

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

February 27, 2014

1. Call to Order. An Adjourned 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, February 27, 2014, in the offices of the East Orange County Water District, 185 N. McPherson Road, Orange, California. Mr. JEFF HOSKINSON, Acting District Secretary (Item 4A-D) and Ms. JOAN ARNESON, Secretary, recorded the minutes of the meeting (the minutes with respect to Item 11 were recorded by General Manager OHLUND).

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

Also present were:

LISA OHLUND	General Manager
JERRY MENDZER	Maintenance & Operations Superintendent
JOAN ARNESON	District Secretary and Legal Counsel (by telephone)
JEFF HOSKINSON	Acting District Secretary and Legal Counsel
DOUGLAS CHAPMAN	Candidate for Appointment to Fill Board Vacancy
SUSAN CHAPMAN	
SEYMOUR EVERETT	Candidate for Appointment to Fill Board Vacancy
MICHAEL R. MERINO	Candidate for Appointment to Fill Board Vacancy
GAYLE MERINO	
RICHARD NELSON	Candidate for Appointment to Fill Board Vacancy
HENRY SCHNEIDER	Candidate for Appointment to Fill Board Vacancy
JOHN SEARS	Candidate for Appointment to Fill Board Vacancy
HARVEY GOBAS	Psomas
ROB HANFORD	Golden State Water Company

ROBERT HUNTER

Municipal Water District of Orange County

2. **Public Communications to the Board.** Robert Hunter, General Manager of the Municipal Water District of Orange County (MWDOC) (1) addressed the mistaken conditions commented upon by a MWDOC staff member regarding water availability during the recent shutdown of the Allen-McColloch Pipeline by the Metropolitan Water District of Southern California (MET), indicating that those comments were in error and have been corrected; and (2) provided a brief update on the litigation between MET and the San Diego County Water Authority (SDCWA).

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

4. **Board Vacancy.**

A. **Consideration of Candidates/ B. Selection.** A written ballot was conducted by the Board to select a candidate to fill the Board vacancy by appointment. Written ballots were prepared and submitted to Mr. HOSKINSON, who then read aloud in open session the ballots, attached to these minutes and incorporated herein by this reference, as follows:

Director DULEBOHN:	Candidate SEYMOUR B. EVERETT
Director DAVERT:	Candidate SEYMOUR B. EVERETT
Director BELL:	Candidate JOHN L. SEARS
President VANDERWERFF:	Candidate SEYMOUR B. EVERETT

C. **Appointment.** It was the consensus that the selected candidate be appointed.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, Resolution No. 725 was adopted, entitled: "Resolution of the Board of Directors of the East Orange County Water District Appointing Seymour Everett to the Office of Director."

D. **Administration of Oath of Office.** Acting Secretary HOSKINSON administered the oath of office to Seymour Everett and he assumed the office of member of the Board of Directors.

At this time Acting Secretary HOSKINSON left the meeting, and Secretary Arneson joined the meeting by telephone.

E. **Updating of Account Signature Authorizations.** Ms. OHLUND said the three proposed resolutions were a housekeeping item necessary to maintain the District's day-to-day financial activities. Ms. ARNESON explained that with the Local Agency Investment Fund authorization, one of three directors listed by the District was Director Barrett, but the District can list any members for that purpose. It was the consensus that Director BELL be added and that Denise Dobson be removed from the LAIF authorized signers.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, Resolution Nos. 726, 727 and 728 were adopted, entitled, respectively:

"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;"

"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;" and

"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.** Ms. OHLUND explained for the benefit of Director EVERETT that in her report she describes staff's activities for the month, status of key projects, new issues and other activities on behalf of the District. She indicated that this evening she had nothing to add to the General Manager's report.

ACTION TAKEN:

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

6. **Minutes.**ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the minutes of the meeting of January 16, 2014 were approved as corrected, and the minutes of the meeting February 3, 2014 were approved as submitted.

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

A. **Orange County Sanitation District #7.** Ms. OHLUND made a short presentation, indicating that she was recommending the Board's approval of two agreements with Orange County Sanitation District (OCSD) and an application to be submitted to the Local Agency Formation Commission (LAFCO) including the plan of service. Ms. OHLUND pointed out various "islands" where OCSD provides local sewer service, including the area within the former Sanitation District #7 which coincides in large portion with EOCWD. In most of OCSD's

service area, local sewer is provided by an agency at the sewer retail level, and OCSD would prefer to provide regional sewer only.

Ms. OHLUND said LAF CO would be requested to approve the exercise of EOCWD's latent sewerage power, as well as reorganization with respect to certain portions of the Sanitation #7 territory outside the EOCWD boundary. She described the negotiation of terms with OCSD, noting that OCSD has approved a local sewer rate through a Proposition 218 process. OCSD would quitclaim all of the relevant local sewer facilities, in an as-is condition. Staff has spent time evaluating these facilities. OCSD would also transfer certain sewer maintenance equipment to EOCWD. Indemnification of LAFCO is required as part of the standard application requirements. OCSD's reserves for Sanitation #7 would be transferred to EOCWD's account in phases, with interest; this is needed so as not to jeopardize outstanding OCSD bonds. Under the Sanitation Act, EOCWD would not obtain a seat on the OCSD Board. Additional staffing will be needed; EOCWD would likely finish the current terms of OCSD's contract sewer maintenance and cleaning services for Sanitation #7.

Ms. OHLUND concluded that in addition to the economic benefits of adding the sewer revenue and helping the water side of EOCWD's operations through economies of scale, the proposal would make sense from the standpoint of local responsiveness and governance. Director DAVERT said the discussion at last night's OCSD Board meeting was more positive. He added that Ms. OHLUND deserved much appreciation for her effort in putting together the details for these negotiations.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (EVERETT abstaining), agreements with Orange County Sanitation District for transfer of area of former County Sanitation District No. 7 and the provision of interim services were approved and staff was authorized to execute said agreements as presented with non-substantive changes; acceptance of a quitclaim deed from Orange County Sanitation District in the form presented was authorized; and Resolution No. 729 was 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."

B. Declaration of Drought Emergency. Ms. OHLUND said it is prudent to begin looking at actions the District may want to take under its water conservation ordinance, including establishment of a penalty tier. She said staff will bring this back to the Board.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, staff was 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. Ms. OHLUND said Mr. GOBAS had performed many services for EOCWD throughout a period of three decades,

including service as interim General Manager. She said he and his extensive institutional knowledge will remain available to the District even though the District's size of operations has reached the point of using a dedicated engineer. Several directors as well as former Director CHAPMAN expressed their appreciation for all that Mr. GOBAS had done. Mr. GOBAS said he had attended over 400 Board meetings, and remarked on his earliest work with the Board. He said it was his honor to have the rare opportunity to work with a client continuously for over 30 years.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, Resolution No. 730 was 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. Water Demand Status Report. Ms. OHLUND reported that wholesale sales were larger than budgeted, including Orange being back on the system, and that the Retail Zone is experiencing high demand.

8. Financial Matters.

A. Schedule of Disbursements. Schedules of disbursements in the following amounts were presented: \$557,511.75 from Wholesale and Retail Operating Funds, \$2,646.22 for directors payroll, and \$35,660.97 for employees payroll. On behalf of the Finance Committee, Director DULEBOHN recommended approval.

B. Investment Activity. On behalf of the Finance Committee, Director DULEBOHN recommended approval of the investment schedules.

C. Financial Statements (January 31). On behalf of the Finance Committee, Director DULEBOHN recommended receipt and filing of the financial statements.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the schedules of disbursements were approved as submitted, the schedules of investments were ratified and approved, and the financial statements were received and filed.

D. Annual Review of Investment Policy and Delegation. Ms. OHLUND reported that the policy as presented reflected no changes from the prior year's policy.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, Resolution No. 731 was 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. Ms. OHLUND reported that the policy will be a comprehensive structuring of reserve objectives for all enterprise funds in one place; it will include litigation reserves and health insurance reserves.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, Resolution No. 732 was 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. None.

B. Directors' Reports on Meetings Attended. None.

10. Information Items

A. General Interest Publications. Included were a *Desert Sun* article on ex-Vegas water chief's urging mind-shift on Colorado River; KCRA.com (Sacramento): State water board considers of 50-gallon daily limit;" and Marketplace.com: "Drought or not, how should we value water?"

11. Closed Session. President VANDERWERFF announced that the Board would meet in a closed session listed in the agenda as follows: **(A)** conference with legal counsel – anticipated litigation – initiation of litigation pursuant to Government Code § 54956.9(d)(4) (one potential case). Ms. ARNESON was excused and left the meeting prior to the closed session.

OPEN SESSION

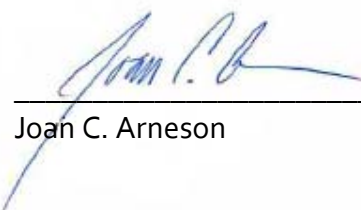
Open session was resumed. No action was reported from the closed session.

12. Adjournment.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the meeting was adjourned at 7:42 p.m., to Thursday, March 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,



Joan C. Arneson