelve (12) months of operating expenses.

### Capital Reserves

Capital reserves will be accumulated to fund infrastructure projects and will be an integral part of the District's capital plan documented in its Five-Year Capital Improvement Program, Ten-Year Forecast and Reserve Fund Resolutions. A key objective for accumulating capital reserves is to minimize external borrowing and interest expense. The minimum amount of capital reserves will equal one year's capital spending. The maximum amount of capital reserves will equal two times the accumulated depreciation balance.

It is the practice of the District, in regards to capital expenditures, to follow a “pay as you go (PAYGO)” philosophy. That is, capital expenditures are funded out of the current year collections of the Capital Reserve Fund Charge and/or Capital Projects Fee for all funds ?]. To the extent that the current year's Capital Replacement/Reserve Fees plus capital reserves in a fund are insufficient to cover the District's Five-Year Capital Improvement Program, then the District will investigate alternative funding or rate adjustments.

The appropriate Capital Reserve Fund balances will be determined as follows:

1. Funds available from Capital Replacement Fees will be projected for five- and ten-year periods.
2. Capital expenditures will be projected for five- and ten-year periods.
3. The Capital Reserve will be the difference between the funds available (Item 1) and the funds required (Item 2), but no less than two times the accumulated depreciation balance.

Advances from any enterprise funds Capital Reserves may be made to meet expenses in another enterprise funds upon the determination of the Board of Directors of the need for the advance and satisfactory assurance of repayment, and upon such terms for repayment as the

Board shall establish.

#### Self-Insurance and Litigation Reserves

The District is self-insured up to \$25,000 for each claim and maintains pooled property and liability insurance through the Association of California Water Agencies for claims up to \$2,000,000. Additionally, periodically the District may have extraordinary litigation expenses that exceed annual operating budget expenses. The minimum self-insurance and litigation reserve will equal \$500,000; the maximum self-insurance and litigation reserve will total \$5,000,000.

DRAFT

## PROCEDURE FOR USING RESERVE FUNDS

### Operating and Self-Insurance and Litigation Reserves

Operating and self-insurance reserves can be used at any time to meet cash flow requirements of District operations. Authority to use the funds will be consistent with the District's Purchasing Policy.

### Capital Reserves

The Board of Directors will authorize use of capital reserves during the budget process. Capital reserves are also available for unplanned (unbudgeted) capital replacement. Authorization for the use of capital reserves for unplanned capital replacement will be consistent with the District's Purchasing Policy.

## PROCEDURE FOR MONITORING RESERVE LEVELS

The Accountant shall perform a reserve analysis to be submitted to the Board of Directors upon the occurrence of the following events:

- Board of Directors' deliberation of the annual budget;
- Board of Directors' deliberation of a service charge rate increase;
- Upon renewal of the self-insurance excess insurance coverage; or,
- When a major change in conditions threatens the reserve levels established within this policy.

If the analysis indicates projected or actual reserve levels falling 10% below or above the levels outlined in this policy, at least one of the following actions shall be included with the analysis:

- An explanation of why the reserve levels are not at the targeted level, and/ or
- An identified course of action to bring reserve levels within the minimum and maximum levels prescribed.

# East Orange County Water District

## Reserve Funds Policy

### PURPOSE

A key element of prudent financial planning is to ensure that sufficient funding is available for current operating, capital and debt service cost needs. An additional critical element of fiscal responsibility is to anticipate and prepare for future funding requirements as well as for unforeseen disasters and other unforeseen events. The East Orange County Water District (District) will at all times strive to have sufficient funding available to meet its operating, capital, and debt service cost obligations. Reserve funds will be accumulated and maintained in a manner, which allows the District to fund costs consistent with long range financial and capital planning, avoiding significant rate fluctuations due to changes in cash flow requirements. Reserve funds will also include an emergency reserve position that may be utilized to fund unexpected disasters or unanticipated major failures. The Board of Directors will annually review the level of reserve funds maintained, including as provided in Resolution No. **595** (restating policy concerning maintenance and use of emergency/contingency/reserve (“ECR”) fund and establishing replacements and capital improvements (“RCI”) fund – wholesale system) and Resolution No. **596** (designating capital projects fund as replacements and capital improvements (“RCI”) fund – retail zone, and restating policy concerning maintenance and use thereof) (the “Reserve Fund Resolutions”).

The District shall maintain reserve funds within each of the separate enterprise funds (including the Wholesale System and Retail Zone operating funds and RCI funds and the Wholesale ECR Fund maintained within such enterprise funds) and within such other enterprise funds as the District may establish and maintain from time to time (ref. Resolution No. 669). This policy establishes the level of reserves necessary for maintaining the District's credit worthiness and for adequately providing for:

- Funding infrastructure replacement.
- Economic uncertainties and other financial hardships.
- Loss of significant revenue sources such as property tax receipts or connection fees.
- Local disasters or catastrophic events.
- Future debt or capital obligations.
- Cash flow requirements.
- Unfunded mandates including costly regulatory requirements.
- Projects or programs, including litigation, that the Board has determined to be of significant benefit to the majority of the customers of the District.

### DEFINITIONS:

**Restricted Reserves:** Restrictions on their use are imposed by an outside source such as creditors, grantors, contributors, or laws or regulations of other governments.

**Unrestricted Reserves:** Have no externally imposed use restriction. The use of Unrestricted Reserve funds is at the discretion of the Board of Directors. There are two categories of Unrestricted Reserves - Designated and Undesignated. At the District, all Unrestricted Reserves are Designated Reserves.



**Designated Reserves:** Set-aside for a specific purpose, which is, determined by the Board of Directors. The Board of Directors also has the authority to redirect the use of these reserve funds as needs of the District change. These reserves have various names (e.g., Operating Reserve, Capital Reserve, etc.) to indicate the subgroup use for the specific reserve fund.

**Capital Reserve Fund Charge (Wholesale):** a fee or charge, which may from time to time be levied by the Board of Directors relative to wholesale water sales, connections, or otherwise in the wholesale system pursuant to Resolution No. 595, to provide funds necessary to contribute such amounts to the wholesale RCI, ECR or reserves within the wholesale enterprise funds as the Board may deem reasonable and proper.

**Capital Projects Fee (Retail):** The monthly fee, referred to in the schedule of rates as the “Monthly Fee for Existing Water System Capital Projects” or similar term, levied for the cost of repairing, rehabilitating, replacing and/or improving capital facilities in the Retail Zone water system.

## POLICY

### Operating Reserves

Operating reserves are used to fund ongoing cash flow needs of the agency. Due to the large variability in the month-to-month cash flow needs due to the seasonal demand for water, the minimum amount of operating reserves will equal ten (10) months of budgeted operating expenses. The maximum amount of operating reserves will equal twelve (12) months of operating expenses.

### Capital Reserves

Capital reserves will be accumulated to fund infrastructure projects and will be an integral part of the District's capital plan documented in its Five-Year Capital Improvement Program, Ten-Year Forecast and Reserve Fund Resolutions. A key objective for accumulating capital reserves is to minimize external borrowing and interest expense. The minimum amount of capital reserves will equal one year's capital spending. The maximum amount of capital reserves will equal two times the accumulated depreciation balance.

It is the practice of the District, in regards to capital expenditures, to follow a “pay as you go (PAYGO)” philosophy. That is, capital expenditures are funded out of the current year collections of the Capital Reserve Fund Charge and/or Capital Projects Fee for all funds. To the extent that the current year's Capital Replacement/Reserve Fees plus capital reserves in a fund are insufficient to cover the District's Five-Year Capital Improvement Program, then the District will investigate alternative funding or rate adjustments.

The appropriate Capital Reserve Fund balances will be determined as follows:

1. Funds available from Capital Replacement Fees will be projected for five- and ten-year periods.
2. Capital expenditures will be projected for five- and ten-year periods.
3. The Capital Reserve will be the difference between the funds available (Item 1) and the funds required (Item 2), but no less than two times the accumulated depreciation balance.

Advances from any enterprise funds Capital Reserves may be made to meet expenses in another enterprise funds upon the determination of the Board of Directors of the need for the advance and satisfactory assurance of repayment, and upon such terms for repayment as the Board shall establish.

## Self-Insurance and Litigation Reserves

The District is self-insured up to \$25,000 for each claim and maintains pooled property and liability insurance through the Association of California Water Agencies for claims up to \$2,000,000. Additionally, periodically the District may have extraordinary litigation expenses that exceed annual operating budget expenses. The minimum self-insurance and litigation reserve will equal \$500,000; the maximum self-insurance and litigation reserve will total \$5,000,000.

## PROCEDURE FOR USING RESERVE FUNDS

### Operating and Self-Insurance and Litigation Reserves

Operating and self-insurance reserves can be used at any time to meet cash flow requirements of District operations. Authority to use the funds will be consistent with the District's Purchasing Policy.

### Capital Reserves

The Board of Directors will authorize use of capital reserves during the budget process. Capital reserves are also available for unplanned (unbudgeted) capital replacement. Authorization for the use of capital reserves for unplanned capital replacement will be consistent with the District's Purchasing Policy.

## PROCEDURE FOR MONITORING RESERVE LEVELS

The Accountant shall perform a reserve analysis to be submitted to the Board of Directors upon the occurrence of the following events:

- Board of Directors' deliberation of the annual budget;
- Board of Directors' deliberation of a service charge rate increase;
- Upon renewal of the self-insurance excess insurance coverage; or,
- When a major change in conditions threatens the reserve levels established within this policy.

If the analysis indicates projected or actual reserve levels falling 10% below or above the levels outlined in this policy, at least one of the following actions shall be included with the analysis:

- An explanation of why the reserve levels are not at the targeted level, and/ or
- An identified course of action to bring reserve levels within the minimum and maximum levels prescribed.



# MEMO

**TO: BOARD OF DIRECTORS**  
**FROM: GENERAL MANAGER**  
**SUBJECT: GENERAL INTEREST PUBLICATIONS**  
**DATE: FEBRUARY 27, 2014**

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## **Background**

Attached to this memo are copies of various publications that provide information pertinent to current events in the water industry, including the following:

- Desert Sun article: "Ex-Vegas water chief Pat Mulroy urges 'mind shift' on Colorado River"
- KCRA.com (Sacramento): "State water board considers 50-gallon daily limit"
- Marketplace.com: "Drought or not, how should we value water?"

## **Recommendation**

Information only; no action required.

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## Ex-Vegas water chief Pat Mulroy urges 'mind shift' on Colorado River

Feb. 20, 2014 | 1 Comment

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Ex-Vegas Water Chief Pat Mulroy discusses water conservation: Pat Mulroy, who recently retired after more than two decades as Las Vegas' influential water chief, is calling for people and water managers across the West to shift their thinking about the Colorado River (Thursday, Feb. 20, 2014)

Written by  
Ian James  
The Desert Sun

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**PALM SPRINGS** — Pat Mulroy, who recently retired after more than two decades as Las Vegas' influential water chief, is calling for people and water managers across the West to shift their thinking about the Colorado River and focus on shared stewardship of its declining flows.

Mulroy saw plenty of conflict over water during her tenure and has been a vehement defender of her city's water interests as well as a champion of adapting to tight water supplies through conservation measures.

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time achievement award from the Urban  
conference in Palm Springs on Thursday,  
that plummeting water levels in Colorado River  
reservoirs could become fertile territory "for a lot of chest-beating"  
but should instead bring together water users along the river from

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Pat Mulroy, who recently retired as Las Vegas' water chief, speaks at the Urban Water Institute conference held at the Hilton Palm Springs on February 20, 2014. / Omar Ornelas, The Desert Sun

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"It brings all of us in these seven states that much closer to living the reality of a year-to-year adaptation strategy, which is where the Colorado River is headed," Mulroy said.

She noted that water levels in Lake Mead are expected to drop more than 20 feet this year, and she predicted that while the Rocky Mountains now have a bit more than their normal amount of snowpack, the Colorado River will face growing stresses in the future. Those stresses have been compounded this year by California's record drought.

"It is an interconnected web. You cannot push on one end of it without seeing the consequences on the other end," Mulroy said. She added that the Metropolitan Water District of Southern California, which provides drinking water to nearly 19 million people, has no choice but to take water out of Lake Mead.

"And the rest of us in that basin cannot start screaming. We can't be parochial. We can't sit in Las Vegas and wring our hands and say, 'Oh my heavens, the lake's going to drop even further,' " Mulroy said. "There is great strength in that interdependence because there is a shared stewardship of the system."

She said that's a sharp contrast from the past, when battles over water rights often have been fought in court.

"What we never think of ourselves as is that we are citizens of a water system. We never look at it as a larger system," Mulroy said. "We have to, as the water community, silence the strident voices. If we don't silence the strident voices, this can spin out of control real quickly."

"We're telling the community there (in Las Vegas), if the system crashes, there will be no winners," she added. "If the system crashes, everybody crashes, and it doesn't matter where you are on that system, so protecting that system is all-important, and

le as a citizen of that basin and of that water enormous for us. It is a real mind shift."

lists' conclusion that the 20th century was West, and said a drier future will require water resources, including supplies of water banked in aquifers as well as surface reservoirs.

Ex-Vegas Water Chief Pat Mulroy discusses water conservation

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"All our laws, all our allocations, all our agreements were predicated on that hydrology. It doesn't exist anymore," Mulroy told the audience of water managers in a hotel banquet hall.

The award was presented to Mulroy by Jeffrey Kightlinger, general manager of the Metropolitan Water District of Southern California, who recalled tense talks with her years ago and called her "an inspiration to people in the business."

Mulroy also praised Kightlinger, while recalling that "he had some predecessors whose eyes I wanted to rip out."

Mulroy retired this month after working as general manager for the Las Vegas Valley Water District since 1989. Since 1992, she had held a dual role as general manager of the Southern Nevada Water Authority, the area's regional water supplier.

Mulroy's toughness, outspokenness and successes in cutting water use in Las Vegas have made her something of a star in the water industry. After her speech, water managers gathered to greet the Las Vegas "water czar" and pose for photos with her. In addition to her award, Mulroy was given a personalized bobble head doll.

Lisa Ohlund, general manager of the East Orange County Water District, praised Mulroy's message of moving away from a history of conflict over water in the West as supplies grow tighter.

"What I took away from her was, it doesn't work. We're one water system and we'd better figure it out," said Ohlund, who chairs the Urban Water Institute.

A 2012 study prepared by the Bureau of Reclamation projected a growing gap between the river's flows and demands for water. The study considered a range of scenarios took into account water use patterns, growing population and climate change.

"The time has never been more critical than now," Mulroy said in an interview after her speech. "I'm a big believer that the future is about being very flexible, being very adaptive, having as many enabling agreements as you can possibly put in place on the table and avoiding court at all costs."

"We are going to have very difficult water conditions," she said. "We all have to live with less, and we have to be able to back each other up."

Ian James can be reached by email at [ian.james@thedesertsun.com](mailto:ian.james@thedesertsun.com). and on Twitter at @TDSIanJames.

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By David  
K  
EIR

# State water board considers 50-gallon daily limit

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**SACRAMENTO, Calif. (KCRA) —** Some Californians might soon have to get by with no more than 50 gallons a day of water.

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The State Water Resources Control Board said Tuesday it is considering how much water must be provided to meet a person's basic health and safety needs.

## Watch report: State water board considers 50-gallon daily standard

"That is seen as the basic minimum that someone needs to cook, to drink water, to do their basic showering and sanitation needs," water board chair Felicia Marcus said.

Marcus said the 50-gallon amount was suggested by state public health officials, and the water board was taking public comment about it.

Officials testifying at the water board meeting said such an amount would not be enough for any yard watering and might not be enough to supply neighborhood fire hydrants.

The standard would not apply statewide, but only to communities that have low-level water rights.

Under normal circumstances, the state has the authority to shut off those communities' surface-water supplies during droughts in a process known as curtailments.

Les Grober, the board's assistant deputy director for water rights, said the board would likely consider exceptions to those curtailments for at-risk communities.

"It's recognized that municipal supply and supply for health and safety are really the over-arching needs statewide," Grober said.

According to state Department of Water Resources, the average Californian uses 196 gallons a day for household purpose.

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Fifty gallons is less than capacity of a typical bathtub.

It is enough to flush a low-flow toilet about 30 times or take one 20-minute shower.

Meanwhile, the California Department of Public Health has released an updated list of the communities most at risk for losing their primary source of water.

System Name	City	County	Population
City of Willits	Willits	Mendocino	8,062
Redwood Valley County Water District	Redwood Valley	Mendocino	3,969
Brooktrail Township Community Services District	Willits	Mendocino	3,800
Lake of the Woods MWC	Frazier Park	Kern	953
West Goshen	Goshen	Tulare	300
River Highlands Community Services District	Smartsville	Yuba	200
Washington Ridge Conservation Camp	Nevada City	Nevada	100
Camp Condor	Taft	Kern	75
Whispering Pines Apartments	Mid-Pines	Mariposa	55
Ophir Gardens	Auburn	Placer	45

Public health officials told a joint legislative committee that they were working on ways to keep taps flowing in those communities.

They are looking at ways to tie them to neighboring water systems, dig new groundwater wells or truck in water tanks.

However, Dave Mazzera, acting drinking-water division chief, stopped short a promising those communities would not run dry.

"On a case-by-case basis, depending on the issues and the demand and with the resources we have, we can only do that best that we can do. So, I cannot make any guarantees," Mazzera said.

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## Drought or not, how should we value water?



ROBYN BECK/AFP/Getty Images

A sign over a highway in Glendale, California warns motorists to save water in response to the state's severe drought, February 14, 2014.

by **Adriene Hill** (</people/adriene-hill>)

**February 17, 2014 - 2:46am**

**STORY**

I shower (nearly) everyday. I take long, hot showers. I think about the day ahead, what I'm going to wear. Sometimes I hum.

I do not think about water.

"We wake up, we turn on the tap, and out comes as much water as we want for less than we pay for cell phone service or television," says Robert Glennon, author of "Unquenchable: America's Water Crisis and What To Do About It," and a professor at the University of Arizona. "Unfortunately, when most of us think about water we think about it like the air: infinite and inexhaustible. When for all practical purposes, it's very finite and very exhaustible."

As we know from our economics classes, treating supply as if it's unlimited, when it's not, likely means one thing: we're not paying enough for it.

Peter Gleick, president of the Pacific Institute, says the way we allocate and value water here in California isn't rational.

A more sensible system would be more efficient. We'd hand out water differently. Price differently. And, Gleick says, we'd think differently about water.

"The value of water is more than just the amount of money we can get out of it to do something," he says.

The value of water extends beyond the value to farmers and businesses to our ecosystems and environment. That's a part of the picture Gleick says has been ignored for a long time.

"Because of that," he says, "our wetlands have disappeared, our fisheries our dying, our salmon are going extinct."

But, pushing back against current water policy isn't for the faint of heart.

"The reality is, if you want a short life as a public official, what you want to do is advocate raising the price of water," says Glennon.

Sometimes a drought can force the issue.

**Featured in: *Marketplace Morning Report for Monday, February 17, 2014*** (</shows/marketplace-morning-report/marketplace-morning-report-monday-february-17-2014>)

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Adriene Hill is a senior multimedia reporter for the Marketplace sustainability desk, with a focus on consumer issues and the individual relationship to sustainability and the environment.

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