

December 14, 2015

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

Dear Members of the Board,

Please be advised that a regular meeting of the Board of Directors of the East Orange County Water District will be held on Thursday, **December 17, 2015, 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 .06

AGENDA

EAST ORANGE COUNTY WATER DISTRICT
(EOCWD)

Thursday,
December 17, 2015
185 N. McPherson Road, Orange, California
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. **General Manager's Report (Exhibit "A")**

Recommended Motion: "THAT THE GENERAL MANAGER'S REPORT BE RECEIVED AND FILED"

5. **Approval of Minutes of November 19, 2015 Regular and Special Meetings (Exhibit "B")**
6. **Organizational**

- A. Accept resignation of and commendation of William VanderWerff (Exhibit "C")

Recommended Motions: "THAT THE RESIGNATION OF WILLIAM VANDERWERFF BE ACCEPTED WITH REGRET" and "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 WILLIAM VANDERWERFF AS A MEMBER OF THE DISTRICT'S BOARD OF DIRECTORS'"

- B. Determine procedure for filling vacancy (Exhibit "D")

Recommended Motion: "DETERMINE THAT THE VACANCY SHALL BE FILLED BY APPOINTMENT WITHIN THE 60 DAY PERIOD ALLOWED BY LAW, AND DIRECT THE GENERAL MANAGER TO GIVE NOTICE OF THE BOARD'S INTENTION TO FILL THE VACANCY BY APPOINTMENT IN THE FORM OF THE NOTICE AND AFFIDAVIT AS PRESENTED"

[AS DESIRED AT ADJOURNMENT BELOW, ADJOURN TO DESIRED DATE OF CANDIDATE BRIEFING]

- C. Election of officers (Exhibit "E")

7. Operation, Management and Construction Matters

- A. Amendment to Sewer Transfer Agreement (Exhibit "F")

Recommended Motion: "THAT AMENDMENT NO. 2 TO THE LOCAL SEWER FACILITIES TRANSFER AGREEMENT BE APPROVED AND THAT THE GENERAL MANAGER BE AUTHORIZED TO EXECUTE THE AMENDMENT"

- B. Amendment to contract – assistance with public outreach – Communications LAB (Exhibit "G")

Recommended Motion: "AMENDMENT NO. 3 TO THE CONTRACT WITH COMMUNICATIONS LAB FOR PROVISION OF COMMUNITY OUTREACH SERVICES, IN THE NOT-TO-EXCEED AMOUNT OF \$30,000, BE APPROVED AND THAT THE GENERAL MANAGER BE AUTHORIZED TO EXECUTE THE AMENDMENT"

- C. Amendment to contract – legislative advocacy assistance – Lewis Group (Exhibit "H")

Recommended Motion: "THAT AMENDMENT NO. 1 TO THE CONTRACT WITH LEWIS GROUP FOR PROVISION OF LEGISLATIVE ADVOCACY SERVICES RELATED TO PROPOSED SEWER TRANSFER, IN THE NOT-TO-EXCEED AMOUNT OF \$30,000, BE APPROVED AND THAT THE GENERAL MANAGER BE AUTHORIZED TO EXECUTE THE AMENDMENT"

8. Financial Matters

- A. Approval of schedules of disbursements (Exhibit "I")
- B. Report on investments/ ratification of investment activity (Exhibit "J")
- C. Receipt and filing of financial statements (October 31) – (Exhibit "K")

Recommended Motion: "THAT THE SCHEDULES OF DISBURSEMENTS BE APPROVED AS SUBMITTED, THAT THE SCHEDULES OF INVESTMENTS BE RATIFIED AND APPROVED, AND THAT THE FINANCIAL STATEMENTS BE RECEIVED AND FILED"

- D. Implementation of Governmental Accounting Standards Board (GASB) Nos. 68 and 71 (Exhibit "L")
- E. Presentation of audited financial statements – fiscal year ended June 30, 2015 (Exhibit "M")

Recommended Motion: "THAT THE AUDITED FINANCIAL STATEMENTS AND MANAGEMENT LETTER FOR THE FISCAL YEAR ENDED JUNE 30, 2015 BE RECEIVED AND FILED AND THAT THE GENERAL MANAGER BE AUTHORIZED TO MAKE FILINGS AS REQUIRED"

9. Miscellaneous Matters

- A. Reports from committees and representatives to organizations
- B. Directors' reports on meetings attended at District expense (Government Code Section 53232.3)
- C. Authorization of conference/meeting attendance (Exhibit "N")
 - (1) Municipal Water District of Orange County (MWDOC) Water Policy Dinner (January 22)
- D. Local sewer service transfer - status report (Exhibit "O")
- E. Wholesale and retail water usage report (Exhibit "P")

Recommended Motion: "THAT THE WHOLESALE AND RETAIL WATER USAGE REPORT BE RECEIVED AND FILED"

- F. Drought response report (Exhibit "Q")

Recommended Motion: "THAT THE DROUGHT RESPONSE REPORT BE RECEIVED AND FILED"

10. Informational Items

- A. General interest publications (Exhibit "1")

11. Adjournment

The scheduled date of the next Regular Meeting of the Board of Directors is **January 21, 2016**, at 5:00 p.m., in the offices of the East Orange County Water District, 185 N. McPherson Road, Orange, California

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 Sylvia Prado 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 Sylvia Prado in the District Office, at least seventy-two (72) hours prior to the scheduled meeting.

EAST ORANGE COUNTY WATER DISTRICT GENERAL MANAGER'S REPORT

December 2015

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.

SEWER

A. OCSD Transfer

See Agenda Item

WHOLESALE ZONE

A. Peters Canyon (6 MG) Reservoir Status Update

Security System – Staff is working with a security contractor to finish the installation of the remaining parts of the system; delays have occurred as staff has been involved with other issues. A system integrator has been identified to complete the system requirements.

Reservoir Roof – Carollo Engineering will be submitting 90% drawings for the design of the PCR roof repairs by Tuesday, December 15th. Technical specifications and a cost estimate will be submitted by Friday, December 18th.

Storm Water Drainage Improvements – All of the contractor's insurance and contract documents were received and approved by District Counsel. A Notice to Proceed was issued on December 3rd. Staff interviewed several people to perform construction inspection on this project. Brian Aarii, an experienced construction inspector, was hired to perform part-time inspection for the project. The substantial completion date for this project is January 15th, 2016, with the completion date set for January 22nd. The contractor is working quickly to try and finish the project this month before heavy rainfall occurs. The project includes installation of new 8" curbing around the reservoir and upper access roads along with new cross gutters, trench drains, and 3 catch basins. The final part of this project will be to slurry seal the existing access road around the reservoir.

B. Master Plans and Treatment Plant Feasibility Study Update

Master Plan Status:

1. Draft RZ and WZ Master Plan submitted for staff review; comments due to Carollo by 12/31/15.

WTP Feasibility Study:

1. Draft financial model review meeting to be held with the Engineering Committee on December 16.

C. OC-70 Meter Test Comparison

Background: An ongoing issue in the Wholesale Zone has been “unaccounted-for water.” For several years, staff has been investigating the seeming “loss” of millions of gallons of water each month – so much water in fact, that it would be creating large lakes somewhere if it was entering and escaping our system.

Over the past several years, staff has conducted many analyses and failed to find a cause or a pattern of loss that yielded clues as to the cause. After exhausting all reasonable possibilities on the District's side of the meter, we contacted MWDOC staff and sought their assistance in setting up a meeting with MWDSC (MET) to determine if the problem is on their side of the meter.

On June 2nd, staff/MWDOC held their first meeting with MET staff to review the history of this problem and the efforts that EOCWD has gone to find the cause. As a result of that meeting MET staff agreed to examine their meter, calibration and design of the meter installation.

A second meeting was held on July 20th with MET to further review MET's investigation; MET suggested that more investigation work be performed over the next month to better determine whether these discrepancies are related to meter error. Some recommendations that came out of the meeting were to pull the existing meter and inspect it for possible irregularities as well as inspect the check valve downstream of the meter to ensure it is holding tight during pumping conditions; EOCWD staff is working with MET staff to make operational arrangements so that the meter and check valves can be physically removed and examined. This work was initially scheduled for early September, however, no date has yet been identified.

New Developments: On October 22, EOCWD staff met with MWDOC and MET staff to review and provide feedback on Met's draft test plan which identifies a step by step process of looking at various components at the OC-70 pump station that could be causing the metering inaccuracies. A multi-step plan to determine the source of the error has been established and requires that staff isolate the Peters Canyon Reservoir during the first week of December to enable MWD to perform a thorough simultaneous flow test of the MWD meter, comparing it directly against the EOCWD 20" magnetic flow meter under varying scenarios. MWD Staff will be on hand at both locations to record readings. Various tests will be performed over a three-day period; EOCWD staff will be on-hand to observe.

Update: On Monday, November 23rd, MWD staff sent an email to MWDOC stating that they had an issue with the EOCWD magmeter installation and wanted to proceed with inspecting their Venturi meter at OC-70 and their check valve. On Tuesday, November 24th, EOCWD staff participated in a conference call with MWDOC and MWD staff to discuss the issue. The outcome of that discussion was that MWD requested EOCWD relocate our existing mag meter so that a minimum of 18 feet (pipe diameter x 10) of straight pipe existed both upstream and downstream of the meter to eliminate the possibility of any interference to the meter; this would be an approximately \$20,000 expense for EOCWD. MWD claims that there is too much interference to the mag meter in its current location with the isolation valve and 90 degree bend being too close. EOCWD staff is conferring with MWDOC staff on potentially proceeding with the inspection of the Venturi meter and check valve prior to relocation of the EOCWD meter.

D. WZ Connection Permits

None to report.

RETAIL ZONE

1) **East Orange DroughtReach™ Program**

Working with Communications Lab, the District has developed our DroughtReach Program™ comprised of a series of educational coffee/donut meetings, signs, printed mailed material, social media, bill stuffers and one-on-one customer service outreach.

We did not achieve our 36% reduction for November, a 20% reduction was achieved. Extensive outreach has been made to remind customers to reduce their irrigation timers to one time per week watering. Please refer to the monthly agenda item for November's DroughtReach™ activities.

2) **Well / Booster Station Operations**

East Well – No issues to report. For November 100% of the Retail Zone demand was met using imported water. A small portion of water was pumped (32,000 gallons) to fill the Barrett Reservoir after it was cleaned and inspected.

On September 16th, the Orange County Water District Board voted to increase the Basin Production Percentage (BPP) from 70% to 76% - this effectively made the BPP 75% for the rest of the fiscal year (July & August @70% + 10 months @ 76% = 75% average BPP. This will reduce the amount of imported water that will need to be purchased. Staff

West Well and Stoller Booster Pump Repair Project – The West Well and booster station have been offline since February 2013 due to worn pump assemblies; the East Well can and has been meeting our entire RZ demand.

Background: As mentioned in the previous months' General Manager's reports, staff has delayed sending out RFPs for the West Well and Stoller booster pump repair over concerns with the declining water levels in the groundwater basin and the fact that well companies are very busy at this time. Well water levels have been holding steady last month at 282 feet (below ground surface).

New Developments: Nothing to report.

3) **System Leaks**

None to report.

4) **Water Availability Request/Connection Permits**

No requests for permits were received in November.

JOINT SYSTEM (WZ & RZ) ACTIVITIES

SEDARU

Please see the attached Sedaru work report that provides information on work staff is performing and the types of customer interactions that staff are having.

As part of the CIP, a water quality component is being added to SEDARU which will allow staff to record and upload water quality data for all of our sampling sites. This is important because it will allow staff to easily retrieve data as well as create reports. This is expected to be ready in early December. After the water quality component is completed, working with ID Modeling, staff will incorporate GPS location of every valve in the Retail and Wholesale Systems and use that information to create a program that can easily determine which valves to close or open depending upon a given emergency scenario. This will save time, and potentially reduce damage, to the system, during emergency responses that require a shutdown.

Staff Transitions: Mr. Minh Nguyen commenced employment with the District on November 23rd; Mr. Nguyen was previously employed by the Laguna Beach County Water District and is a Grade II licensed operator.

A. Monthly Operations Activities

- Attended OC WDR General Meeting at OCSD (Superintendent)
- Worked with ID Modeling on SEDARU additions (Superintendent)
- Attended weekly Engineering meeting with GM (Superintendent)
- Located and potholed District facilities at 6 MG reservoir site for Storm Water Drainage Improvements project (Field Staff)
- Ordered new replacement vault lids for Foxrun meter vault (Superintendent)
- Interviewed potential inspectors for 6 MG Reservoir Site Project (Superintendent)
- Cleaned and inspected Barrett Reservoir and Surge tank
- Installed Drought Signs at various locations
- Attended Flood Fight Training at El Toro Water District (Field Staff)
- Responded to sewer overflow in retail zone (Superintendent)
- Attended preconstruction meeting for Peters Canyon Reservoir Storm Water Project (Superintendent)
- Set shutoff notices for non-payment (Superintendent)
- Performed meter disconnects for non-payment (Superintendent)
- Performed meter connects (Superintendent)
- Assist with 6 MG Reservoir Storm Water Project Inspection (Superintendent)
- Read retail meters (Field Staff)

Weekly Tasks

- Attend weekly safety meetings (All field staff)
- Reviewed sewer cleaning operations with OCSD
- 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
- Clean-up, organize and restock service trucks
- Clean-up 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
- Report retail water system production to State
- 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

MEETINGS

District staff attended the following meetings:

A. MWDOC Manager's Meeting – October 15, 2015

Meeting Summary: 1) OC Water Reliability Study – MWDOC staff indicated that they are setting up a series of three, two-hour meetings with the agency managers and/or their staff to fully vet the methodology and data of the study, as well as the draft findings. The meetings will commence in November and end by mid-January. 2) Damage to State Water Project – the East Branch of the SWP was damaged by a mud slide in late October; the repair is estimated to take from 3-4 weeks. 3) MWDOC Drought Tracking – most agencies indicated that they didn't meet their October cut-back targets. 4) SWRCB Water Use Regulations – the SWRCB is holding a hearing on December 7th to obtain more input on whether the emergency regulations should be modified for various reasons including climate, alternate sources of supply, etc. MWDOC will be sending in a comment letter. 5) Water Loss Control Committee – Several agencies had questions regarding this choice program; Joe Berg will present further information at the December Meeting. 6) Status of MET's UWMP and IRP – Met is scheduled to adopt the review the 2015 IRP Update in December and adopt it in January; this data will be used in the 2015 Regional Urban Water Management Plan update. 7) MET/LACSD Regional Recycled Water Project – Met entered into an agreement with LACSD to develop a 1 MGD pilot plant to determine whether the treatment process can sustain a 168,000 AFY plant.

B. Orange County Reliability Study – November 30, 2015

Meeting Summary: The three-hour meeting provided a detailed review of the modeling and analysis developed in the Phase I Study. Subsequent meetings will be held on December 14th (System Reliability Planning), January 4th (Supply Reliability, gaps, strategies to reduce gaps and economic methods for comparison of strategies) and January 18th (Policy Issues and Scope for Phase 2).

C. Operations, Planning & Personnel Committee – December 10, 2015

Meeting Summary: 1) Vista Panorama Reservoir – Engineer Everest reported on the seismic improvements that have been designed for the reservoir's hydropneumatic tank; work will commence in December to perform the first phase of the improvements. 2) Vista Panorama Back-Up Power – staff noted that the site is constrained for the placement of permanent back-up power, however the temporary mobile generator is also constrained in the street right-of-way and must be relocated. Staff will be examining undergrounding the pump station and associated piping and building a temporary storage area for the generator in this area. 3) East Well Pumping Level – the RZ has been receiving imported water, so pumping has not occurred in November; groundwater levels appear to be holding steady. 4) RZ Water Use – the RZ achieved a 20% reduction in November, well below the 36% required under the mandate. 5) Peters Canyon Reservoir Drainage Project – the Notice to Proceed was issued on December 3rd and a temporary employee has been hired to provide construction inspection. Contractor Champion Paving has a substantial completion date of January 15th, with final completion by January 22nd. 6) OC-70 Meter Issue – MET notified staff that they have concerns about the location of the PCR discharge meter and its use in the calibration tests for the OC-70 meter; EOCWD staff is evaluating moving the meter as well as other potential solutions. 7) WZ Water Use – Demand is down for the 8th straight month, although it is only down 3% from 2014. 8) New Employee – Mr. Minh Nguyen was hired to fill the Grade II Operator position; he most recently worked for the Laguna Beach County Water District.

MINUTES OF THE REGULAR AND SPECIAL MEETINGS
OF THE BOARD OF DIRECTORS OF
EAST ORANGE COUNTY WATER DISTRICT

November 19, 2015

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 5:05 p.m. on Thursday, November 19, 2015, in the offices of the East Orange County Water District, 185 N. McPherson Road, Orange, California. The Special Meeting was then recessed, and the Regular Meeting was called to order. JOAN ARNESON, Secretary, recorded the minutes of the meetings.

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
SYLVIA PRADO	District Administrative Assistant
JOAN ARNESON	District Secretary and Legal Counsel (by telephone)
BILL EVEREST	District Consultant
ART VALENZUELA	City of Tustin

2. Public Communications to the Board. None.

3. Items Arising After Posting of Agenda. None.

4. General Manager's Report. President VANDERWERFF inquired as to the status of the item re security system improvement project at the Peters Canyon site, and Ms. OHLUND elaborated.

ACTION TAKEN:

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

5. Minutes.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (EVERETT absent), the minutes of the meeting of October 15, 2015 were approved as submitted.

6. Operation, Management and Construction Matters.

A. Project Approvals and Notice of Exemption. Ms. OHLUND recommended approval of the reservoir rehabilitation, repairs and improvement projects and the determination of exemption under the California Environmental Quality Act.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (EVERETT absent), the reservoir rehabilitation, repairs and improvements projects (Peters Canyon Reservoir Site Drainage Improvements and Reservoir Rehabilitation Projects and Vista Panorama Hydropneumatic Tank Seismic Improvements) were approved, it was determined that the projects are exempt from the California Environmental Quality Act and the General Manager was authorized to file a notice of exemption.

B. Award of Peters Canyon Reservoir (6MG) Site Drainage Improvements. Director BELL reported that the Engineering Committee Ms. OHLUND recommended the award.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (EVERETT absent), the contract for construction of the Peters Canyon (6mg) Reservoir Site Drainage Improvements was awarded to Champion Paving, for the total bid price of \$202,048.

C. Recognition of Richard Bell's Retirement from MWDOC. Ms. OHLUND read the proposed resolution recognizing Director BELL's retirement from Municipal Water District of Orange County

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (EVERETT absent), Resolution No. 760 was adopted, entitled "Resolution of the Board of Directors of the East Orange County Water District Commending Richard B. Bell For His Forty-Nine Years of Loyal and Dedicated Service to the Southern California Water Community."

D. 2015/16 Severe Weather Outlook – Inventory of District Facilities. Ms. OHLUND reported that this item was to update the report previously given to the Board.

7. Financial Matters.

A. Schedule of Disbursements. Schedules of disbursements in the following amounts were presented: \$568,215.41 from Wholesale and Retail Operating Funds, \$2,170.23 for directors' payroll, and \$35,518.59 for employees' payroll.

B. Investment Activity. Schedules of investments were presented.

C. Financial Statements (September 30). The financial statements were presented.

On behalf of the Finance Committee, Director DULEBOHN recommended approval of the schedule of disbursements and investment schedules, and receipt and filing of the financial statements.

ACTION TAKEN:

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

8. Miscellaneous Matters.

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

B. Directors' Reports on Meetings Attended. President VANDERWERFF reported on the WACO meeting, including discussion of the predicted El Niño conditions. Ms. OHLUND noted that MWDOC's reliability study is also a focus of discussion.

C. Authorization of Conference and Meeting Attendance.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (EVERETT absent), all were authorized to attend the annual employee recognition holiday luncheon (December 18).

D. Orange County Sanitation District #7 Local Sewer Service Reorganization – Status Report. Ms. OHLUND reported that the District's application was deemed complete.

E. Water Demand Status Report.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (EVERETT absent), the Water Demand Status Report was received and filed.

F. Drought Response Report. Ms. OHLUND updated the activities on warnings and penalties.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (EVERETT absent), the Drought Response Report was received and filed.

9. Informational Items.

A. General Interest Publications. Recent publications were included in the agenda for general interest.

10. Closed Sessions. President VANDERWERFF announced that the Board would meet in closed session, as follows: **(A)** conference with real property negotiators (Government Code Section 54956.8) – property: 14-inch waterline easement crossing portion of lots fronting Lemon Hill Drive, Lemon Circle and Lemon Leaf Lane, unincorporated Orange County; negotiating parties: Newport Coast Capital, LLC; agency negotiators: General Manager Ohlund; under negotiation: price and terms of payment (quitclaim of easement)

OPEN SESSION

Open session was resumed. No action was reported.

11. Adjournment of Regular Meeting/Reconvene Special Meeting.

Upon a motion duly made, seconded and carried unanimously (EVERETT absent), the regular meeting was adjourned. The Special Meeting was then reconvened, with all Directors present except Director EVERETT. Ms. ARNESON left the meeting at this time. General Manager OHLUND recorded the minutes below.

Orange County Sanitation District #7 Local Sewer Service Reorganization. General Manager OHLUND related the input that was received from the community during the October 28, 2015 Community Workshop held by LAFCO on the sewer transfer, and that several members of the public, as well as the Orange County Apartment Association, commented on the proposed rate to be charged by EOCWD. She noted that one of the reasons cited by LAFCO staff in making their recommendation to award the sewers to IRWD was the 50% reduction in rates IRWD had proposed.

ACTION TAKEN:

Following discussion, upon a motion duly made, seconded and carried unanimously (EVERETT absent), Staff will revise the Service Area 7 financing plan to include using a combination of PAYGO and debt issuance that will provide rates to be reduced by 50% from the current OCSD charges for single and multi-family residences for a period of five years with no rate increase, and will submit the revised rates to LAFCO.

3. Adjournment.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (EVERETT absent), the meeting was adjourned at 5:40 p.m., the next regular meeting date and time being Thursday,

November 19, 2015, 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

DRAFT



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: ACCEPTANCE OF RESIGNATION AND COMMENDATION OF THE SERVICE OF PRESIDENT WILLIAM VANDERWERFF
DATE: DECEMBER 17, 2015

BACKGROUND

On December 10, 2015, Board President Bill VanderWerff notified the District that he was resigning his position, effective December 31, 2015.

President VanderWerff has served the district in an outstanding manner for over 32 years. First appointed to the Board on July 21, 1983, he has served as President of the Board of Directors almost continuously since 1991. Staff has prepared the attached resolution of commendation for President VanderWerff, and is also working with other local and regional agencies to recognize his accomplishments. A press release will also be issued that will detail his service to the District.

Director VanderWerff will also be recognized at the District's Annual Recognition Luncheon to be held on Friday, January 18th at Orange Hill Restaurant.

FINANCIAL IMPACT

Staff estimates that approximately \$100 will be expended to provide the commendation; funding is available for this expense in Account Nos. 5224-10 and 5224-20, Board Expenses.

RECOMMENDATION

The Board accept the resignation of William VanderWerff with regret and adopt Resolution No. expressing appreciation for the outstanding service rendered by him to the District.

RESOLUTION NO.

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

WILLIAM L. VANDERWERFF

AS A MEMBER OF THE DISTRICT'S BOARD OF DIRECTORS

WHEREAS, on July 21, 1983, WILLIAM L. VANDERWERFF was appointed to the Board of Directors of the East Orange County Water District, and he was elected to that office for succeeding terms through and including the election of November 6, 2012; and

WHEREAS, DIRECTOR VANDERWERFF was first elected by his peers on January 17, 1991 to serve numerous terms as President of the Board; and

WHEREAS, PRESIDENT VANDERWERFF served the District as a member of several committees of the Board, including the Engineering Committee, Operations, Planning & Personnel Committee, Ad-Hoc Cellular Facilities Committee, the Ad-Hoc Consolidation Committee and the Ad-Hoc Sewer Transfer Committee, providing invaluable guidance and assuring the effective operation of the District; and

WHEREAS, PRESIDENT VANDERWERFF's leadership was instrumental in meeting the challenges to initially construct and ultimately replace several essential facilities for the District's Wholesale and Retail System, and

WHEREAS, PRESIDENT VANDERWERFF's was particularly focused on acquiring, rehabilitating and sustainably financing the Retail Zone operations, maintenance and capital requirements; taking the fragile and financially stressed Retail Zone to robust reliability and over \$2.2 million in reserve funds, and

WHEREAS, the District's wholesale and retail customers received immeasurable benefit from PRESIDENT VANDERWERFF'S extensive knowledge of the District's systems and his dedicated and conscientious attention ensuring that the District was cost-effective in its operations and provided excellent service and accountability to the ratepayers; and

WHEREAS, during his more than thirty-three year tenure as a Director and officer of the District, PRESIDENT VANDERWERFF rendered dedicated, professional, and outstanding services to the benefit of the District, and is to be commended for the willing and generous contributions he has made to the District and the citizens of the community which he has served;

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 effective and beneficial services rendered by WILLIAM L. VANDERWERFF during his participation in the duties and affairs of the East Orange County Water District as a Director and officer thereof;
2. Public attention is hereby called and directed to the exemplary services rendered by WILLIAM L. VANDERWERFF during his served term of office; and
3. This Resolution shall be maintained in the permanent records of the District in recognition of WILLIAM L. VANDERWERFF's outstanding performance of duty.

ADOPTED, SIGNED AND APPROVED this 17th day of December, 2015.

President/Vice 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

[illegible]

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 a Regular Meeting of said District held on December 17, 2015, and that it was so adopted by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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

MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: NOTICE OF VACANCY AND PROCEDURES FOR FILLING
DATE: DECEMBER 17, 2015

BACKGROUND

On December 10, 2015, President Bill VanderWerff notified the District that he was resigning his position, creating a vacancy on the Board. With the Board's acceptance of the resignation, the attached Notice of Vacancy must be distributed; the Board has 60 days to appoint a successor. President VanderWerff's seat is up for election on November 8, 2016; an appointed successor will serve until December 2, 2016 (first Friday in December).

Staff recommends that the Notice of Vacancy be advertised from December 18, 2015 through January 15, 2016 in the following areas:

- 1) Transmit a Press Release with the Notice of Vacancy to the *Orange County Register* and the *Orange* and *Tustin City News*.
- 2) Transmit a Press Release with the Notice of Vacancy to the *Foothill Sentry*.
- 3) Publish an advertisement of the vacancy in the January 2016 *Foothill Sentry*.
- 4) Post a notice of the vacancy in the front banner of the EOCWD website.
- 5) Post a "Notice of Vacancy" at the Tustin, Orange and El Modena Libraries.
- 6) Post a "Notice of Vacancy" in the marquee at the District Administrative Office.

An application form, including general information and a request for a resume, will be prominently placed on the District's website commencing December 18th; the information will also be available in the District office. Applicants must meet two requirements: 1) they must be a resident within the District's service area and, 2) a registered voter within the District. The District Secretary would confirm that each applicant has met these requirements prior to the Board interviewing the candidates.

In addition to the information on the website, staff proposes that a "Candidate Briefing" be held prior to the application deadline so that potential applicants could be briefed on Board duties and responsibilities, anticipated time commitments and provided with a general overview of district operations.

Interviews would be scheduled for a special Board Meeting the day prior to the Regular Board Meeting. It is recommended that after the interviews are held, that the Board discuss and vote, via paper ballots, to fill the vacancy. The successful candidate would then be seated at the Board Meeting the next night.

The recommended schedule for filling the vacancy is:

2

Approve Notice of Vacancy	December 17, 2015
Advertise Vacancy	December 18, 2015 – January 15, 2016
Hold "Candidate Briefing"	January 13, 2015, 6:00 p.m.
Applications Due	January 15, 2015, 4:00 p.m.
Verification of Eligibility	January 18-19, 2015
Special Board Meeting Candidate Interviews	January 20, 2015, 5:00 p.m.
Swearing-In of New Board Member	January 21, 2015, 5:00 p.m.

FISCAL IMPACT

Staff estimates that expenses of approximately \$400 will be incurred to fill this vacancy; funding exists for this expense under Account Nos. 5224-10 and 5224-20, Board Expenses.

RECOMMENDATION

The Board determine that the vacancy shall be filled by appointment within the 60-day period allowed by law, and direct the General Manager to give notice of the Board's intention to fill the vacancy by appointment in the form of the Notice and affidavit as presented.



NOTICE OF VACANCY IN THE OFFICE OF
DIRECTOR OF THE
EAST ORANGE COUNTY WATER DISTRICT
AND INTENT TO FILL VACANCY BY APPOINTMENT

NOTICE IS HEREBY GIVEN of a vacancy in the Office of Director of the East Orange County Water District as of January 1, 2016. The term of the vacated office is through December 2, 2016 and the appointment to be made as described below will be effective until December 2, 2016. On November 8, 2016 an election will be held to provide for a new term of office.

NOTICE IS HEREBY GIVEN of the intent of the remaining members of the Board of Directors to fill the vacancy by appointment. Resumes of persons interested in being considered for the appointment should be mailed to the following address:

Lisa Ohlund, General Manager
East Orange County Water District
185 N. McPherson Road
Orange, California 92869-3720

Applications and resumes must be submitted by Friday, January 15, 2016 at 4:00 p.m. An informational briefing on board member duties and responsibilities, estimated time requirements and general district operations will be held on Wednesday, January 13, 2016 at 6:00 p.m. The Board intends to interview candidates and make the appointment during a special board meeting on January 20, 2016 at 5:00 p.m. in the District office at the above-mentioned address. The Board intends to seat the successful candidate during its regular board meeting scheduled to be held on Thursday, January 21, 2016, at 5:00 p.m. in the District office at the above-mentioned address.

The East Orange County Water District is a public agency which provides water to portions of the cities of Tustin and Orange and the unincorporated area between the two cities. The five members of the Board of Directors are elected and receive no salary other than a nominal compensation for attendance at each meeting. The Board generally meets once per month, and members may also be required to attend special board meetings from time to time and committee meetings on a regular basis. The Board makes policy decisions regarding the purchase, pricing and sale of water and construction of new and replacement facilities such as pipelines and reservoirs, and has a number of related legal powers.

To be eligible for the appointment, an applicant must be a legal resident of, and a registered voter, within the District's service area. Generally, if you receive your water service from one of the following agencies you will qualify:

- City of Orange (the portion east of Orange Park Blvd. and south of Chapman Avenue but east of Crawford Canyon Road)
- East Orange County Water District, Retail Zone
- Golden State Water Company (Lemon Heights, Cowan Heights)
- City of Tustin (except Tustin Meadows, the District and Tustin Ranch)
- Irvine Ranch Water District (formerly Orange Park Acres Mutual Water Company)

An application and a map showing the boundaries are available at the District office at the address listed above or on the District's website at www.eocwd.com.

THIS NOTICE IS BEING POSTED in the District pursuant to Section 1780 of the California Government Code, at least 15 days before the appointment is to be made.

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

[illegible]

1. Tustin City Library
2. Orange City Library
3. El Modena Branch, Orange City Library
4. EOCWD Marquee and Website
5. Orange City News
6. Tustin City News
7. Foothill Sentry

By: _____

MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: ELECTION OF OFFICERS
DATE: DECEMBER 17, 2015

BACKGROUND

Due to the resignation of President VanderWerff (effective December 31st), an election for Board Officers must be held. Board officers are elected for a two-year term; selection of officers is at the Board's discretion.

The Directors currently serving as Board Officers are:

- Doug Davert, Vice-President

Duties of the Board President

- Executes contracts (except where otherwise authorized by the Board)
- Presides over Board Meetings
- Appoints members to Board Committees
- Represents EOCWD at various functions
- Communicates with legislators and media (when requested)
- Performs other general duties as necessary.

Duties of Vice-President

- Executes contracts in the absence of the President.
- Presides over Board meetings in the absence of the President
- Performs other general duties as necessary.

After the Election of Officers, the Board President typically reports Committee appointments at the next Board Meeting.

FINANCIAL IMPACT

None.

RECOMMENDATION

The Board elect a President and Vice-President as desired.



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: AMENDMENT #2 TO OCSD SEWER TRANSFER AGREEMENT
DATE: DECEMBER 17, 2015

BACKGROUND

On February 27th, 2014, the Board approved the initial Transfer Agreement with the Orange County Sanitation District (OCSD) for the transfer of the Service Area 7 local sewers to EOCWD. This agreement anticipated that the sewer transfer would be completed within ten months, and included a provision that OCSD would not enter into any agreement regarding Service Area 7 with any other agency for the duration of the contract.

At the April 16, 2015 Meeting, the Board approved Amendment #1 to the Transfer Agreement. This amendment, among other things extended the agreement date to December 31, 2015 and prohibited the diversion of wastewater flows away from OCSD and ultimately, the Orange County Water District's Groundwater Replenishment System (GWRS).

Amendment #2 (attached) has been drafted for several reasons: 1) the agreement is expiring and this amendment will extend it to December 31, 2016; 2) it provides OCSD the ability to negotiate with "other entities" regarding the transfer of Service Area 7; 3) it expands the prohibition on diverting Service Area 7 wastewater away from OCSD/OCWD and 4) it provides up to \$255,000 for the reimbursement of expenses that EOCWD has incurred in pursuing the sewer transfer, in the event the sewers are not awarded to us.

Please note that while OCSD has requested the ability to negotiate a transfer agreement with other agencies, OCSD's support for EOCWD acquisition of these sewers has not changed. They have requested the ability to negotiate with other agencies, as the sewers could be transferred to another agency without OCSD having any say in the matter. Negotiating a transfer agreement preserves their ability to protect against wastewater diversions – their ability to negotiate the terms of a transfer agreement is in the best interest of Service Area 7 customers and all North Orange County water customers that benefit from GWRS.

This Amendment was reviewed in concept with the Ad-Hoc Committee Members; they recommend its adoption.

FISCAL IMPACT

The amendment provides for the reimbursement of up to \$255,000 of expenses incurred in the pursuit of the sewers; these expenses total approximately \$150,000 to-date.

RECOMMENDATION

The Board approve Amendment #2 to the Local Sewer Facilities Transfer Agreement and direct the General Manager to sign the Amendment.

**SECOND AMENDMENT TO
LOCAL SEWER FACILITIES
TRANSFER AGREEMENT**

THIS SECOND AMENDMENT TO LOCAL SEWER FACILITIES TRANSFER AGREEMENT ("Agreement") is made this ____ day of _____, 2015 ("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 and EOCWD are Parties to that certain "Local Sewer Facilities Transfer Agreement," dated February 27, 2014 ("the Agreement"), in which the Parties set forth their intent to cooperate in the transfer of ownership in and the assumption of responsibility for certain local sewer facilities from OCSD to EOCWD; and

WHEREAS, the transfer process requires the approval of the Orange County Local Agency Formation Commission ("LAFCO"), and, although that process commenced in a timely manner, the LAFCO process has taken longer than the Parties anticipated; and

WHEREAS, the Parties entered into that certain "First Amendment to Local Sewer Facilities Transfer Agreement," dated April 22, 2015 ("First Amendment") to, among other things, extend the timelines and termination date of the Agreement; and

WHEREAS, the LAFCO process is ongoing, and will not be completed prior to the expiration of the Agreement, as extended by the First Amendment; and

WHEREAS, the Parties therefore desire to amend the Agreement to again extend the timelines and termination date to reflect the current status of the LAFCO process; and

WHEREAS, the Parties desire to amend the Agreement to eliminate exclusivity provisions prohibiting OCSD from engaging in negotiations with entities other than EOCWD regarding the transfer of the subject local sewer facilities; and

WHEREAS, EOCWD expended significant funds to initiate the transfer process and requested reimbursement of costs should LAFCO approve the transfer of Service Area 7 local sewers to another entity. The Parties propose to

reimburse up to \$255,000 in costs from the Annual Area 7 Sewer Service User Fee reserves attributable to Local Sewer Facilities; and

WHEREAS, the Parties desire to amend the Agreement to supplement provisions concerning the diversion of waste water from Service Area 7.

AGREEMENT

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

1. Extension of Timelines. In order to reflect the changed circumstances with regard to the timeline for completion of the transfer, "December 1, 2014" in subsection 2.a. shall be amended to read "December 31, 2016"; and "July 1, 2015" and "2014-2015 Fiscal Year" in subsection 3.f.i. shall be amended to read, respectively, "July 1, 2017" and "2016-2017 Fiscal Year."

2. Amendment to Section 3. Subsection 3.d shall be amended to read as follows (deletions shown in ~~strike through~~; additions shown in *italics*):

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, 2015, 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. *Notwithstanding the foregoing, this section shall not be construed to prohibit OCSD from negotiating with any other entity, at any time, regarding the transfer of the Local Sewer Facilities.*

3. Amendment to Section 6. Section 6 shall be amended to read as follows:

6. Term. This Agreement shall commence on the Effective Date and continue in full force and effect through December 31, 2016. The Parties may mutually agree in writing to extend the term of this Agreement. The Agreement shall automatically terminate if LAFCO disapproves the Proposal.

4. Amendment to Section 20. Section 20 shall be amended to read as follows:

20. Prohibition on Diversion of Wastewater. OCSD has planned and constructed regional conveyance and treatment facilities to serve Service Area 7. OCSD is contractually obligated to provide treated wastewater effluent from its entire service area, inclusive of Service Area 7, to Orange County Water District ("OCWD") for its OCWD and OCSD's joint Groundwater Replenishment System. The territory in Service Area 7 both fully contributes to and benefits from the Groundwater Replenishment System by contributing wastewater and by using groundwater from the groundwater basin that is replenished by the system. EOCWD agrees that all EOCWD territory to which EOCWD provides sewer service, including territory added through annexation or other change of organization or reorganization, shall be customers of OCSD, and that all wastewater flows from such territory, including any increase in wastewater flows, will continue to flow to OCSD for treatment in perpetuity. EOCWD shall send all flow, existing, new or increased, originating in EOCWD to OCSD and EOCWD shall not divert wastewater away from OCSD for any purpose, including but not limited to scalping wastewater for reuse. Furthermore, the OCSD reserves the right, in its sole and absolute discretion, to reroute to OCSD for treatment, any current or future wastewater flows that may flow outside of territory to which EOCWD provides sewer service.

5. New Section 21. Section 21 shall be added to read as follows:

21. Possible Reimbursement of EOCWD's Costs. Should LAFCO approve the transfer of the Local Sewer Facilities to an entity other than EOCWD prior to December 31, 2016, OCSD will reimburse EOCWD for the costs associated with its pursuit of the Proposal described in Section 3 of this Agreement. The total reimbursable amount for costs accumulated prior to the date of this Second Amendment shall not exceed \$225,000. Any additional reimbursement for costs accumulated after the date of this Second Amendment, but prior to the expiration of the Agreement, shall be limited to fees paid by EOCWD to OCLAFCO, and shall not exceed \$30,000. Any reimbursement shall only be charged to the Annual Area 7 Service User Fee reserves attributable to Local Sewer Facilities. In the event such reimbursement occurs, EOCWD will provide OCSD with all studies, data, reports, and other work product generated in pursuit of the

Proposal, excluding materials that are subject to the attorney-client privilege.

6. No other Amendments. Except as otherwise expressly set forth herein, all terms and conditions contained in the original Agreement, as modified by the First Amendment, are hereby incorporated herein by this reference as if fully set forth herein and shall remain in full force and effect.

[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:

Kelly Lore
Clerk of the Board

APPROVED AS TO FORM:

Brad Hogin
General Counsel

EAST ORANGE COUNTY WATER DISTRICT

By _____
Lisa Ohlund
General Manager

Date _____

ATTEST:

APPROVED AS TO FORM:

Joan Arneson
General Counsel

MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: AMENDMENT #4 TO PUBLIC OUTREACH ASSISTANCE CONTRACT WITH COMMUNICATIONS LAB
DATE: DECEMBER 17, 2015

BACKGROUND

At the July 17, 2014 Meeting, the Board approved the initial retention of Communications Lab (CommLab) to augment and assist with ongoing public outreach, particularly those associated with the transfer of the sewers from OCSD to EOCWD. Since the initial authorization, there have been three additional authorizations (generally in six-month increments):

Initial Authorization:	\$20,000 (General and Sewer Related Outreach)
Amendment #1:	\$35,000 (General and Sewer Related Outreach)
Amendment #2:	\$30,000 (Drought Specific Outreach)
Amendment #3:	\$35,000 (General and Sewer Related Outreach)
	<u>\$16,000</u> (Drought Specific outreach)
Total	\$136,000

Through CommLab's services, the District has built strong relationships in the East County area, particularly with affected stakeholders such as the City of Orange and the Foothill Communities Association. Additionally, CommLab President Brian Lochrie has attended meetings and gatherings on behalf of the district when time and Board/Staff resources were unavailable to do this. CommLab's drought services have also been excellent; we attribute much of our success in meeting the State's 36% cutback mandate through the summer months to the outreach plan they developed and the recommendation to get in front of our customers early and often with a consistent and respectful conservation message.

We have reached the end of the authorizations for the sewer related outreach budget; there are still funds available in the drought budget. As noted above, Communications Lab has provided excellent service to the District in all areas and staff recommends continuing these services; the Ad-Hoc Consolidation Committee members support this recommendation.

Attached to this memorandum is a proposal to continue general and sewer related outreach services at a not-to-exceed cost of \$30,000. At this time we estimate that we will conclude the bulk of the sewer service transfer services by the end of April, 2016. We note that in the event we are unsuccessful in obtaining the sewers, Amendment #2 to the Sewer Transfer Agreement with Orange County Sanitation District provides for reimbursement of all of CommLab's sewer related services (going back to the initial authorization in 2014) – approximately \$120,000 including this amendment.

FISCAL IMPACTS

Amendment #4 totals \$30,000. Funding for these services will be transferred from Account Number 5921-10 (-\$30,000), Transfer to Reserves, to Account Number, 5268-10, LAFCO (\$30,000).

RECOMMENDATION

The Board approve Amendment #3 to the contract with Communications LAB in an amount not-to-exceed \$30,000 for the provision of designated community outreach services.



East Orange Water District Community Outreach Work Plan

Key Issues:

Communications LAB has been working with East Orange County Water District for more than a year conducting a public education and community outreach campaign in support of the District's application before LAFCO to obtain the sewers in Area #7 as part of a transfer agreement from the Orange County Sanitation District (OCSD). When IRWD submitted a competing application, the issue became exponentially more challenging.

Communications LAB continues to be committed to the success of the District's application and will work closely with the EOCWD staff, board and key community stakeholders to achieve a successful conclusion to this long regulatory process.

Communications LAB is also prepared to assist EOCWD to in its continued effort to educate the community about water use efficiency and the importance of conservation to protect water resources and to ensure EOCWD continues to achieve its state-mandated water use efficiency goals.

Staffing

Brian Lochrie, President of Communications LAB, will continue to serve as the day-to-day project manager and will coordinate directly with the staff and board on all issues related to the District. David Cordero will provide support and project assistance. Mike Schnell is Communications Lab's Creative Director and will assist with any collateral material or graphic design required. Arianna Barrios provides website design capabilities and will assist with the revisions of web pages as required.

Like EOCWD, Communications LAB is known for providing effective and efficient service and will continue to honor its reduced hourly rate initially proposed in July 2014 (rate sheet attached).

Work Plan:

Our extended work plan includes outreach to key stakeholders and residents to support the board's direction to leverage community support for the District's application before LAFCO. In addition to outreach specifically regarding the LAFCO issue, we have the capacity and expertise to assist staff with other communications efforts to the District's customers that may occur in the first half of 2016.

Cost Proposal:

We recognize the limited resources of EOCWD and understand the importance of maximizing those resources. To that end, we propose an austere budget that includes an hourly rate that is lower than our normal public agency hourly rate and a cap to our monthly fee at \$5,000 per month to be averaged through the course of the contract. To provide the services necessary to accomplish the proposed work plan, we propose a six-month contract with a maximum not-to-exceed figure of \$30,000.

Under our existing contract, we came in under budget and have never asked for a change order from any client.

Our initial proposal was designed to provide an opportunity for the District Board and staff to review our performance and determine if our firm was providing value to the District. We have enjoyed our working relationship with your Board and Staff and would be honored to continue in our efforts under the same cost proposal parameters with no increase in our hourly rate or average monthly fee.



Client Rate Sheet

		<u>EOCWD</u>
Chief Executive Officer	\$190/hour	\$175/hour
President	\$185/hour	\$165/hour
Senior Account Manager	\$175/hour	\$150/hour
Account Manager	\$150/hour	\$140/hour
Account Executive	\$125/hour	\$115/hour
Administrator	\$100/hour	\$ 75/hour
Intern	\$ 75/hour	\$ 50/hour



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: AMENDMENT #1 TO LEGISLATIVE ADVOCACY ASSISTANCE CONTRACT WITH THE LEWIS GROUP
DATE: DECEMBER 17, 2015

BACKGROUND

Under their authority to contract for services up to \$20,000, the Ad-Hoc Sewer Committee authorized staff to contract with The Lewis Group for legislative advocacy assistance before OCLAFCO, the County of Orange and members of the Orange County Board of Supervisors. Former State Senator John R. Lewis, and his associate, Matthew Holder, have worked diligently to provide these services for the past four months at a flat fee of \$5,000.00 per month. At the time of the initial retention, it was anticipated that The Lewis Group services would conclude with the completion of the sewer transfer at LAFCO by December 31st. This, of course, has not occurred.

We have reached the end of the Ad-Hoc Committee's authorization authority, and the Committee desires to extend the services The Lewis Group. Their assistance with County Supervisors and their respective staff in particular, has been of great assistance to staff – allowing us to build a relationship with these representatives, present our qualifications and capabilities to them and to answer questions in a very timely manner.

The Ad-Hoc Committee recommends continuing with The Lewis Group at the \$5,000 per month retainer fee for a six month period ending June 30, 2016, for a total of \$30,000. Staff estimates that The Lewis Group has been providing between 30-40 hours per month of time to our project; equating to an hourly rate of between \$125-\$166/hr. In the event EOCWD is unsuccessful in our pursuit of the sewers, under Amendment #2 of the Sewer Transfer Agreement, these costs would be reimbursed to the District.

FISCAL IMPACT

Amendment #1 totals \$30,000. Funding for these services will be transferred from Account Number 5921-10 (-\$30,000), Transfer to Reserves, to Account Number, 5268-10, LAFCO (\$30,000).

RECOMMENDATION

The Board approve Amendment #1 to the contract with The Lewis Group in an amount not-to-exceed \$30,000 for the provision of legislative advocacy services related to the proposed sewer transfer.

EAST ORANGE COUNTY WATER DISTRICT

DISBURSEMENT SUMMARY

December 17, 2015

WHOLESALE AND RETAIL BILLS	\$352,428.23
DIRECTOR'S PAYROLL	\$2,587.33
EMPLOYEE'S PAYROLL	\$36,087.48
DISBURSEMENT TOTAL	<u>\$391,103.04</u>

TRANSFER SUMMARY

TRANSFERS	\$ -
TRANSFER TOTAL	<u>\$0.00</u>

NOTE: THE EXPLANATION OF FUNDS TRANSFERRED IS SHOWN ON THE FUNDS TRANSFERRED SHEET ATTACHED.

East Orange County Water District

12/14/15

Bills For Consideration

Accrual Basis

As of December 14, 2015

Type	Date	Num	Name	Credit
1001-10 · Checking-WZ				
Bill Pmt -Check	11/16/2015	10699	ARAMARK UNIFORM SERVICES	192.18
Bill Pmt -Check	11/16/2015	10700	CR&R INC.	52.08
Bill Pmt -Check	11/16/2015	10701	HACH COMPANY	220.97
Bill Pmt -Check	11/16/2015	10702	JERRY MENDZER	215.99
Bill Pmt -Check	11/16/2015	10703	RAFTELIS FINANCIAL CONSULTANTS	1,380.00
Bill Pmt -Check	11/16/2015	10704	REGINALD DARLEY	85.79
Bill Pmt -Check	11/16/2015	10705	W R EVEREST & ASSOCIATES	6,580.00
Bill Pmt -Check	11/19/2015	10706	AT&T	517.91
Bill Pmt -Check	11/19/2015	10707	J SEWART DESIGNS	30.00
Bill Pmt -Check	12/01/2015	10708	ACWA	4,804.73
Bill Pmt -Check	12/01/2015	10709	ALLCOM	195.00
Bill Pmt -Check	12/01/2015	10710	AT&T	656.78
Bill Pmt -Check	12/01/2015	10711	BOWIE ARNESON WILES & GIANNO...	7,017.50
Bill Pmt -Check	12/01/2015	10712	C WELLS PIPELINE MATERIALS INC	1,361.13
Bill Pmt -Check	12/01/2015	10713	CAROLLO ENGINEERING	48,071.35
Bill Pmt -Check	12/01/2015	10714	DOTY BROS EQUIPMENT CO.	2,017.70
Bill Pmt -Check	12/01/2015	10715	HACH COMPANY	995.99
Bill Pmt -Check	12/01/2015	10716	ID MODELING, INC.	800.00
Bill Pmt -Check	12/01/2015	10717	IRVINE PIPE SUPPLY	791.01
Bill Pmt -Check	12/01/2015	10718	LEWIS CONSULTING GROUP	5,000.00
Bill Pmt -Check	12/01/2015	10719	MEYERS NAVE	2,260.51
Bill Pmt -Check	12/01/2015	10720	SOUTHERN CALIFORNIA EDISON	45.68
Bill Pmt -Check	12/01/2015	10721	TAB ANSWER NETWORK	28.11
Bill Pmt -Check	12/01/2015	10722	THE PUN GROUP	1,250.00
Bill Pmt -Check	12/01/2015	10723	TRENCH SHORING COMPANY	182.50
Bill Pmt -Check	12/01/2015	10724	TRUESDAIL LABORATORIES, INC	100.00
Bill Pmt -Check	12/01/2015	10725	URBAN WATER INSTITUTE, INC	500.00
Bill Pmt -Check	12/10/2015	10726	ADT SECURITY SERVICES	299.88
Bill Pmt -Check	12/10/2015	10727	ARAMARK UNIFORM SERVICES	124.66
Bill Pmt -Check	12/10/2015	10728	AT&T	115.89
Bill Pmt -Check	12/10/2015	10729	AT&T LONG DISTANCE	337.96
Bill Pmt -Check	12/10/2015	10730	CA BANK & TRUST	2,015.17
Bill Pmt -Check	12/10/2015	10731	COMMUNICATIONS LAB	
Bill Pmt -Check	12/10/2015	10732	CONOR CONCRETE CUTTING & CO...	435.00
Bill Pmt -Check	12/10/2015	10733	CR&R INC.	52.08
Bill Pmt -Check	12/10/2015	10734	EAST ORANGE COUNTY WATER DI...	9,472.96
Bill Pmt -Check	12/10/2015	10735	EMPIREWEST, INC	
Bill Pmt -Check	12/10/2015	10736	LANCE SPENCER	29.19
Bill Pmt -Check	12/10/2015	10737	MIKE ADGHARI	252.74
Bill Pmt -Check	12/10/2015	10738	MWDOC	220,680.37
Bill Pmt -Check	12/10/2015	10739	PARADISE DRINKING WATERS	89.75
Bill Pmt -Check	12/10/2015	10740	REYNA AYALA	149.88
Bill Pmt -Check	12/10/2015	10741	SC FUELS	278.62
Bill Pmt -Check	12/10/2015	10742	SOUTHERN CALIFORNIA EDISON	4,668.47
Bill Pmt -Check	12/10/2015	10743	SWRCB FEES	4,183.04
Bill Pmt -Check	12/10/2015	10744	TIME WARNER CABLE	179.99
Bill Pmt -Check	12/10/2015	10745	TRUESDAIL LABORATORIES, INC	1,073.50
Bill Pmt -Check	12/10/2015	10746	VERIZON WIRELESS	270.03
Bill Pmt -Check	12/10/2015	10747	XEROX CORPORATION	51.16
Bill Pmt -Check	12/14/2015	10748	COMMUNICATIONS LAB	6,637.12
Bill Pmt -Check	12/14/2015	10749	EMPIREWEST, INC	677.86
Bill Pmt -Check	12/14/2015	10750	ORANGE COUNTY LAFCO	15,000.00
Total 1001-10 · Checking-WZ				352,428.23
TOTAL				352,428.23

7:03 PM

12/14/15

Accrual Basis

East Orange County Water District
Custom Transaction Detail Report
December 1 - 14, 2015

Type	Date	Num	Name	Memo	Account	Class
Dec 1 - 14, 15						
Bill Pmt -Check	12/10/2015	10731	COMMUNICATION...	VOID: C551314	1001-10 · Checking-...	
Bill Pmt -Check	12/10/2015	10731	COMMUNICATION...	VOID: C551314	2000000 · AP OFFS...	
Bill Pmt -Check	12/10/2015	10735	EMPIREWEST, INC	VOID: E479463	1001-10 · Checking-...	
Bill Pmt -Check	12/10/2015	10735	EMPIREWEST, INC	VOID: E479463	2000000 · AP OFFS...	

Dec 1 - 14, 15

EAST ORANGE COUNTY WATER DISTRICT
 CALIFORNIA BANK & TRUST
 Prior Month's Checks To Ratify
 DIRECTORS' PAYROLL*
 17-Dec-15

***PAYMENT FOR BOARD AND COMMITTEE MEETINGS IN THE MONTH OF
 OCTOBER 2015***

DATE	CHECK NO	AMOUNT	PAYABLE TO
11/19/15		\$0.00	BOARD DIRECTOR
11/19/15	215	\$ 507.93	BOARD DIRECTOR
11/19/15	216	\$ 161.62	BOARD DIRECTOR
11/19/15	217	\$ 1,393.49	BOARD DIRECTOR - PRESIDENT
		<u>\$2,063.04</u>	TOTAL PAYROLL CHECKS

PAYROLL TAXES, ADP CHARGE, AND PERS EFT
(PERS TRANSFERRED WITH EMPLOYEE PAYROLL)

11/19/2015	\$328.94	ADP TAXES
11/19/2015	\$195.35	PERS ELECTRONIC FUNDS TRANSFER
	<u>\$524.29</u>	TOTAL CHARGES & TRANSFER
	<u>\$2,587.33</u>	GRAND TOTAL PAYROLL

***** NOTE: DOUG DAVERT DECLINES 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*
17-Dec-15

	CHECK DATE	CHECK AMOUNT	PAYABLE TO
AUTO DEPOSIT	11/10/2015	\$ 1,791.72	MAINTENANCE AND OPERATIONS SUPERINTENDENT
AUTO DEPOSIT	11/10/2015	\$ 1,907.71	GENERAL MANAGER
AUTO DEPOSIT	11/10/2015	\$ 1,804.30	WATER DISTRIBUTION II
AUTO DEPOSIT	11/10/2015	\$ 1,860.68	ADMINISTRATIVE ASSISTANT
AUTO DEPOSIT	11/10/2015	\$ 1,695.18	ADMINISTRATIVE ASSISTANT
AUTO DEPOSIT	11/25/2015	\$ 2,132.47	MAINTENANCE AND OPERATIONS SUPERINTENDENT
AUTO DEPOSIT	11/25/2015	\$ 1,945.63	GENERAL MANAGER
AUTO DEPOSIT	11/25/2015	\$ 1,721.04	WATER DISTRIBUTION II
AUTO DEPOSIT	11/25/2015	\$ 2,008.20	ADMINISTRATIVE ASSISTANT
AUTO DEPOSIT	11/25/2015	\$ 1,530.46	ADMINISTRATIVE ASSISTANT

<u>\$ 18,397.39</u>	TOTAL PAYROLL CHECKS
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PAYROLL TAXES, ADP CHARGES, AND PERS EFT

11/10/2015	\$5,399.20	ADP TAXES
11/10/2015	\$1,698.95	PERS ELECTRONIC FUNDS TRANSFER
11/10/2015	\$264.22	PERS PEPRA MEMBER
11/10/2015	\$1,325.30	CAL PERS 457 - ING BANK
11/25/2015	\$5,690.59	ADP TAXES
11/25/2015	\$1,735.75	PERS ELECTRONIC FUNDS TRANSFER
11/25/2015	\$264.22	PERS PEPRA MEMBER
11/25/2015	\$1,311.86	CAL PERS 457 - ING BANK

PAYROLL 11/10/2015	PAYROLL 11/25/2015
\$9,059.59	\$9,337.80
\$8,687.67	\$9,002.42
\$17,747.26	\$18,340.22

<u>\$17,690.09</u>	TOTAL TRANSFERS
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<u>\$36,087.48</u>	GRAND TOTAL PAYROLL
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*Note: Payroll is processed by ADP (Automatic Data Processing)

**EAST ORANGE COUNTY WATER DISTRICT
SCHEDULE 1 - INVESTMENT ACTIVITY
MONTH OF NOVEMBER 2015**

	SECURITY TYPE	BOOK VALUE
BEGINNING BALANCES NOVEMBER 1, 2015		
LOCAL AGENCY INVESTMENT FUND	DEMAND LAIF	\$ 6,473,941
RAYMOND JAMES-CDs	DEMAND BROKERAGE	\$ 1,545,214
US TREASURY OBLIGATIONS	US TREASURY	\$ -
Total		\$ 8,019,155
ACTIVITY		
ADDITIONS		
DEPOSIT TO LAIF-INTEREST	DEMAND LAIF	\$ -
DEPOSIT TO RAYMOND JAMES-INTEREST	DEMAND BROKERAGE	\$ 3,110
ENDING BALANCES NOVEMBER 30, 2015		
LOCAL AGENCY INVESTMENT FUND	DEMAND LAIF	\$ 6,473,941
RAYMOND JAMES-CDs and CASH	CERTIFICATES OF DEPOSIT	\$ 1,548,640
US TREASURY OBLIGATIONS	US TREASURY	\$ -
TOTAL		\$ 8,022,581

**EAST ORANGE COUNTY WATER DISTRICT
SCHEDULE 2 - INVESTMENT PORTFOLIO
November 30, 2015**

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	0.320%	0.320%	\$ 6,477,791	\$ 6,473,941	\$ -	\$ -	\$ -	80.70%
RJ-CD	CAPITAL ONE BANK	08/17/15	08/20/20	2.300%	2.300%	100,552	100,000	0	0	100,000	1.25%
RJ-CD	CIT BANK	03/06/13	03/06/18	1.100%	1.100%	145,380	145,000	0	0	145,000	1.81%
RJ-CD	DISCOVER BANK	10/17/12	10/17/16	1.200%	1.200%	100,765	100,000	0	0	100,000	1.25%
RJ-CD	DISCOVER BANK	02/20/13	02/20/18	1.100%	1.100%	149,306	150,000	0	0	150,000	1.87%
RJ-CD	EVERBANK	01/30/15	11/15/19	1.500%	1.740%	147,236	148,818	-1,650	468	150,000	1.85%
RJ-CD	FEDERAL FARM CREDIT	06/05/15	05/28/19	1.430%	1.482%	40,003	39,938	-73	11	40,000	0.50%
RJ-CD	GE MONEY BANK	10/25/12	08/31/17	1.650%	1.650%	101,029	100,998	754	244	100,000	1.26%
RJ-CD	GE CAPITAL RETAIL BANK	11/19/12	11/09/16	1.350%	1.350%	100,726	100,536	499	37	100,000	1.25%
RJ-CD	GE CAPITAL RETAIL BANK	02/22/13	02/22/18	1.100%	1.100%	149,294	150,000	0	0	150,000	1.87%
RJ-CD	GOLDMAN SACHS BANK	02/13/13	02/13/18	1.200%	1.200%	149,666	150,000	0	0	150,000	1.87%
RJ-CD	GOLDMAN SACHS BANK	10/11/12	10/03/17	1.550%	1.550%	100,803	99,977	-11	34	100,000	1.25%
RJ-CD	SYNCHRONY BANK	01/30/15	01/30/20	1.800%	1.800%	150,288	150,000	0	0	150,000	1.87%
RJ	CASH	N/A	N/A	0.000%	0.020%	113,373	113,373	0	0	113,373	1.41%
				1.334%		\$ 8,026,209	\$ 8,022,581	\$ (480)	\$ 796	\$ 1,548,373	100.00%

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.

Cindy Byerrum, Treasurer

CINDY BYERRUM, TREASURER

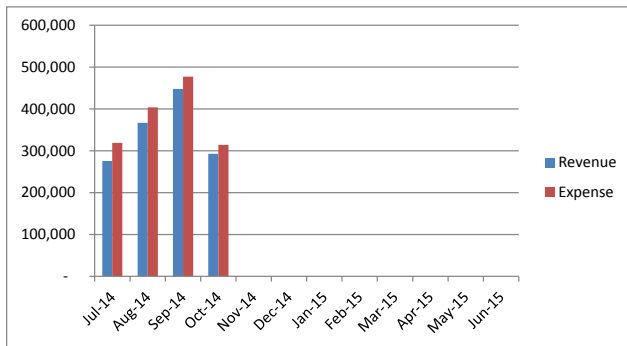
Wholesale Zone Financial Summary

For Period Ending October 31, 2015

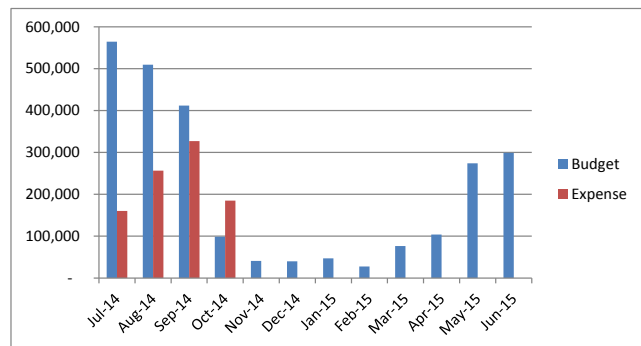
YTD Operating Income \$ 1,382,959

YTD Operating Expense \$ 1,513,785

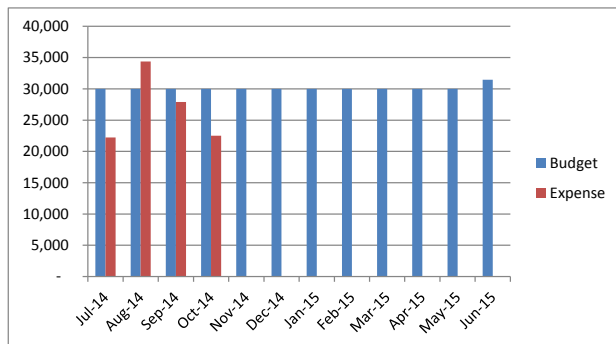
Revenue vs. Expenses



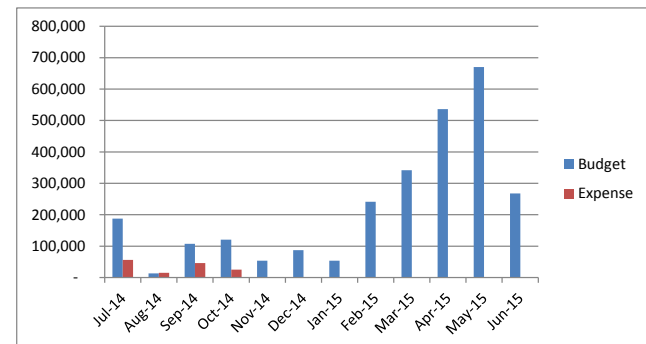
Water Purchased Budget vs. Actual



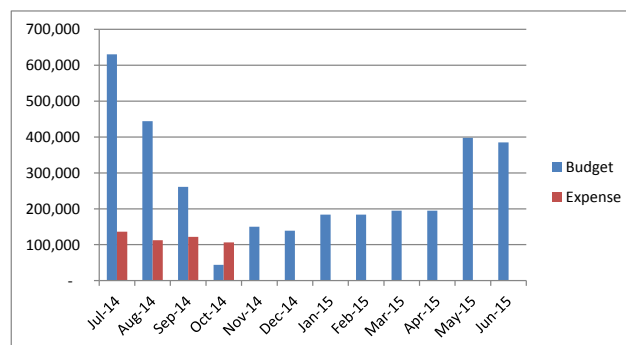
Salaries & Benefits Budget vs. Actual



CIP Budget & Actual



O&M Budget vs. Actual



WHOLESALE ZONE

**EAST ORANGE COUNTY WATER DISTRICT
2015-2016 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
MONTH: OCTOBER 2015**

REVENUE		MONTHLY	YTD	ANNUAL	BUDGET \$	PERCENT
DESCRIPTION		ACTUAL	ACTUAL	2015-16	OVER	OF BUDGET
		REVENUE	REVENUE	BUDGET	(UNDER)	EXPENDED
1	OPERATING REVENUE:					
2	WATER SALES	185,142	930,017	2,494,800	(1,564,783)	37.28%
3	FIXED CHARGES	54,455	217,821	653,950	(436,129)	33.31%
4	EOCWD FIXED CHARGES	39,002	169,014	459,327	(290,313)	36.80%
5	REIMBURSED EXP-IRWD	-	-	-	-	0.00%
6	OTHER CHARGES	157	2,031	82,325	(80,294)	2.47%
7	TOTAL OPERATING REVENUE:	278,756	1,318,883	3,690,402	(2,371,519)	
8	NON-OPERATING REVENUES (EXPENSES):					
9	PROPERTY TAXES	2,780	19,567	678,500	(658,933)	2.88%
10	RENTAL INCOME - CELLULAR ANTENNAS	8,271	33,084	108,020	(74,936)	30.63%
11	INTEREST & INVESTMENT EARNINGS	2,617	8,363	20,900	(12,537)	40.02%
12	NOTE RECEIVABLE - AMP	-	144	-	144	0.00%
13	MISCELLENIOUS INCOME (EXPENSE)	142	2,917	600	2,317	486.20%
14	TOTAL NON-OPERATING REVENUES, NET	13,810	64,076	808,020	(743,944)	7.93%
15	NET OPERATING INCOME	292,566	1,382,959	4,498,422	(3,115,464)	30.74%

EXPENSES		MONTHLY	YTD	ANNUAL	BUDGET \$	PERCENT
DESCRIPTION		ACTUAL	ACTUAL	2015-16	OVER	OF BUDGET
		EXPENSES	EXPENSES	BUDGET	(UNDER)	EXPENDED
16	OPERATING EXPENSE:					
17	SOURCE OF SUPPLY	185,062	929,553	2,494,900	(1,565,347)	37.26%
18	MET/MWDOC FIXED CHARGE	30,889	137,746	507,975	(370,229)	27.12%
19	EOCWD FIXED CHARGE	18,837	75,346	226,000	(150,654)	33.34%
20	ENERGY	317	547	2,600	(2,053)	21.06%
21	OPERATIONS & MAINTENANCE	31,068	147,304	631,850	(484,547)	23.31%
22	GENERAL & ADMINISTRATIVE	18,163	97,570	257,145	(159,575)	37.94%
23	TRANSFER TO CAPITAL PROJECTS EXPENSE & RESERVES	31,496	125,984	377,952	(251,968)	33.33%
24	DEPRECIATION & AMORTIZATION	-	-	-	-	0.00%
25	MARKET VALUE ADJUSTMENT ON INVESTMENTS	(1,797)	(266)	-	(266)	0.00%
26	TOTAL OPERATING EXPENSE	314,035	1,513,785	4,498,422	(2,984,637)	33.65%
27	NET INCOME FROM OPERATIONS	(21,469)	(130,827)	-	(130,827)	
28	PRIOR YEARS INCOME (EXPENSES)	-	-	-	-	
29	NET INCOME (LOSS)	(21,469)	(130,827)	-	(130,827)	

Wholesale Zone**October 2015 Variance Report - 33% of Budget Year Expended**

Account Number	Account Name	Income(I) Expense (E)	YTD Amount	Percent Received/ Spent	Comments
<u>New</u>					
5266-10	COMPUTER CONSULTING	E	3,019.50	60.39%	YTD is over 50% of budget due to unexepected computer expense
<u>Ongoing</u>					
4110-10	CONNECTION FEES	I	15,000.00	1500.00%	YTD is higher than budget due to receipt of a large deposit in Tustin
4202-10	LATE CHARGE	I	705.16	705.16%	YTD is higher than budget due to late charges to IRWD
4702-10	TAXES-UNSECURED	I	14,442.96	72.21%	YTD is over 50% of budget due to timing of collections (usually 2/3 is in September)
5003-10	WATER PURCHASED AMP	E	724,185.80	58.06%	YTD is over 50% due of budget due to using the AMP line and using OC 43 & OC 48 lines
5129-10	METER TESTING	E	2,699.80	89.99%	YTD is almost 90% due to timing of the year and when testing is performed
5155-10	EQUIPMENT RENTAL	E	10,038.26	53.11%	YTD is at 50% of budget due to generator expenses being more than expected
5160-10	SMALL TOOLS	E	1,742.08	48.39%	YTD is over 40% of budget due to the purchase of lawn care items
5268-10	LAFCO	E	37,927.10	126.42%	YTD is higher than budget due to timing of the year when bills are received and costs relating to sewers
5422-10	PERS CLASSIC (ER-PAID MEMBER)	E	2,707.29	0.00%	This account is a new account and was budgeted in Line 66 PERS Classic (ER-Contribution)
5424-10	PERS PEPRA (ER)	E	1,454.07	0.00%	This account is a new account and was budgeted in Line 66 PERS Classic (ER-Contribution)
5427-10	PERS UNFUNDED	E	1,823.12	0.00%	This account is a new account and was budgeted in Line 66 PERS Classic (ER-Contribution)
5426-10	PERS PEPRA (EMPLOYEE)	E	(883.77)	0.00%	This account is a new account and was budgeted in Line 70 PERS Classic (Employee)

Capital Projects**New**

BETTERMENT & REPLACEMENT PLAN	E	97,053	138.65%	YTD is over budget due to work performed by Carollo Engineering
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Ongoing

EAST ORANGE COUNTY WATER DISTRICT**FOR WHOLESALE
MONTH: OCTOBER 2015**

DESCRIPTION		MONTHLY ACTUAL	YTD ACTUAL	ANNUAL 2015-16 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
REVENUE						
1	4001-10 WATER SALES	185,142	930,017	2,494,800	(1,564,783)	37.28%
2	4150-10 METER CHARGE	127	508	2,200	(1,692)	23.09%
3	4202-10 LATE CHARGE	30	705	100	605	705.16%
4	4110-10 CONNECTION FEES	500	15,000	1,000	14,000	1500.00%
5	4111-10 EOCWD RESERVE FUND CHARGE	25,481	101,925	302,079	(200,154)	33.74%
6	4112-10 EOCWD READINESS TO SERVE CHARGE	13,021	52,089	156,248	(104,159)	33.34%
7	4101-10 RETAIL SERVICE CONNECTIONS	18,836	75,346	226,000	(150,654)	33.34%
8	4102-10 MET-MWDOC READINESS TO SERVE	20,686	82,743	243,250	(160,507)	34.02%
9	4103-10 MET-MWDOC CAPACITY CHARGE	14,933	59,732	184,700	(124,968)	32.34%
10	4104-10 MET-MWDOC CHOICE-WS	-	-	80,025	(80,025)	0.00%
11	4901-10 REIMBURSED EXPENSES-IRWD	-	-	-	-	0.00%
12	4203-10 REFUNDS	-	817	-	817	0.00%
13	Total OPERATING REVENUE:	278,756	1,318,883	3,690,402	(2,371,519)	
14	NON OPERATING INCOME					
15	4603-10 INTEREST EARNED-LAIF	1,238	1,238	4,200	(2,962)	29.49%
16	4604-10 INTEREST EARNED - RAYMOND JAMES	1,379	7,125	16,700	(9,575)	42.66%
17	4701-10 TAXES-SECURED	-	-	590,000	(590,000)	0.00%
18	4702-10 TAXES-UNSECURED	-	14,443	20,000	(5,557)	72.21%
19	4703-10 TAXES SUPPLEMENTAL ROLL	1,937	2,703	10,000	(7,297)	27.03%
20	4704-10 TAXES PRIOR YEARS	843	2,421	6,900	(4,479)	35.08%
21	4706-10 TAXES HOMEOWNER'S SUBVENTION	-	-	3,300	(3,300)	0.00%
22	4707-10 TAXES PUBLIC UTILITY	-	-	8,300	(8,300)	0.00%
23	4708-10 TAXES TUSTIN RDA	-	-	40,000	(40,000)	0.00%
24	4709-10 TAXES MISC	-	-	-	-	0.00%
25	4601-10 RENT INCOME- AT&T	4,540	18,160	56,000	(37,840)	32.43%
26	4602-10 RENT INCOME- CROWN CASTLE	3,731	14,924	52,020	(37,096)	28.69%
27	4605-10 AMP SALE INSTALLMENTS	-	144	-	144	0.00%
28	4690-10 MISCELLANEOUS INCOME	142	2,917	600	2,317	486.20%
29	Total NON OPERATING INCOME:	13,810	64,076	808,020	(743,944)	
30	Total OPERATING REVENUE	292,566	1,382,959	4,498,422	(3,115,464)	
31	NET OPERATING INCOME:	292,566	1,382,959	4,498,422	(3,115,464)	

EXPENSES

32	5001-10 EOCF #2 NONINTERR OC 43	26,582	158,756	499,000	(340,244)	31.81%
33	5002-10 EOCF #2 NONINTERR OC 48	4,800	46,612	748,500	(701,889)	6.23%
34	5003-10 WATER PURCHASED AMP	153,680	724,186	1,247,400	(523,214)	58.06%
35	5290-10 AMP_FAP LEASE EXPENSE	-	-	-	-	0.00%
36	5004-10 MET-MWDOC CHOICE BUDGET	-	-	80,025	(80,025)	0.00%
37	5005-10 MET-MWDOC READINESS TO SERVE	15,955	78,013	243,250	(165,237)	32.07%

EAST ORANGE COUNTY WATER DISTRICT

**FOR WHOLESALE
MONTH: OCTOBER 2015**

	DESCRIPTION	MONTHLY ACTUAL	YTD ACTUAL	ANNUAL 2015-16 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
38	5006-10 MET-MWDOC CAPACITY FEES	14,934	59,733	184,700	(124,967)	32.34%
39	5007-10 MWDOC RETAIL SERVICE CONNECT	18,837	75,346	226,000	(150,654)	33.34%
40	5140-10 UTILITY- SCADA RTU	317	547	2,600	(2,053)	21.06%
41	5160-10 SMALL TOOLS	14	1,742	3,600	(1,858)	48.39%
42	5144-10 GASOLINE, OIL & DIESEL FUEL	292	1,201	5,000	(3,799)	24.03%
43	5170-10 REGULATORY PERMITS	167	767	7,000	(6,233)	10.95%
44	5120-10 PROF SERV WATER QUAL. CONTROL	267	4,202	25,500	(21,298)	16.48%
45	5122-10 SCADA REPLACEMENTS / UPGRADES	-	-	10,000	(10,000)	0.00%
46	5161-10 OPERATIONS REPORTING SOFTWARE	191	1,005	20,000	(18,995)	5.02%
47	5124-10 METER PURCHASE/REPAIR	-	1,645	10,000	(8,355)	16.45%
48	5112-10 PRESSURE REGULATORS R&M	-	-	5,000	(5,000)	0.00%
49	5101-10 R/M- MAINS	2,902	7,439	25,000	(17,561)	29.76%
50	5110-10 SERVICE CONNECTIONS R&M	-	317	1,500	(1,183)	21.10%
51	5102-10 RESERVOIRS R&M	-	638	25,000	(24,362)	2.55%
52	5103-10 R/M- VAULTS	47	47	10,000	(9,953)	0.47%
53	5131-10 R/M- CATHODIC PROTECTION	158	610	15,000	(14,390)	4.07%
54	5128-10 MAINTAIN & OPERATE EOCF#2	1,417	5,667	50,000	(44,333)	11.33%
55	5129-10 METER TESTING	-	2,700	3,000	(300)	89.99%
56	5130-10 SAC LINE R&M	204	814	25,800	(24,986)	3.16%
57	5155-10 EQUIPMENT RENTAL	2,205	10,038	18,900	(8,862)	53.11%
58	5150-10 EQUIPMENT MAINTENANCE	-	567	3,500	(2,933)	20.93%
59	5151-10 VEHICLE MAINTENANCE	320	443	2,800	(2,357)	15.81%
60	5152-10 MAINTENANCE-BUILDINGS AND GROUNDS	332	453	3,800	(3,347)	11.93%
61	5401-10 WAGES	14,331	73,851	230,500	(156,649)	32.04%
62	5402-10 PAYROLL TAXES- FICA & MEDICARE	1,179	6,001	17,600	(11,599)	34.09%
63	5421-10 PERS CLASSIC(ER-CONTRIBUTION)	1,056	5,061	37,900	(32,839)	13.35%
64	5422-10 PERS CLASSIC (ER-PAID MEMBER)	606	2,707	-	2,707	0.00%
65	5424-10 PERS PEPR (ER)	246	1,454	-	1,454	0.00%
66	5427-10 PERS UNFUNDED	456	1,823	-	1,823	0.00%
67	5423-10 PERS CLASSIC (EMPLOYEE)	(243)	(1,085)	(5,700)	4,615	0.00%
68	5426-10 PERS PEPR (EMPLOYEE)	(123)	(884)	-	(884)	0.00%
69	5404-10 PAYROLL TAXES- SUI & ETT	10	175	1,300	(1,125)	13.46%
70	5410-10 HEALTH & ACCIDENT INSURANCE	3,948	14,260	64,000	(49,740)	22.28%
71	5411-10 DENTAL INSURANCE	339	1,294	4,400	(3,106)	29.40%
72	5412-10 VISION INSURANCE	63	241	900	(659)	26.75%
73	5413-10 LIFE INSURANCE	25	97	350	(253)	27.81%
74	5414-10 WORKER'S COMP INSURANCE	587	1,716	8,200	(6,484)	20.93%
75	5181-10 UNIFORMS	74	298	2,000	(1,702)	14.88%
76	5201-10 UTILITIES- OFFICE- ELECT & WTR	280	1,439	4,000	(2,561)	35.98%
77	5203-10 UTILITIES-DUMPSTER	-	131	500	(370)	26.10%
78	5204-10 MCPHERSON FAX	43	169	400	(231)	42.28%
79	5205-10 MCPHERSON INTERNET	159	431	2,400	(1,969)	17.97%
80	5206-10 MCPHERSON OFFICE PHONES	349	1,216	3,500	(2,284)	34.74%
81	5207-10 DISTRICT WEBSITE	51	203	2,250	(2,047)	9.04%

EAST ORANGE COUNTY WATER DISTRICT

**FOR WHOLESALE
MONTH: OCTOBER 2015**

	DESCRIPTION	MONTHLY ACTUAL	YTD ACTUAL	ANNUAL 2015-16 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
82	5208-10 ANSWERING SERVICE	14	56	200	(144)	28.11%
83	5209-10 CELLPHONES	135	539	2,000	(1,461)	26.94%
84	5210-10 PHONE CIRCUITS TO CTRL EQUIP	459	1,624	4,000	(2,376)	40.60%
85	5220-10 TRAINING/SCHOOLS	-	81	7,000	(6,919)	1.16%
86	5221-10 CONSERVATION EDUCATION	837	1,577	5,000	(3,423)	31.54%
87	5222-10 TRAVEL- CONF/SEMINARS	785	2,017	9,500	(7,483)	21.23%
88	5223-10 MILEAGE	32	230	700	(470)	32.81%
89	5224-10 BOARD MEETING EXPENSE	34	637	3,000	(2,363)	21.25%
90	5230-10 DUES & MEMBERSHIP- ACWA	-	-	3,700	(3,700)	0.00%
91	5231-10 DUES & MEMBERSHIPS- OCWA	-	-	75	(75)	0.00%
92	5232-10 DUES & MEMBERSHIPS- AWWA	-	-	400	(400)	0.00%
93	5233-10 DUES & MEMBERSHIP- FCA	-	-	20	(20)	0.00%
94	5234-10 DUES & MEMBERSHIP- CSDA	-	41	3,500	(3,460)	1.16%
95	5235-10 DUES- ISDOC/URBAN WTR	-	-	1,100	(1,100)	0.00%
96	5240-10 POSTAGE	24	135	2,000	(1,865)	6.77%
97	5241-10 OFFICE SUPPLY/FURN/SMALL EQUIP	225	751	7,000	(6,249)	10.73%
98	5250-10 PUBLICATIONS & LEGAL NOTICES	546	1,268	5,000	(3,732)	25.35%
99	5251-10 COPIER CONTRACT	22	133	650	(517)	20.41%
100	5252-10 OFFICE EQUIPMENT R&M	-	114	800	(686)	14.22%
101	5260-10 OUTSIDE SERVICES	341	15,585	10,000	5,585	155.85%
102	5261-10 AUDITING	250	2,750	8,200	(5,450)	33.54%
103	5262-10 TAX COLLECTION FEES	2	42	7,000	(6,958)	0.60%
104	5263-10 TREASURER	-	-	5,000	(5,000)	0.00%
105	5264-10 ACCOUNTING	-	6,866	25,500	(18,634)	26.93%
106	5265-10 LEGAL	2,979	6,985	25,000	(18,015)	27.94%
107	5266-10 COMPUTER CONSULTING	2,120	3,020	5,000	(1,981)	60.39%
108	5267-10 ENGINEERING-WS	1,200	2,351	20,000	(17,649)	11.75%
109	5268-10 LAFCO	5,003	37,927	30,000	7,927	126.42%
110	5269-10 UNDERGROUND SERVICE ALERT	42	200	400	(200)	50.06%
111	5270-10 BANK CHARGES	192	678	2,000	(1,322)	33.92%
112	5280-10 INSURANCE-AUTO & GEN LIABILITY	846	3,237	12,000	(8,763)	26.98%
113	5281-10 INSURANCE-PROPERTY	219	877	3,750	(2,873)	23.37%
114	5282-10 INSURANCE-EMP. FIDELITY BOND	18	73	300	(227)	24.32%
115	5291-10 SECURITY	-	-	1,500	(1,500)	0.00%
116	5292-10 ELECTION EXPENSE	-	-	15,000	(15,000)	0.00%
117	5299-10 MISCELLANEOUS EXP	43	50	500	(450)	10.00%
118	5430-10 DIRECTOR- R. BARRETT	-	-	-	-	0.00%
119	5431-10 DIRECTOR- W. VANDERWERFF	525	2,188	6,500	(4,313)	33.65%
120	5433-10 DIRECTOR- J. DULEBOHN	88	875	3,600	(2,725)	24.31%
121	5434-10 DIRECTOR- R. BELL	213	725	3,600	(2,875)	20.14%
122	5435-10 DIRECTOR- D. DAVERT	-	-	-	-	0.00%
123	5436-10 DIRECTOR- W. EVERETT	88	350	3,600	(3,250)	9.72%
124	5901-10 DEPRECIATION EXP.	-	-	-	-	0.00%
125	5920-10 TRANS TO CAPITAL PROJECTS	6,323	25,291	75,873	(50,582)	33.33%

EAST ORANGE COUNTY WATER DISTRICT**FOR WHOLESALE
MONTH: OCTOBER 2015**

	DESCRIPTION	MONTHLY ACTUAL	YTD ACTUAL	ANNUAL 2015-16 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
126	5960-10 TRANSFER TO (FROM) RESERVES	25,173	100,693	302,079	(201,386)	33.33%
127	5990-10 MARKET VALUE ADJUST-INVESTMENT	(1,797)	(266)	-	(266)	0.00%
128	5990-11 MARKET VALUE ADJUST-INVESTMENT	-	-	-	-	0.00%
128	Total EXPENSES:	314,035	1,513,785	4,498,422	(2,984,637)	
129	NET INCOME FROM OPERATIONS:	(21,469)	(130,827)	-	(130,827)	
130	OTHER INCOME AND EXPENSE					
131	5670-10 PRIOR YEARS INCOME (EXPENSES)	-	-	-	-	0.00%
132	Total OTHER INCOME AND EXPENSE	-	-	-	-	0.00%
133	NET INCOME (LOSS)	(21,469)	(130,827)	-	(130,827)	

No assurance is provided on these financial statements.

The financial statements do not include a statement of cash flows.

Substantially all disclosures required by accounting principles generally accepted in the United States are not included.

WHOLESALE ZONE CAPITAL PROJECTS

EAST ORANGE COUNTY WATER DISTRICT

2015-2016 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

MONTH: OCTOBER 2015

REVENUE		MONTHLY ACTUAL REVENUE	YTD ACTUAL REVENUE	ANNUAL 2015-16 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
DESCRIPTION						
1 FUNDS PROVIDED BY RESERVE		-	-	6,150,881	(6,150,881)	0.00%
2 CAPITAL PROJECTS REVENUE						
3 INTEREST EARNINGS		2,468	2,468	16,700	(14,232)	14.78%
4 REIMBURSEMENTS		-	-	-	-	0.00%
5 TRANSFER FROM OPERATING EXPENSES		31,496	125,984	377,952	(251,968)	33.33%
6 NET OPERATING INCOME		33,964	128,452	6,545,533	(6,417,081)	
EXPENSES		MONTHLY ACTUAL EXPENSES	YTD ACTUAL EXPENSES	ANNUAL 2015-16 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
DESCRIPTION						
7 CAPITAL PROJECTS EXPENSES						
8 UWMP UPDATE		-	24,676	55,000	(30,324)	44.87%
9 6 MG SECURITY GATE @ JAMBOREE		-	190	11,000	(10,810)	1.73%
10 6 MG SECURITY SYSTEM		-	-	25,000	(25,000)	0.00%
11 PIPELINE INSPECTION		-	-	31,000	(31,000)	0.00%
12 BETTERMENT & REPLACEMENT PLAN		25,503	97,053	70,000	27,053	138.65%
13 PROGRAMMATIC CEQA		-	-	40,000	(40,000)	0.00%
14 6 MG RESERVOIR ROOF REPAIRS		-	8,050	1,475,000	(1,466,950)	0.55%
15 PIPELINE CATHODIC PROTECTION		-	-	45,500	(45,500)	0.00%
16 OFFICE/YARD IMPROVEMENT		-	3,127	7,000	(3,873)	44.67%
17 11.5 CATHODIC PROTECTION		-	-	57,000	(57,000)	0.00%
18 NEW VEHICLE TO SUPPLEMENT FLEET		-	-	20,000	(20,000)	0.00%
19 6 MG TREATMENT PLANT		-	2,170	657,500	(655,330)	0.33%
20 ANDRES RESERVOIR VULNERABILITY UPGRADE		-	-	15,000	(15,000)	0.00%
21 VALVE REPLACEMENT (12" - 27")		-	-	23,000	(23,000)	0.00%
22 NEWPORT RESERVOIR MIXING SYSTEM		-	-	15,500	(15,500)	0.00%
23 6 MG RESERVOIR MIXING LAB		-	-	15,500	(15,500)	0.00%
24 11.5 & 1 MG RESERVOIR ISOLATION VALVES		-	-	35,000	(35,000)	0.00%
25 OC33 RECONNECTION		-	-	45,000	(45,000)	0.00%
26 VULNERABILITY UPGRADES-OC 70		-	490	12,000	(11,510)	4.08%
27 SEDARU IMPROVEMENTS		-	7,070	20,000	(12,930)	35.35%
28 WZ CAPITALIZED ACCOUNTING		-	-	5,000	(5,000)	0.00%
					-	0.00%
29 TOTAL OPERATING EXPENSE		25,503	142,825	2,680,000	(2,537,175)	
30 NET INCOME FROM OPERATIONS		8,461	(14,373)	3,865,533	(3,879,906)	
31 PRIOR YEARS INCOME (EXPENSES)		-	-	-	-	
32 NET INCOME (LOSS)		8,461	(14,373)	3,865,533	(3,879,906)	

**FOR WHOLESALE
MONTH: OCTOBER 2015**

DESCRIPTION	MONTHLY ACTUAL	YTD ACTUAL	ANNUAL 2015-16 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
REVENUE					
FUNDED BY RESERVES	-	-	6,150,881	(6,150,881)	
1 INTEREST-LAIF-CAP	2,468	2,468	16,700	(14,232)	14.78%
2 REIMBURSEMENTS	-	-	-	-	0.00%
3 TRANSFER FROM WZ OPERATIONS EXPENSES	6,323	25,291	75,873	(50,582)	33.33%
4 TRANSFER FROM CAPITAL RESERVES	25,173	100,693	302,079	(201,386)	33.33%
5 Total NON OPERATING INCOME:	33,964	128,452	6,545,533	(6,417,080)	
6 Total OPERATING REVENUE	33,964	128,452	6,545,533	(6,417,080)	
7 NET OPERATING INCOME:	33,964	128,452	6,545,533	(6,417,080)	

EXPENSES

8 UWMP Update	-	24,676	55,000	(30,324)	44.87%
9 6 MG Security Gate @ Jamboree-Construction	-	190	10,000	(9,810)	1.90%
10 6 MG Security Gate @ Jamboree-Labor	-	-	1,000	(1,000)	0.00%
11 6 MG Security System-Construction	-	-	20,000	(20,000)	0.00%
12 6 MG Security System-Labor	-	-	5,000	(5,000)	0.00%
13 Pipeline Inspection-Engineering	-	-	30,000	(30,000)	0.00%
14 Pipeline Inspection-Labor	-	-	1,000	(1,000)	0.00%
15 Betterment & Replacement Plan-Engineering	25,503	97,053	70,000	27,053	138.65%
16 Programmatic CEQA	-	-	40,000	(40,000)	0.00%
17 6 MG Reservoir Roof Repairs-Construction	-	-	1,300,000	(1,300,000)	0.00%
18 6 MG Reservoir Roof Repairs-Engineering	-	5,390	150,000	(144,610)	3.59%
19 6 MG Reservoir Roof Repairs-Labor	-	2,660	25,000	(22,340)	10.64%
20 Pipeline Cathodic Protection-Construction	-	-	20,000	(20,000)	0.00%
21 Pipeline Cathodic Protection-Engineering	-	-	25,000	(25,000)	0.00%
22 Pipeline Cathodic Protection-Labor	-	-	500	(500)	0.00%
23 Office/Yard Improvement-Construction	-	3,127	5,000	(1,873)	62.53%
24 Office/Yard Improvement-Labor	-	-	2,000	(2,000)	0.00%
25 11.5 Cathodic Protection-Construction	-	-	30,000	(30,000)	0.00%
26 11.5 Cathodic Protection-Engineering	-	-	25,000	(25,000)	0.00%
27 11.5 Cathodic Protection-Labor	-	-	2,000	(2,000)	0.00%
28 New Vehicle To Supplement Fleet	-	-	20,000	(20,000)	0.00%
29 6 MG Treatment Plant - Preliminary	-	2,170	500,000	(497,830)	0.43%
30 6 MG Treatment Plant - CEQA	-	-	75,000	(75,000)	0.00%
31 6 MG Treatment Plant-Construction	-	-	-	-	0.00%
32 6 MG Treatment Plant-Engineering	-	-	75,000	(75,000)	0.00%
33 6 MG Treatment Plant-Labor	-	-	7,500	(7,500)	0.00%
34 Andres Reservoir Vulnerability Upgrade-Construction	-	-	9,000	(9,000)	0.00%
35 Andres Reservoir Vulnerability Upgrade-Engineering	-	-	5,000	(5,000)	0.00%
36 Andres Reservoir Vulnerability Upgrade-Labor	-	-	1,000	(1,000)	0.00%
37 Valve Replacement (12" - 27")-Construction	-	-	12,000	(12,000)	0.00%
38 Valve Replacement (12" - 27")-Engineering	-	-	5,000	(5,000)	0.00%
39 Valve Replacement (12" - 27")-Labor	-	-	6,000	(6,000)	0.00%
40 Newport Reservoir Mixing System-Labor	-	-	500	(500)	0.00%
41 Newport Reservoir Mixing System-Engineering	-	-	2,500	(2,500)	0.00%

**FOR WHOLESALE
MONTH: OCTOBER 2015**

DESCRIPTION	MONTHLY ACTUAL	YTD ACTUAL	ANNUAL 2015-16 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
42 Newport Reservoir Mixing System-Construction	-	-	12,500	(12,500)	0.00%
43 6 MG Reservoir Mixing Lab-Labor	-	-	500	(500)	0.00%
44 6 MG Reservoir Mixing Lab-Engineering	-	-	2,500	(2,500)	0.00%
45 6 MG Reservoir Mixing Lab-Construction	-	-	12,500	(12,500)	0.00%
46 11.5 & 1 MG Reservoir Isolation Valves-Labor	-	-	10,000	(10,000)	0.00%
47 11.5 & 1 MG Reservoir Isolation Valves-Engineering	-	-	5,000	(5,000)	0.00%
48 11.5 & 1 MG Reservoir Isolation Valves-Construction	-	-	20,000	(20,000)	0.00%
49 OC33 Reconnection-Labor	-	-	10,000	(10,000)	0.00%
50 OC33 Reconnection-Engineering	-	-	10,000	(10,000)	0.00%
51 OC33 Reconnection-Construction	-	-	25,000	(25,000)	0.00%
52 Vulnerability Upgrades-OC 70-Construction	-	490	12,000	(11,510)	4.08%
53 Sedaru Improvements	-	7,070	20,000	(12,930)	35.35%
54 WZ Capitalized Accounting	-	-	5,000	(5,000)	0.00%
55 Total EXPENSES:	25,503	142,825	2,680,000	(2,537,175)	
56 NET INCOME (LOSS)	8,461	(14,373)	3,865,533	(3,879,905)	-0.37%

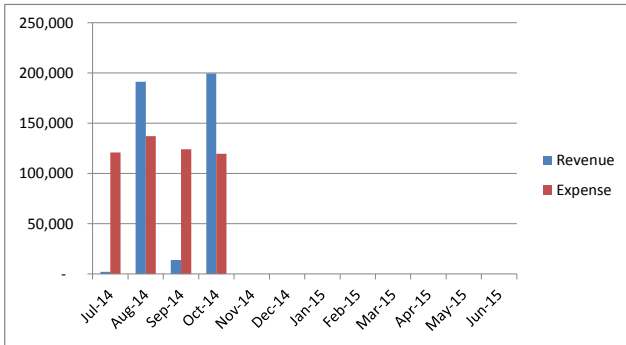
Retail Zone Financial Summary

For Period Ending October 31, 2015

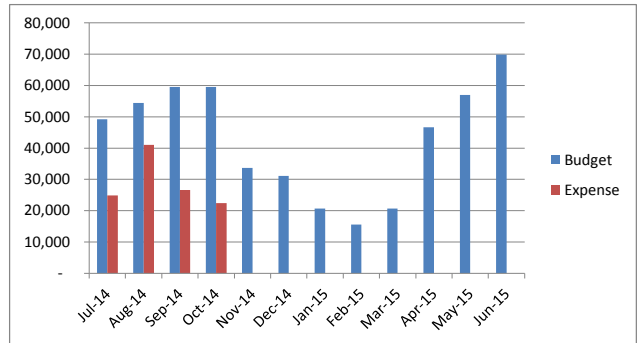
YTD Operating Income \$ 407,360

YTD Operating Expense \$ 501,931

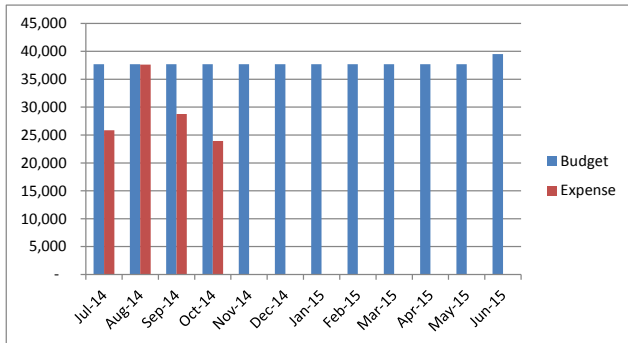
Revenue vs Expenses



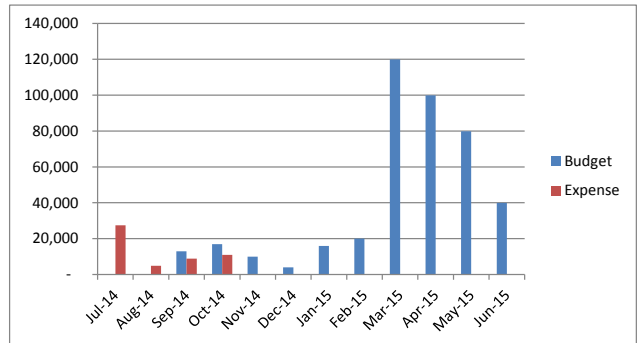
Water Purchased Budget vs. Actual



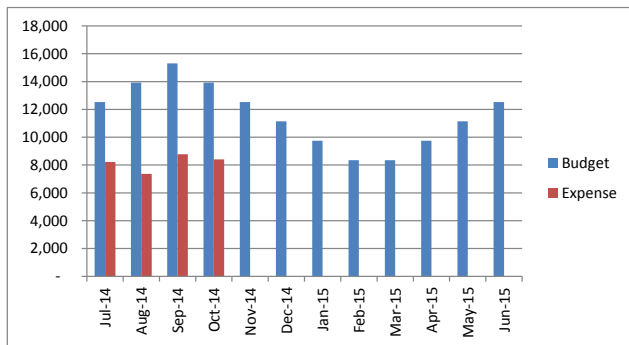
Salaries & Benefits Budget vs. Actual



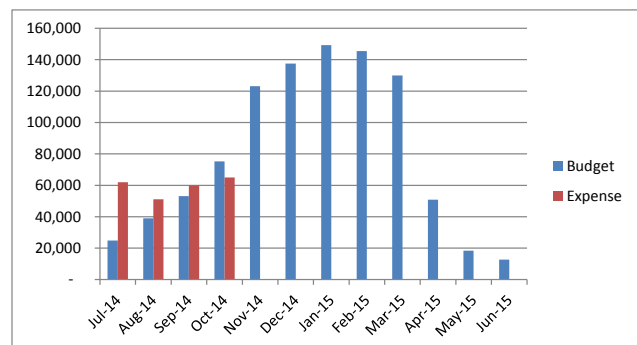
CIP Budget vs. Actual



Electrical Budget vs. Actual



O&M Budget vs. Actual



RETAIL ZONE

EAST ORANGE COUNTY WATER DISTRICT
2015-2016 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
MONTH: OCTOBER 2015

REVENUE		MONTHLY ACTUAL REVENUE	YTD ACTUAL REVENUE	ANNUAL 2015-16 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
DESCRIPTION						
1	OPERATING REVENUE:					
2	WATER SALES	136,806	267,700	1,270,115	(1,002,415)	21.08%
3	METER CHARGE	59,949	119,457	387,415	(267,958)	30.83%
4	OTHER CHARGES	49	4,997	10,600	(5,603)	47.14%
5	TOTAL OPERATING REVENUE:	196,804	392,153	1,668,130	(1,275,977)	23.51%
6	NON-OPERATING REVENUES (EXPENSES):					
7	PROPERTY TAXES	1,574	11,130	397,590	(386,460)	2.80%
8	INTEREST & INVESTMENT EARNINGS	1,304	1,317	4,080	(2,763)	32.28%
9	MISCELLANEOUS INCOME	-	2,760	500	2,260	552.06%
10	MARKET VALUE ADJUSTMENT ON INVESTMENTS	-	-	-	-	0.00%
11	DISPOSAL OF ASSET GAIN (LOSS)	-	-	-	-	0.00%
12	TOTAL NON-OPERATING REVENUES, NET	2,878	15,207	402,170	(386,963)	3.78%
13	NET OPERATING INCOME	199,683	407,360	2,070,300	(1,662,940)	19.68%

EXPENSES		MONTHLY ACTUAL EXPENSES	YTD ACTUAL EXPENSES	ANNUAL 2015-16 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
DESCRIPTION						
14	OPERATING EXPENSE:					
15	SOURCE OF SUPPLY	14,937	85,004	435,300	(350,296)	19.53%
16	MET/MWDOC FIXED CHARGE	1,089	4,354	12,300	(7,946)	35.40%
17	WZ FIXED CHARGE	2,207	8,829	19,250	(10,421)	45.87%
18	PIPELINE CAPACITY LEASE	4,169	16,677	51,000	(34,323)	32.70%
19	ENERGY	8,124	31,315	135,000	(103,685)	23.20%
20	OPERATIONS & MAINTENANCE	34,400	153,749	693,930	(540,181)	22.16%
21	GENERAL & ADMINISTRATIVE	21,548	63,669	308,520	(244,851)	20.64%
22	TRANSFER TO CAPITAL PROJECTS EXPENSE	25,000	100,000	300,000	(200,000)	33.33%
23	RETAIL OPERATIONS CONTINGENCY FUND	5,417	21,667	65,000	(43,333)	33.33%
24	FUNDED TO/BY RESERVE	4,167	16,667	50,000	(33,333)	33.33%
25	DEPRECIATION & AMORTIZATION	-	-	-	-	0.00%
26	TOTAL OPERATING EXPENSE	121,058	501,931	2,070,300	(1,568,369)	24.24%
27	NET INCOME FROM OPERATIONS	78,625	(94,571)	-	(94,571)	
28	PRIOR YEARS INCOME (EXPENSES)	-	-	-	-	
29	NET INCOME (LOSS)	78,625	(94,571)	-	(94,571)	

Retail Zone**October 2015 Variance Report - 33% of Budget Year Expended**

Account Number	Account Name	Income(I) Expense (E)	YTD Amount	Percent Received/ Spent	Comments
<u>Operating</u>					
<u>New</u>					
5056-20	EOCWD WR RESERVE FUND CHARGE	E	3,010.00	63%	YTD is high due to underbudgeting the account
5266-20	COMPUTER CONSULTING	E	3,019.50	60%	YTD is over 50% of budget due to unexpected computer expenses
<u>Ongoing</u>					
4702-20	TAXES UNSECURED	I	8,221.08	54%	YTD is over 50% due to timing of collections
4690-20	MISCELLANEOUS INCOME	I	2,760.28	552%	YTD is over budget due to rebate for new vehicle purchase in PY
5160-20	SMALL TOOLS	E	1,776.41	49%	YTD is over 40% of budget due to the purchase of lawn care items
5260-20	OUTSIDE SERVICES	E	5,652.31	57%	YTD is over 50% of budget due to PR services and strategic plan
5271-20	COMPUTER BILLING (RZ BILLS)	E	5,195.84	73%	YTD is over 50% of budget due to unplanned work on computers
5422-20	PERS Classic (ER-paid member)	E	3,098.40	0%	This account is a new account and was budgeted in Line 66 PERS Classic (ER-Contribution)
5424-20	PERS PEPRA (ER)	E	1,672.94	0%	This account is a new account and was budgeted in Line 66 PERS Classic (ER-Contribution)
5427-20	PERS Unfunded	E	2,097.56	0%	This account is a new account and was budgeted in Line 66 PERS Classic (ER-Contribution)
5426-20	PERS PEPRA (Employee)	E	(1,016.79)	0%	This account is a new account and was budgeted in Line 70 PERS Classic (Employee)
<u>Capital</u>					
<u>New</u>					
<u>Ongoing</u>					

DESCRIPTION	MONTHLY ACTUAL	YTD ACTUAL	ANNUAL 2015-16 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
REVENUE					
1 WATER SALES	136,806	267,700	1,020,115	(752,415)	26.24%
2 DROUGHT SURCHARGE	-	-	250,000	(250,000)	0.00%
3 METER CHARGE	59,949	119,457	387,415	(267,958)	30.83%
4 LATE CHARGE	(31)	3,579	11,000	(7,421)	32.54%
5 RETURNED CHECK CHARGE	80	200	1,000	(800)	20.00%
6 TURN OFF CHARGE	-	-	600	(600)	0.00%
7 OTHER CHARGES	-	400	-	400	0.00%
8 UNCOLLECTIBLE ACCOUNTS	-	-	(2,000)	2,000	0.00%
9 TURN ON NEW SERVICE	-	-	-	-	0.00%
10 REFUNDS	-	817	-	817	0.00%
11 Total OPERATING REVENUE:	196,804	392,153	1,668,130	(1,275,977)	
12 INTEREST INCOME-MM	2	15	30	(15)	51.07%
13 INTEREST-LAIF-OP	1,302	1,302	4,050	(2,748)	32.14%
14 TAXES SECURED	-	-	346,545	(346,545)	0.00%
15 TAXES UNSECURED	-	8,221	15,100	(6,879)	54.44%
16 TAXES SUPPLEMENTAL ROLL	1,095	1,531	9,900	(8,369)	15.46%
17 TAXES PRIOR YEARS	480	1,378	3,900	(2,522)	35.33%
18 TAXES HOMEOWNER'S SUBVENTION	-	-	1,900	(1,900)	0.00%
19 TAXES PUBLIC UTILITY	-	-	4,300	(4,300)	0.00%
20 TAXES TUSTIN RDA	-	-	20,945	(20,945)	0.00%
21 TAXES MISC	-	-	-	-	0.00%
22 TAXES ACCRUED	-	-	(5,000)	5,000	0.00%
23 DISPOSAL OF ASSETS GAIN(LOSS)	-	-	-	-	0.00%
24 MISCELLANEOUS INCOME	-	2,760	500	2,260	552.06%
25 Total NON OPERATING INCOME:	2,878	15,207	402,170	(386,963)	
26 Total OPERATING REVENUE	199,683	407,360	2,070,300	(1,662,940)	
27 NET OPERATING INCOME:	199,683	407,360	2,070,300	(1,662,940)	

EXPENSES

28 WATER PURCHASED	25	100	242,100	(242,000)	0.04%
29 WATER PURCHASED IN-LIEU	-	-	-	-	0.00%
30 WATER PURCHASED IN LIEU CREDIT	-	-	-	-	0.00%
31 OCWD- REPLENISH ASSESSMENT	14,912	84,904	193,200	(108,296)	43.95%
32 MET-MWDOC READINESS TO SERVE	2,823	11,291	35,000	(23,709)	32.26%
33 MET-MWDOC CAPACITY FEES	1,347	5,387	16,000	(10,613)	33.67%
34 MWDOC RETAIL SERVICE CONNECT	1,089	4,354	12,300	(7,946)	35.40%
35 EOCWD WR RESERVE FUND CHARGE	753	3,010	4,800	(1,790)	62.71%
36 EOCWD WR READINESS TO SERVE	1,455	5,819	14,450	(8,631)	40.27%
37 UTILITY STOLLER RESERVOIR	4,010	14,529	60,000	(45,471)	24.22%
38 UTILITY VISTA PANORAMA BOOSTER	264	1,104	8,000	(6,896)	13.80%
39 UTILITIES- WELLS- EAST/WEST	3,851	15,682	67,000	(51,318)	23.41%
40 SMALL TOOLS	-	1,776	3,600	(1,824)	49.34%
41 GASOLINE, OIL & DIESEL FUEL	356	1,468	6,700	(5,232)	21.92%
42 REGULATORY PERMITS	167	1,234	6,600	(5,366)	18.69%
43 NPDS PERMIT	-	-	-	-	0.00%
44 PROF SERV WATER QUAL. CONTROL	286	3,205	20,000	(16,795)	16.02%
45 CHLORINE GENERATOR/SALT PURCH	-	-	1,200	(1,200)	0.00%
46 WEST WELL MAINTENANCE	-	231	3,500	(3,269)	6.60%
47 EAST WELL MAINTENANCE	-	-	5,000	(5,000)	0.00%
48 STOLLER RESERVOIR/BOOSTER R&M	548	548	9,000	(8,452)	6.09%

EAST ORANGE COUNTY WATER DISTRICT

FOR RETAIL
MONTH: OCTOBER 2015

	DESCRIPTION	MONTHLY ACTUAL	YTD ACTUAL	ANNUAL 2015-16 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
49	VISTA PANORAMA BOOSTER R&M	-	-	4,200	(4,200)	0.00%
50	R&M VISTA PANORAMA RESERVOIR	-	-	12,000	(12,000)	0.00%
51	CHLORINE GENERATOR	-	1,443	6,000	(4,557)	24.04%
52	SCADA REPAIR/UPGRADE	-	-	12,000	(12,000)	0.00%
53	OPERATIONS REPORTING SOFTWARE	676	2,848	16,000	(13,152)	17.80%
54	HYDRANT REPAIR & REPLACEMENTS	443	833	16,100	(15,267)	5.17%
55	METER PURCHASE REPAIR	318	2,163	20,000	(17,837)	10.82%
56	PRV- R & M	-	-	2,000	(2,000)	0.00%
57	R/M- MAINS	3,229	8,966	30,000	(21,034)	29.89%
58	DAMAGE REPAIR- CAL EMA	-	-	-	-	0.00%
59	SERVICE LATERALS R&M	996	996	25,000	(24,004)	3.98%
60	RESERVOIRS R&M	-	98	2,000	(1,902)	4.90%
61	R/M- VAULTS	385	385	1,500	(1,115)	20.96%
62	R/M- CATHODIC PROTECTION	-	-	5,000	(5,000)	0.00%
63	METER TESTING	-	300	1,000	(700)	30.00%
64	EQUIPMENT RENTAL	-	1,218	20,000	(18,782)	6.09%
65	BACKHOE R&M	-	567	4,500	(3,933)	12.60%
66	VEHICLES R&M	320	451	3,500	(3,049)	12.89%
67	BUILDING/GROUNDS R&M	332	453	3,500	(3,047)	12.95%
68	WAGES	16,489	84,968	281,700	(196,732)	30.16%
69	PAYROLL TAXES- FICA & MEDICARE	1,346	6,856	21,600	(14,744)	31.74%
70	PERS Classic(ER-Contribution)	1,208	5,845	46,300	(40,455)	12.62%
71	PERS Classic (ER-paid member)	694	3,098	-	3,098	0.00%
72	PERS PEPRA (ER)	283	1,673	-	1,673	0.00%
73	PERS Unfunded	524	2,098	-	2,098	0.00%
74	PERS Classic (Employee)	(278)	(1,236)	(7,100)	5,864	0.00%
75	PERS PEPRA (Employee)	(142)	(1,017)	-	(1,017)	0.00%
76	PAYROLL TAXES- SUI & ETT	10	193	4,100	(3,907)	4.71%
77	HEALTH & ACCIDENT INSURANCE	4,855	17,611	87,900	(70,289)	20.04%
78	DENTAL INSURANCE	414	1,581	5,300	(3,719)	29.84%
79	VISION INSURANCE	77	294	1,100	(806)	26.75%
80	LIFE INSURANCE	31	119	430	(311)	27.67%
81	WORKER'S COMP INSURANCE	717	2,096	10,000	(7,904)	20.96%
82	UNIFORMS	116	386	2,700	(2,314)	14.29%
83	DISTRICT WEBSITE	51	203	10,650	(10,447)	1.91%
84	MCPHERSON FAX	43	169	300	(131)	56.37%
85	MCPHERSON INTERNET	159	294	4,000	(3,706)	7.35%
86	MCPHERSON OFFICE PHONES	349	1,216	3,525	(2,309)	34.49%
87	ANSWERING SERVICE	14	56	250	(194)	22.49%
88	PHONE CIRCUITS TO CTRL EQUIP	270	951	3,000	(2,049)	31.69%
89	CELLPHONES	135	539	1,700	(1,161)	31.69%
90	UNDERGROUND SERVICE ALERT	42	200	500	(300)	40.05%
91	TRAINING/SCHOOLS	-	81	6,500	(6,419)	1.25%
92	CONSERVATION EDUCATION	6,938	7,678	20,000	(12,322)	38.39%
93	TRAVEL-CONF/SEMINARS	785	2,017	9,500	(7,483)	21.23%
94	MILEAGE	32	222	900	(678)	24.62%
95	DUES & MEMBERSHIPS- ACWA	-	-	3,750	(3,750)	0.00%
96	DUES & MEMBERSHIPS- OCWA	-	-	75	(75)	0.00%
97	DUES & MEMBERSHIPS- AWWA	-	-	400	(400)	0.00%
98	DUES & MEMBERSHIP- FCA	-	-	20	(20)	0.00%
99	DUES & MEMBERSHIP-CSDA	-	41	3,500	(3,460)	1.16%
100	DUES- ISDOC/URBAN WTR	-	-	1,000	(1,000)	0.00%
101	MISCELLANEOUS EXP	43	50	500	(450)	10.00%
102	DIRECTOR- R. BARRETT	-	-	-	-	0.00%
103	DIRECTOR- W. VANDERWERFF	525	2,188	6,500	(4,313)	33.65%
104	DIRECTOR- J. DULEBOHN	88	875	3,600	(2,725)	24.31%
105	DIRECTOR- R. BELL	213	725	3,600	(2,875)	20.14%

EAST ORANGE COUNTY WATER DISTRICT

FOR RETAIL
MONTH: OCTOBER 2015

	DESCRIPTION	MONTHLY ACTUAL	YTD ACTUAL	ANNUAL 2015-16 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
106	DIRECTOR- D. DAVERT	-	-	-	-	0.00%
107	DIRECTOR- W. EVERETT	88	350	3,600	(3,250)	9.72%
108	BOARD MEETING EXPENSE	34	637	2,000	(1,363)	31.87%
109	POSTAGE	562	1,824	5,000	(3,176)	36.47%
110	OFFICE SUPPLY/FURN/SMALL EQUIP	225	751	6,000	(5,249)	12.52%
111	PUBLICATIONS & LEGAL NOTICES	546	546	20,000	(19,454)	2.73%
112	COPIER CONTRACT	22	133	650	(517)	20.41%
113	VERSATERM CONTRACT (RZ BILLS)	1,344	1,492	5,000	(3,508)	29.84%
114	BANK CHARGES	227	1,742	7,900	(6,158)	22.05%
115	OUTSIDE SERVICES	357	5,652	10,000	(4,348)	56.52%
116	AUDITING	250	2,750	8,400	(5,650)	32.74%
117	TAX COLLECTION FEES	1	24	7,000	(6,976)	0.34%
118	COMPUTER BILLING (RZ BILLS)	814	5,196	7,100	(1,904)	73.18%
119	TREASURER	-	-	5,000	(5,000)	0.00%
120	ACCOUNTING	-	6,866	25,500	(18,634)	26.93%
121	LEGAL	2,979	6,085	35,000	(28,915)	17.39%
122	COMPUTER CONSULTING	2,120	3,020	5,000	(1,981)	60.39%
123	ENGINEERING-RZ	1,200	2,338	40,000	(37,662)	5.85%
124	LAFCO	3	2,337	5,000	(2,663)	46.73%
125	INSURANCE-AUTO & GEN LIABILITY	721	2,382	8,000	(5,618)	29.78%
126	INSURANCE-PROPERTY	73	292	3,000	(2,708)	9.74%
127	INSURANCE-EMP. FIDELITY BOND	16	65	400	(335)	16.18%
128	OFFICE EQUIPMENT R&M	-	114	1,000	(886)	11.38%
129	UTILITIES-DUMPSTER	-	131	500	(370)	26.10%
130	UTILITIES- OFFICE- ELECT & WTR	280	1,439	4,200	(2,761)	34.27%
131	SECURITY	-	-	1,500	(1,500)	0.00%
132	ELECTION EXPENSE	-	-	8,000	(8,000)	0.00%
133	DEPRECIATION EXP.	-	-	-	-	0.00%
134	TRANS TO CAPITAL PROJECTS	25,000	100,000	300,000	(200,000)	33.33%
135	RZ- CONTINGENCY FUND	5,417	21,667	65,000	(43,333)	33.33%
136	FUNDED TO/BY RESERVE-RZ	4,167	16,667	50,000	(33,333)	33.33%
137	MARKET VALUE ADJUST-INVESTMENT	-	-	-	-	0.00%
138	MARKET VALUE ADJUST-INVESTMENT	-	-	-	-	0.00%
139	TOTAL OPERATING EXPENSES:	121,058	501,931	2,070,300	(1,568,369)	
140	NET INCOME FROM OPERATIONS:	78,625	(94,571)	-	(94,571)	
141	PRIOR YEARS INCOME (EXPENSES)	-	-	-	-	0.00%
142	PRIOR YEARS INCOME (EXPENSES)	-	-	-	-	0.00%
143	Total OTHER INCOME AND EXPENSES	-	-	-	-	
144	NET INCOME (LOSS)	78,625	(94,571)	-	(94,571)	

No assurance is provided on these financial statements.

The financial statements do not include a statement of cash flows.

Substantially all disclosures required by accounting principles generally accepted in the United States are not included.

RETAIL ZONE CAPITAL PROJECTS

EAST ORANGE COUNTY WATER DISTRICT
2015-2016 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
MONTH: OCTOBER 2015

REVENUE					
DESCRIPTION	MONTHLY ACTUAL REVENUE	YTD ACTUAL REVENUE	ANNUAL 2015-16 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
1 FUNDS PROVIDED BY RESERVE	-	-	1,958,747	(1,958,747)	0.00%
2 CAPITAL PROJECTS REVENUE					
3 CAPITAL PROJECTS FEES	47,875	95,423	288,000	(192,577)	33.13%
4 CONNECTION FEES	2,500	5,949	2,500	3,449	237.97%
5 INTEREST EARNINGS	200	200	500	(300)	40.03%
6 TRANSFER FROM OPERATING EXPENSES	29,167	116,667	350,000	(233,333)	33.33%
7 LOAN FOR SYSTEM IMPROVEMENTS	-	-	5,000,000	(5,000,000)	
8 NET OPERATING INCOME	79,741	218,239	7,599,747	(7,381,508)	
EXPENSES					
DESCRIPTION	MONTHLY ACTUAL EXPENSES	YTD ACTUAL EXPENSES	ANNUAL 2015-16 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
9 CAPITAL PROJECTS EXPENSES					
10 LOAN FOR SYSTEM IMPROVEMENTS	-	-	113,700	(113,700)	0.00%
11 MASTER PLAN & CONDITION ASSESSMENT	10,930	44,630	86,000	(41,370)	51.90%
12 OFFICE/YARD IMPROVEMENT	-	3,127	6,000	(2,873)	52.11%
13 NEW VEHICLE TO SUPPLEMENT FLEET	-	-	20,000	(20,000)	0.00%
14 VP HYDRO TANK SEISMIC UPGRADE	-	-	62,000	(62,000)	0.00%
15 VISTA PANORAMA RESERVOIR REPAIR	-	630	166,000	(165,370)	0.38%
16 VALVE RAISING-CRAWFORD CANYON	-	-	18,000	(18,000)	0.00%
17 VALVE REPLACEMENTS	-	-	25,000	(25,000)	0.00%
18 ALLOWANCE FOR SYSTEM RELOCATION	-	-	110,000	(110,000)	0.00%
19 BACKUP GENERATOR FOR VP BOOSTER	-	-	50,500	(50,500)	0.00%
20 6" MAGMETERS @ STOLLER PRVS	-	-	15,000	(15,000)	0.00%
21 STOLLER 150HP BOOST PUMP	-	-	81,000	(81,000)	0.00%
22 REPLACEMENT RECOMMENDATIONS	-	-	180,000	(180,000)	0.00%
23 BACKUP SYSTEM PRV - CIRCULA PANORAMA	-	-	710,000	(710,000)	0.00%
24 NEW WELL CONSTRUCTION	-	-	65,000	(65,000)	0.00%
25 SECURITY IMPROVEMENTS-RESERVOIR SITES	-	-	15,000	(15,000)	0.00%
26 WELL DISINFECTION CONVERSION	-	-	57,500	(57,500)	0.00%
27 WEST WELL REHABILITATION	-	-	72,000	(72,000)	0.00%
28 SCADA SYSTEM ADDITIONS	-	-	20,000	(20,000)	0.00%
29 SEDARU IMPROVEMENTS	-	3,570	10,000	(6,430)	35.70%
30 CAPITALIZED ACCOUNTING	-	-	5,000	(5,000)	0.00%
## TOTAL OPERATING EXPENSE	10,930	51,956	1,887,700	(1,835,744)	
## NET INCOME FROM OPERATIONS	68,812	166,283	5,712,047	(5,545,764)	
## PRIOR YEARS EXPENSES	-	-	-	-	
## NET INCOME (LOSS)	68,812	166,283	5,712,047	(5,545,764)	

FOR RETAIL
MONTH: OCTOBER 2015

DESCRIPTION	MONTHLY ACTUAL	YTD ACTUAL	ANNUAL 2015-16 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
REVENUE					
1 FUNDED BY RESERVES	-	-	1,958,747	(1,958,747)	
2 WATER SALES-CAPITAL PROJECTS	47,875	95,423	288,000	(192,577)	33.13%
3 CONNECTION FEES	2,500	5,949	2,500	3,449	237.97%
4 INTEREST-LAIF-CAP	200	200	500	(300)	40.03%
5 TRANSFER IN CAPITAL PROJECTS	25,000	100,000	300,000	(200,000)	33.33%
6 TRANSFER IN CAPITAL RESERVES	4,167	16,667	50,000	(33,333)	33.33%
7 LOAN FOR SYSTEM IMPROVEMENTS	-	-	5,000,000	(5,000,000)	0.00%
8 Total NON OPERATING INCOME:	79,741	218,239	7,599,747	(7,381,508)	
9 Total OPERATING REVENUE	79,741	218,239	7,599,747	(7,381,508)	
10 NET OPERATING INCOME:	79,741	218,239	7,599,747	(7,381,508)	

EXPENSES

11 Loan For System Improvements	-	-	113,700	(113,700)	0.00%
12 Master Plan & Condition Assessment-Construction	-	-	50,000	(50,000)	0.00%
13 Master Plan & Condition Assessment-Engineering	10,930	44,630	35,000	9,630	127.51%
14 Master Plan & Condition Assessment-Labor	-	-	1,000	(1,000)	0.00%
15 Office/Yard Improvement-Construction	-	2,588	5,000	(2,412)	51.77%
16 Office/Yard Improvement-Engineering	-	-	-	-	0.00%
17 Office/Yard Improvement-Labor	-	538	1,000	(462)	53.81%
18 New Vehicle To Supplement Fleet	-	-	20,000	(20,000)	0.00%
19 VP Hydro Tank Seismic Upgrade-Construction	-	-	40,000	(40,000)	0.00%
20 VP Hydro Tank Seismic Upgrade-Engineering	-	-	20,000	(20,000)	0.00%
21 VP Hydro Tank Seismic Upgrade-Labor	-	-	2,000	(2,000)	0.00%
22 Vista Panorama Reservoir Repair-Construction	-	-	100,000	(100,000)	0.00%
23 Vista Panorama Reservoir Repair-Engineering	-	-	60,000	(60,000)	0.00%
24 Vista Panorama Reservoir Repair-Labor	-	630	6,000	(5,370)	10.50%
25 Valve Raising-Crawford Canyon-Construction	-	-	17,000	(17,000)	0.00%
26 Valve Raising-Crawford Canyon-Engineering	-	-	500	(500)	0.00%
27 Valve Raising-Crawford Canyon-Labor	-	-	500	(500)	0.00%
28 Valve Replacements-Labor	-	-	20,000	(20,000)	0.00%
29 Valve Replacements-Construction	-	-	5,000	(5,000)	0.00%
30 Allowance For System Relocation-Labor	-	-	5,000	(5,000)	0.00%
31 Allowance For System Relocation-Engineering	-	-	5,000	(5,000)	0.00%
32 Allowance For System Relocation-Construction	-	-	100,000	(100,000)	0.00%
33 Backup Generator For VP Booster-Labor	-	-	500	(500)	0.00%
34 Backup Generator For VP Booster-Construction	-	-	50,000	(50,000)	0.00%
35 6" Magmeters @ Stoller Prvs-Labor	-	-	5,000	(5,000)	0.00%
36 6" Magmeters @ Stoller Prvs-Construction	-	-	10,000	(10,000)	0.00%
37 Stoller 150Hp Boost Pump-Labor	-	-	80,000	(80,000)	0.00%
38 Stoller 150Hp Boost Pump-Engineering	-	-	1,000	(1,000)	0.00%
39 Replacement Recommendations-Labor	-	-	20,000	(20,000)	0.00%
40 Replacement Recommendations-Engineering	-	-	60,000	(60,000)	0.00%

FOR RETAIL
MONTH: OCTOBER 2015

DESCRIPTION	MONTHLY ACTUAL	YTD ACTUAL	ANNUAL 2015-16 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
41 Replacement Recommendations-Construction	-	-	100,000	(100,000)	0.00%
42 Backup System PRV - Circula Panorama-Labor	-	-	10,000	(10,000)	0.00%
43 Backup System PRV - Circula Panorama-Engineering	-	-	100,000	(100,000)	0.00%
44 Backup System PRV - Circula Panorama-Construction	-	-	600,000	(600,000)	0.00%
45 New Well Construction-Construction	-	-	10,000	(10,000)	0.00%
46 New Well Construction-Labor	-	-	5,000	(5,000)	0.00%
47 New Well Construction-Engineering	-	-	50,000	(50,000)	0.00%
48 Security Improvements-Reservoir Sites-Labor	-	-	5,000	(5,000)	0.00%
49 Security Improvements-Reservoir Sites-Construction	-	-	10,000	(10,000)	0.00%
50 Well Disinfection Conversion-Labor	-	-	2,500	(2,500)	0.00%
51 Well Disinfection Conversion-Engineering	-	-	10,000	(10,000)	0.00%
52 Well Disinfection Conversion-Construction	-	-	45,000	(45,000)	0.00%
53 West Well Rehabilitation-Labor	-	-	2,000	(2,000)	0.00%
54 West Well Rehabilitation-Construction	-	-	70,000	(70,000)	0.00%
55 SCADA System Additions-Engineering	-	-	20,000	(20,000)	0.00%
56 Sedaru Improvements	-	3,570	10,000	(6,430)	35.70%
57 Capitalized Accounting	-	-	5,000	(5,000)	0.00%
58 TOTAL OPERATING EXPENSES:	10,930	51,956	1,887,700	(1,835,744)	
59 Net Income (Loss):	68,812	166,283	5,712,047	(5,545,764)	



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: GASB 68 AND 71 IMPLEMENTATION PRESENTATION
DATE: DECEMBER 17, 2015

BACKGROUND

In 2012, the Governmental Accounting Standards Board (GASB) released new accounting standards for public pension plans and participating employers. These standards, GASB Statements No. 68 and 71, have substantially revised the accounting requirements previously mandated under GASB Statements 25 and 27. Implementation of these two new standards is required for fiscal years beginning after June 15, 2014 – hence the inclusion of these in our 2014/15 Audited Financial Statements.

These new accounting rules have drawn much publicity since their release, probably due to the division between accounting for the funded annual pension expense on the Income Statement (which has been historically included, but not called out on the Income Statement) and recognizing the net pension liability (unfunded) portion of the pension expense on the Balance Sheet (which memorializes the liability and has never been done before).

District Accountant and Acting Treasurer Cindy Byerrum will be present to explain what this means for the District now, and in the future. It is important to note that GASB 68 and 71 do not inherently change anything; they merely require the publication of a liability that the District has always had, but hasn't had it shown on the Financial Statements. The underlying financial issues are related to CalPERS, their investment funding strategies and the financial sustainability of the District's 2%@60 Plan.

FISCAL IMPACT

GASB 68 and 71 require that a \$518,455 adjustment to net position (reduction in reserves) will be shown on the District's Balance Sheet to account for pension liability.

RECOMMENDATION

Information Item; no action required.



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: DRAFT FY 2014/15 AUDIT AND MANAGEMENT LETTER
DATE: DECEMBER 17, 2015

Background

Attached to this memo is a copy of the draft Audited Financial Statements for the period ending June 30, 2015.

Paul Kaymark of The Pun Group, CPAs, will be present at the Board Meeting to provide a general overview of the financial statements. Please note that this will be the first time that the pension reporting requirements of GASB 68 and 71 are included in the audited financials and apparently, these statements require that the financials be presented in a draft format to the Board instead of in a final format.

The District again finished the year with revenues exceeding expenses. For comparative purposes, the table below shows the change in one financial indicator – Unrestricted Net Position (similar to Retained Earnings in the private sector) for both the Wholesale Zone (WZ) and the Retail Zone (RZ) – over the past four years:

Year	2015		2014		2013		2012	
	WZ	RZ	WZ	RZ	WZ	RZ	WZ	RZ
Unrestricted Net Position	\$6,108,831	\$2,265,055	\$6,314,225	\$1,958,747	\$6,141,316	\$1,056,494	\$5,073,595	\$454,567

Note that increased capital spending in the WZ has reduced the WZ reserves, while the Retail Zone's net assets have increased due to a planned buildup of reserves and deferral of some capital projects.

Further financial information will be presented at the meeting.

Recommendation

Receive the draft audited June 30, 2015 Financial Statements and direct the General Manager to file a copy of the final audited financial statements with the Office of the State Controller and the County of Orange Auditor/Controller.

East Orange County Water District

Orange, California

Annual Financial Report

For the Year Ended June 30, 2015

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.”

Board of Directors as of June 30, 2015

Name	Title	Elected / Appointed	Current Term
William VanderWerff	President	Elected	12/12 - 12/16
Douglass S. Davert	Vice President	Elected	12/12 - 12/16
Richard B. Bell	Director	Elected	12/14 - 12/18
John Dulebohn	Director	Elected	12/14 - 12/18
Seymour Everett III	Director	Elected	12/14 - 12/18

Lisa Ohlund, General Manager
East Orange County Water District
185 North McPherson Road
Orange, California 92869
(714) 538-5815

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Draft 12-14-2015

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**East Orange County Water District
Annual Financial Report
For the Year Ended June 30, 2015**

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INTRODUCTORY SECTION

Draft 12/14/2015



December 14, 2015

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 year ended June 30, 2015. 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 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; it was renamed the "Retail Zone" to distinguish it from the District's historic "Wholesale Zone" and to establish separate internal accounting systems for it.

In the Wholesale Zone, the District delivers water to five sub-agencies within its boundaries consisting of the City of Tustin, Golden State Water Company, City of City of Orange, Irvine Ranch Water District and East Orange County Water District's own Retail Zone; these agencies then serve the imported water to an estimated population of 100,000. The supplemental water supplied by the District from the Allen McCulloch Pipeline and the East Orange County Feeder No.2 supplements the sub-agencies local groundwater supplies as groundwater is inadequate to supply 100% of the water needs within the District's service area.

In the Retail Zone (generally the Vista Panorama/Panorama View unincorporated area of East Orange), the District delivers local groundwater and imported Wholesale Zone water directly to the Retail Zone's 1210 customers representing a population of approximately 3,500.

DIRECTORS

Richard B. Bell
Douglass Davert
John Dulebohn
Seymour B. Everett III
William Vanderwerff

Lisa Ohlund
General Manager

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 2015, California experienced the fourth year of drought, and not only was Southern California's allocation from the State Water Project limited to 5% of a full allocation, on April 1, 2015, Governor Brown authorized the State Water Resources Control Board to implement mandatory restrictions on residential water use for all urban water use. The SWRCB's mandatory restrictions, which were implemented as of May 18, 2015 and will expire (unless reauthorized) on February 13, 2016, required the District to reduce its Retail Zone residential water use by 36% over the corresponding 2013 residential water use. The District has successfully met its 36% required reduction for the months of June, July, August and September; in some months achieving an even greater reduction.

The District has consistently been an active participant in working with its customers to achieve efficient water use. 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 underlying water supply challenges that have resulted in one "regulatory drought" from 2009-2011 (when regulatory and legal changes reduced the amount of imported water supplied to Southern California), and the current "climatic drought" which has also reduced the amount of imported water that is available.

The District has also identified the cost of water as a continuing challenge. Both our regional water supplier, Metropolitan Water District of Southern California and our local groundwater management agency, Orange County Water District are experiencing significant cost pressures due to water scarcity. We expect these pressures to result in a continuing trend of significant cost increases for water, and in MWDSC's case, significant increases in their fixed rate charges also.

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. The General Manager, in concert with the Acting Treasurer and Accountant, annually review the internal controls for accuracy, adequacy and effectiveness.

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.

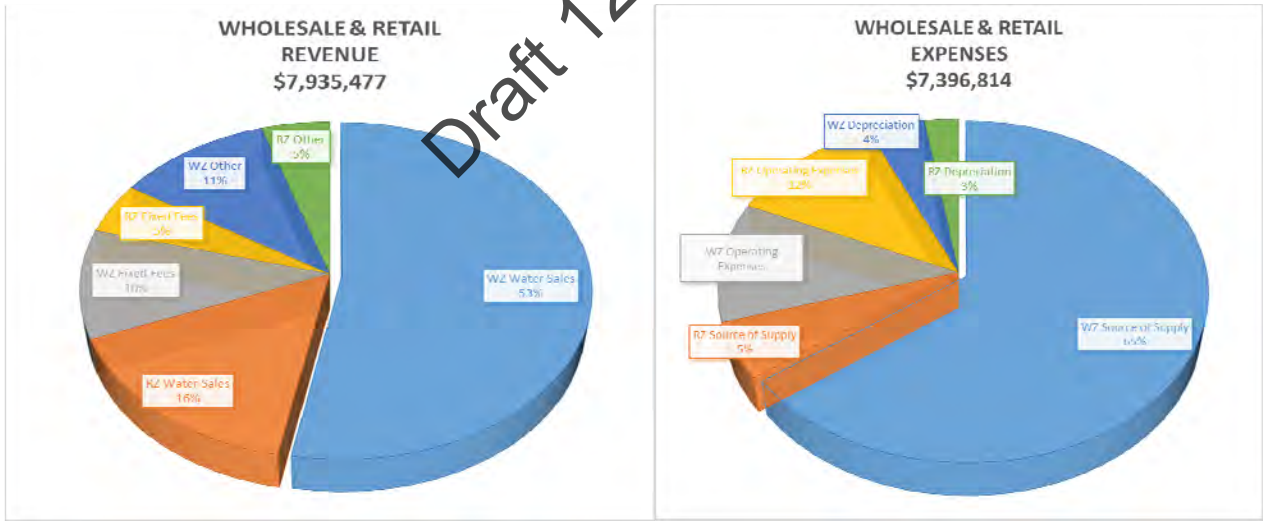
Financial Plan

The District is committed to providing 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. This process was enhanced in 2015 with information derived from the preparation of an update to the District’s Wholesale Zone and Retail Zone Master Plans, conducted by Carollo Engineers. As part of the update, a condition assessment of the District’s facilities was conducted and a 25-year Capital Improvement Program (2015-2040) was developed. The 25-year CIP provides prioritization of capital project for both zones and will be incorporated into the update of the District’s Financial Plan.

The District’s financial plan is in the process of being updated by Raftelis Consulting and is expected to be presented to the Board by December 31, 2015. The 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 also in the process of being reviewed under the Raftelis Study. Wholesale Zone fixed rate information was available and was incorporated into the FY 2015/16 budget. The following charts reflect the District’s operating revenue mix for the year ending June 30, 2015, and resulted in revenues exceeding expenses by \$538,663.



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-deposit, Government Agency Obligations or other specifically authorized investments. For FY 2014/15, 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. An accountancy firm, The Pun Group, has conducted this audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

The Audit Financial Report has been prepared by the District, working with our independent auditors, the Pun Group, in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). This year, adjustments were made to the financial statements to incorporate the District's net pension liability as of measurement date of June 30, 2014, as required by GASB 68 and 71.

GASB Statement No. 68 and 71 Implementation

The Governmental Accounting Standards Board (GASB) is an independent, nonprofit, non-governmental regulatory body charged with setting accounting and financial reporting standards for state and local governments. Beginning with Fiscal Year 2014-15, GASB Statements No. 68 and 71 require agencies to report their net pension liability in accrual-based financial statements. This is distinctly different than in that this obligation was relayed to the District in an annual report, but not placed in our financial documents. Please note that these standards only impact the accounting and financial reporting of pension obligations for governmental employers; pension contribution rates and funding requirements are not impacted by GASB No. 68 or 71.

The District's employees are covered by CalPERS pension plans. For employees hired prior to January 1, 2013, the District annually pays 10.709% of salaries towards the "PERS Classic" Plan's (2%@60) costs, and the employees pay the 2% remaining cost. For employees hired after January 1, 2013 (and that were never a member of PERS), the District pays 6.750% of salaries and the employee pays 7.0% of their salaries toward this pension plan's (2%@62) annual costs. As a result of the GASB No. 68 and 71 accounting changes and CalPERS' policy decision to value net pension liability based on value on June 30th of the prior year (in this case, June 30, 2014) as opposed to the current year, we were provided with an adjustment that reduced our FY 2014-15 pension expense by \$36,115. This adjustment is reflected in the information discussed herein. We anticipate that in many years this equivalent adjustment may result in a pension expense increase.

In total, the GASB No. 68 and 71 requirements show a net pension liability of \$399,219 added to the District's balance sheet. Additionally, PERS is estimating that there is another \$146,258 expense primarily reflecting the underperformance of the PERS investment portfolio. The total of these two expenses reduces the District's net position (reserves) by \$518,455 as a prior period adjustment.

Our unrestricted net position (reserves) are sufficient to absorb this \$518,455 pension liability, thus our pension liability is fully funded. If desired, the Board could set up a dedicated pension reserve fund or could pay these funds directly to CalPERS. We are not legally bound to pay off this balance, except for the required annual contribution.

Notes 7 and 8 of the Audit Report addresses the GASB No. 68 and 71 requirements in substantially greater detail.

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, which District staff then incorporates into district operations as appropriate.

Water Conservation Programs

For many years, the District has been implementing conservation management practices within district operations and distributing information to and encouraging conservation from its customers. In 2015, the District implemented an intensive DroughtReach™ program to advise customers about the mandatory water reductions. In addition to providing extensive printed materials, the hallmark of DroughtReach™ is personalized outreach. Staff focused on providing personalized customer outreach, assisting them with irrigation timer settings, recommendations on landscaping choices, leak detection inspections, and providing instructions on how to read their water meter and track their water use. Additionally, staff focused attention on the following conservation programs through its affiliation with the Municipal Water District of Orange County:

- Residential “Water Smart” Home Certification Program
- Residential/Commercial Reimbursement for Turf Replacement
- Residential Appliance Rebate Program
- Residential Drought-tolerant Landscape Classes
- Residential/Commercial Reimbursement Program for Smart Watering Timers

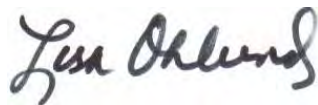
Transparency

The District maintains a web site (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. The web site is updated regularly to ensure timely information is available.

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,



Lisa Ohlund
General Manager

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the East Orange County Water District
Orange, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of the East Orange County Water District (District), which comprise of the balance sheet as of June 30, 2015, and the related statements of revenues, expenses and change in net position, cash flows, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

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 an opinion on these financial statements based on our audit. We conducted our audit 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 audit 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 opinion.

Opinion

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, 2015, and the respective changes in financial position, and, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Implementation of GASB Statements No. 68 and 71

As discussed in Note 1 to the basic financial statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans-an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. The adoption of these statements requires retrospective application of previously reported net position at July 1, 2014 as described in Note 8 to the basic financial statements. In addition, Net Pension Liability is reported in the Balance Sheet in the amount of \$399,219 as of June 30, 2014, the measurement date as fully disclosed in Note 7 to the basic financial statements. This Net Pension Liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2013 which was then rolled-forward by the actuaries to June 30, 2014, the measurement date. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 15 and Schedule of Proportionate Share of the Net Pension Liability, and Schedule of Contributions, on pages 40 and 41 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Government 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 inquiries 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, Combining Schedule of Net Position and Combining Schedule of Revenues, Expenses, and Change in Net Position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Schedule of Net Position and Combining Schedule of Revenues, Expenses, and Change in Net Position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements 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 them.

To the Board of Directors
of the East Orange County Water District
Orange, California
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Santa Ana, California
December 14, 2015

Draft 12-14-2015

Draft 12/14/2015

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**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***

Independent Auditors' Report

To the Board of Directors
of the 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 balance sheet as of June 30, 2015, and the related statements of revenues, expenses and changes in net position, cash flows, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 audit, 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*.

To the Board of Directors
of the East Orange County Water District
Orange, California
Page 2

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Santa Ana, California
December 14, 2015

Draft 12-14-2015

East Orange County Water District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

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 year ended June 30, 2015. 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 0.11%, or \$20,209 to \$18,641,132, in 2015.
- In 2015, the District's operating revenues decreased 21.7%, or \$1,852,852 to \$6,677,454, from the prior year, due primarily to a decrease in wholesale water sales.
- In 2015, the District's operating expenses decreased by 18.4%, or \$1,556,242 to \$6,899,352, from the prior year, due primarily to a decrease in wholesale water purchases.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The financial statements are comprised of two components: 1) financial statements and, 2) notes to financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *balance sheet* presents information on all of the District's assets, deferred outflow of resources, liabilities, and deferred inflow of resources with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The *statement of cash flows* presents information showing the sources and uses of cash related to operating activities, noncapital financing activities, capital and related financing activities and investing activities. In addition, the statement provides information about significant non-cash investing, capital and financing activities.

East Orange County Water District
Management's Discussion and Analysis (Continued)(Unaudited)
For the Year Ended June 30, 2015

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 20 through 34.

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 Balance Sheet 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.

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 Balance Sheets

	June 30, 2015	June 30, 2014	Change
Assets:			
Current assets	\$ 10,090,457	\$ 9,991,076	\$ 99,381
Capital assets, net	10,267,247	10,347,952	(80,705)
Total assets	<u>20,357,704</u>	<u>20,339,028</u>	<u>18,676</u>
Deferred outflows of resources	<u>33,913</u>	<u>-</u>	<u>33,913</u>
Liabilities:			
Current liabilities	1,195,916	1,718,104	(522,188)
Noncurrent liabilities	399,219	-	399,219
Total liabilities	<u>1,595,135</u>	<u>1,718,104</u>	<u>(122,969)</u>
Deferred inflows of resources	<u>155,350</u>	<u>-</u>	<u>155,350</u>
Net position:			
Net investment in capital assets	10,267,247	10,347,952	(80,705)
Unrestricted	8,373,885	8,272,972	100,913
Total net position	<u>\$ 18,641,132</u>	<u>\$ 18,620,924</u>	<u>\$ 20,208</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 and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$18,641,132, as of June 30, 2015, and \$18,620,924, as of June 30, 2014. As of July 1, 2014, the beginning net position has been restated to \$18,102,469 as fully disclosed in note 8.

By far the largest portion of the District's net position (55% in 2015 and 56% in 2014) 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.

East Orange County Water District
Management's Discussion and Analysis (Continued)(Unaudited)
For the Year Ended June 30, 2015

At the end of fiscal year 2015, the District shows a positive balance in its unrestricted net position of \$8,373,885 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.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Change</u>
Revenues:			
Operating revenues	\$ 6,677,454	\$ 8,530,306	\$ (1,852,852)
Non-operating revenues	1,259,510	1,170,909	88,601
Total revenues	<u>7,936,964</u>	<u>9,701,215</u>	<u>(1,764,251)</u>
Expenses:			
Operating expenses	6,899,352	8,455,894	(1,556,542)
Depreciation and amortization	497,462	518,978	(21,516)
Non-operating expenses	1,487	3,632	(2,145)
Total expenses	<u>7,398,301</u>	<u>8,978,504</u>	<u>(1,580,203)</u>
Change in net position	538,663	722,711	(184,048)
Net position:			
Beginning of year	18,620,924	17,898,213	722,711
Prior period adjustments	(518,455)	-	(518,455)
End of year	<u>\$ 18,641,132</u>	<u>\$ 18,620,924</u>	<u>\$ 20,208</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 \$538,663 in 2015.

In 2015, a closer examination of the sources of changes in net position reveals that the District's total revenues decreased by \$1,764,251, due primarily to decreases in wholesale water sales of \$1,821,508. In addition, total expenses decreased by \$1,580,203, due primarily to a decrease in water purchases of \$1,763,383.

East Orange County Water District
Management's Discussion and Analysis (Continued)(Unaudited)
For the Year Ended June 30, 2015

Capital Asset Administration

Capital assets as of June 30, are as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Non-depreciable assets	\$ 543,998	\$ 315,120
Depreciable assets	21,253,523	21,080,800
Accumulated depreciation and amortization	<u>(11,530,274)</u>	<u>(11,047,968)</u>
Total capital assets, net	<u>\$ 10,267,247</u>	<u>\$ 10,347,952</u>

The capital asset activities of the District are summarized on the previous page and in Note 3 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 Ohlund, at (714) 538-5815.

Draft 12-14-2015

BASIC FINANCIAL STATEMENTS

Draft 12/14/2015

Draft 12-14-2015

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East Orange County Water District
Balance Sheet
June 30, 2015

ASSETS

Current assets:

Cash and cash equivalents (note 2)	\$ 8,916,352
Accrued interest receivable	4,570
Accounts receivable – water sales and services:	
Wholesale	736,204
Retail	293,497
Property taxes receivable	10,176
Prepaid items	53,098
Water-in-storage inventory	40,764
Materials and supplies inventory	35,796
Total current assets	10,090,457

Noncurrent assets:

Capital assets, net (note 3)	10,267,247
Total noncurrent assets	10,267,247
Total assets	20,357,704

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources:

Employer contributions to pension plan made after measurement date (note 7)	33,913
Total deferred outflows of resources	33,913
Total assets and deferred outflows of resources	\$ 20,391,617

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	\$ 1,025,685
Accrued salaries and compensated absences	72,335
Deposits and unearned revenue	97,896
Total current liabilities	1,195,916

Noncurrent liabilities:

Net pension liability (Note 7)	399,219
Total noncurrent liabilities	399,219
Total liabilities	1,595,135

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources:

Differences between projected and actual earnings on pension plan investments (note 7)	134,156
Recognized portion of adjustment due to differences in proportions (note 7)	21,194
Total deferred inflows of resources	155,350

NET POSITION

Net position:

Net investment in capital assets	10,267,247
Unrestricted	8,373,885
Total net position	18,641,132
Total liabilities, deferred inflows of resources and net position	\$ 20,391,617

See accompanying Notes to the Basic Financial Statements.

East Orange County Water District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

Operating revenues:

Water sales:	
Wholesale	\$ 4,208,276
Retail	1,253,430
Meter and standby service charges	530,224
Capacity and connection fees	639,819
Other connection fees	17,213
Other service charges	28,492

Total operating revenues	6,677,454
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Operating expenses:

Source of supply	5,205,082
Pipeline capacity lease	53,000
Pumping	120,169
Treatment, transmission and distribution	921,250
General and administrative	599,851

Total operating expenses	6,899,352
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Operating (loss) before depreciation	(221,898)
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Depreciation expense	(497,462)
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Operating (loss)	(719,360)
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Non-operating revenues(expenses):

Property taxes	1,085,641
Rental income – cellular antennas	133,679
Interest and investment earnings	34,551
Change in fair-value of cash equivalents and investments	(1,487)
Other, net	5,639

Total non-operating revenues, net	1,258,023
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Change in net position	538,663
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Net position:

Beginning of year	18,620,924
Prior period adjustments (note 8)	(518,455)
End of year	\$ 18,641,132

East Orange County Water District
Statement of Cash Flows
For the Year Ended June 30, 2015

Cash flows from operating activities:	
Cash receipts from customers for water sales and services	\$ 7,481,646
Cash paid to employees for salaries and wages	(499,612)
Cash paid to vendors and suppliers for materials and services	(6,852,647)
Net cash provided by operating activities	<u>129,387</u>
Cash flows from non-capital financing activities:	
Proceeds from property taxes	1,086,729
Proceeds from rental income – cellular antennas	133,679
Net cash provided by non-capital financing activities	<u>1,220,408</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(416,757)
Net cash (used in) capital and related financing activities	<u>(416,757)</u>
Cash flows from investing activities:	
Proceeds from interest and investment earnings	31,685
Net cash provided by investing activities	<u>31,685</u>
Net increase in cash and cash equivalents	964,723
Cash and cash equivalents, beginning of year	7,951,629
Cash and cash equivalents, end of year	<u><u>\$ 8,916,352</u></u>
Reconciliation of operating (loss) to net cash provided by operating activities:	
Operating (loss)	<u>\$ (719,360)</u>
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation expense	497,462
Other, net	5,639
Prior period adjustment	(518,454)
Changes in assets – (increase)decrease:	
(Increase)decrease in assets:	
Accounts receivable – water sales and services, net	794,376
Accounts receivable – other	4,177
Prepaid items	62,954
Water-in-storage inventory	1,166
Materials and supplies inventory	2,960
Change in deferred outflows of resources – (increase)decrease:	
Employer contributions to pension plan made after measurement date	(33,913)
Changes in liabilities – increase(decrease):	
Accounts payable and accrued expenses	(560,500)
Accrued salaries and compensated absences	12,329
Deposits and unearned revenue	25,982
Net pension liability	399,219
Change in deferred inflows of resources – increase(decrease):	
Differences between projected and actual earnings on pension plan investments	134,156
Recognized portion of adjustment due to differences in proportions	21,194
Total adjustments	<u>848,747</u>
Net cash provided by operating activities	<u><u>\$ 129,387</u></u>
Non-cash investing, capital and financing transactions:	
Change in fair-value of cash equivalents and investments	<u><u>\$ (1,487)</u></u>

East Orange County Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

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.

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.

In accordance with GASB Statement No. 34, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, will not be recognized as a revenue until that time

Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's enterprise fund.

East Orange County Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

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.

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.

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.

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.

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 Auditor-Controller'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)
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Prepaid Items

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

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.

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.

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

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.

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)
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net pension of the District's pension plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

<u>CalPERs</u>	
Valuation date	June 30, 2013
Measurement date	June 30, 2014
Measurement period	July 1, 2014 to June 30, 2014

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retirees) as of the beginning of the measurement period.

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– 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 – This This component of net position is the amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in the determination of net investments in capital assets or the restricted component of net position.

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.

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.

East Orange County Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

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.

Accounting Changes

During fiscal year ended June 30, 2015, the District has implemented the following new GASB pronouncements:

Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts and equivalent arrangements. The requirements of No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. See notes 7 and 8 for further information on the implementation of this pronouncement.

Statement No. 69, *Government Combinations and Disposals of Government Operations*. The requirements of this Statement should be applied prospectively and are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB Statement No. 68*. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. See notes 7 and 8 for further information on the implementation of this pronouncement.

Note 2 – Cash and Investments

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	\$ 250
Deposits with financial institutions	163,611
Money market funds	749,028
Deposits held with Local Agency Investment Fund (LAIF)	6,466,594
Investments	1,536,869
Total cash and investments	<u>\$ 8,916,352</u>

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).

East Orange County Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Cash and Investments (Continued)

Custodial Credit Risk (Continued)

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, 2015, 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.

Local Agency Investment Funds

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.

The District's investment with LAIF at June 30, 2015, included a portion of the pool funds investing in Structured Notes and Asset-Backed Securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2015, the District had \$6,466,594 invested in LAIF, which had invested 2.08% of the pool investment funds in structured notes and Medium-term Asset-backed Securities. The LAIF fair value factor of 1.000375979 was used to calculate the fair value of the investments in LAIF.

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:

East Orange County Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Cash and Investments (Continued)

Investments at June 30, 2015, consisted of the following:

Investment Type	Amount	Remaining Maturity (in Months)		
		12 months or less	13 to 24 months	25-60 months
Local Agency Investment Fund (LAIF)	\$ 6,466,594	\$ 6,466,594	\$ -	\$ -
Money market funds	749,028	749,028	-	-
Certificates-of-deposits	1,536,869	-	-	1,536,869
Total	\$ 8,752,491	\$ 7,215,622	\$ -	\$ 1,536,869

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 at June 30, 2015, consisted of the following:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Not Rated
Local Agency Investment Fund (LAIF)	\$ 6,466,594	N/A	\$ -	\$ 6,466,594
Money market funds	749,028	N/A	749,028	-
Certificates-of-deposits	1,536,869	N/A	-	1,536,869
Total	\$ 8,752,491		\$ 749,028	\$ 8,003,463

Note 3 – Capital Assets

Changes in capital assets for the year ended June 30, 2015, were as follows:

	Balance July 1, 2014	Additions	Deletions	Reclassifications	Balance June 30, 2015
Non-depreciable assets:					
Land and easements	\$ 56,289	\$ -	\$ -	\$ -	\$ 56,289
Construction-in-process	258,831	422,398	-	(193,520)	487,709
Total non-depreciable assets	315,120	422,398	-	(193,520)	543,998
Depreciable assets:					
Transmission and distribution system	11,917,155	-	(7,578)	92,009	12,001,586
Structures and improvements	7,897,970	-	-	20,423	7,918,393
Capacity rights	943,320	-	-	-	943,320
Equipment	322,355	-	(7,578)	75,447	390,224
Total depreciable assets	21,080,800	-	(15,156)	187,879	21,253,523
Accumulated depreciation	(11,047,968)	(497,462)	15,156	-	(11,530,274)
Total depreciable assets, net	10,032,832	(497,462)	-	187,879	9,723,249
Total capital assets, net	\$ 10,347,952	\$ (75,064)	\$ -	\$ (5,641)	\$ 10,267,247

East Orange County Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 3 – Capital Assets (Continued)

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 June 30, 2015 are as follows:

Transmission and distribution system upgrades	\$ <u>487,709</u>
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Note 4 – 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 and are not presented in the accompanying financial statements.

Note 5 – 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, 2015, 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.

East Orange County Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 5 – Risk Management (Continued)

- 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, 2015. 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, 2015.

Note 6 – 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.

East Orange County Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 7 – Defined Benefit Pension Plans

Summary

Type of Account	Balance as of July 1, 2014 (As Restated)	Additions	Deletions	Balance as of June 30, 2015
Deferred Outflows of Resources:				
Employer contributions to pension plan made after the measurement date:				
Miscellaneous Plan -Classic	\$ 52,815	\$ 33,913	\$ (52,815)	\$ 33,913
Total deferred outflows of resources	<u>\$ 52,815</u>	<u>\$ 33,913</u>	<u>\$ (52,815)</u>	<u>\$ 33,913</u>
Net Pension Liability:				
Miscellaneous Plan -Classic	<u>\$ 545,477</u>	<u>\$ -</u>	<u>\$ (146,258)</u>	<u>\$ 399,219</u>
Deferred Inflows of Resources:				
Recognized net differences between projected and actual earnings on pension plan investments:				
Miscellaneous Plan -Classic	\$ -	\$ 134,156	\$ -	\$ 134,156
Recognized portion of adjustment due to differences in proportions:				
Miscellaneous Plan -Classic	25,793	2,189	(6,788)	21,194
Total deferred inflows of resources	<u>\$ 25,793</u>	<u>\$ 136,345</u>	<u>\$ (6,788)</u>	<u>\$ 155,350</u>
Prior Period Adjustment:				
Miscellaneous Plan -Classic	<u>\$ 518,455</u>			

Plans 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.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment and can only be amended by the District's Board of Directors.

East Orange County Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 7 – Defined Benefit Pension Plans (Continued)

Benefits Provided (Continued)

The Plan's provisions and benefits in effect as of June 30, 2015, are summarized as follows:

Miscellaneous Plan
CLOSED TO NEW MEMBERS

Hire date	Prior to December 24, 2012
Benefit formula	2.0% @ 60
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Final Average Compensation Period	12 months
Retirement age	55-60
Monthly benefits, as a % of eligible compensation	2.00%
Required employee contribution rates	7.00%
Required employer contribution rates	8.049%
Pre-Retirement Death Benefit	Optional Settlement 2W
Post-Retirement Death Benefit	\$500 Lump Sum
Non-Industrial Standard Disability	1.8% of final compensation X multiplied by service
COLA	2.00%

PEPRA Miscellaneous Plan

Hire date	On or after January 1, 2013
Benefit formula	2.0% @ 62
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Final Average Compensation Period	36 months
Retirement age	52-67
Monthly benefits, as a % of eligible compensation	1.0-2.5%
Required employee contribution rates	6.50%
Required employer contribution rates	6.50%
Pre-Retirement Death Benefit	Optional Settlement 2W
Post-Retirement Death Benefit	\$500 Lump Sum
Non-Industrial Standard Disability	1.8% of final compensation X multiplied by service
COLA	2.00%

Employees Covered

As of June 30, 2013, from the actuarial report, the following employees were covered by the benefit terms for the Plan:

	Misc. Plan - Classic
Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	7
Active employees	8

East Orange County Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 7 – Defined Benefit Pension Plans (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For period ended June 30, 2014 (the measurement date), the active employee contribution rate is 6.880% of annual pay and the average employer's contribution rate is 8.049% of the annual payroll for the Miscellaneous Plan.

For the year ended June 30, 2014, at the measurement date, the contributions made for the Plan were as follows:

	Misc. Plan - Classic
Contributions - employer	\$ 27,022
Contributions - employee	23,500
Total	<u>\$ 50,522</u>

Pension Liability

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Misc. Plan - Classic
Proportionate Share of Net Pension Liability	<u>\$ 399,219</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period.

CalPERS Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
Miscellaneous Plan - Classic			
Balance as of June 30, 2013 (Valuation Date)	\$ 2,220,203	\$ 1,674,726	\$ 545,477
Balance as of June 30, 2014 (Measurement Date)	<u>2,352,326</u>	<u>1,953,107</u>	<u>399,219</u>
Change in Plan Net Pension Liability	<u>\$ 132,123</u>	<u>\$ 278,381</u>	<u>\$ (146,258)</u>

East Orange County Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 7 – Defined Benefit Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2013). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contribution made by all employers during the measurement period (2013-14).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The Plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employee on behalf of the plan during the measurement period.
- (6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The District's proportionate share of the net pension liability for the Plan as of June 30, 2013 and 2014 are as follows:

	Misc. Plan - Classic
Proportion June 30, 2013	0.00642%
Proportion June 30, 2014	0.00642%
Change - Increase (Decrease)	0.00000%

For the year ended June 30, 2015, the District recognized pension expense of \$36,115.

East Orange County Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 7 – Defined Benefit Pension Plans (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions to pension plan made after measurement date	\$ 33,913	\$ -
Recognized portion of adjustment due to differences in proportions	-	(21,194)
Differences between projected and actual earnings on pension plan investments	-	(134,156)
Total	<u>\$ 33,913</u>	<u>\$ (155,350)</u>

The \$33,913 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended June 30, 2016. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Amount
2016	\$ (41,109)
2017	(41,109)
2018	(39,593)
2019	(33,539)
2020	-
Thereafter	-
Total	<u>\$ (155,350)</u>

Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Misc. Plan - Classic</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	varies by entry age and service (1)
Investment Rate of Return	7.50% (2)
Mortality	Derived using CalPERS' Membership Data for all funds (3)

- (1) Depending on age, service, and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvement using Society of actuaries Scale BB.

East Orange County Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 7 – Defined Benefit Pension Plans (Continued)

There were no changes in assumptions, benefit terms, or other inputs that affected the measurement of the net pension liability. There were no changes between the measurement date of the net pension liability and the reporting date. The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuations were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

1. In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

East Orange County Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 7 – Defined Benefit Pension Plans (Continued)

Discount Rate (Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	12.00	6.83	6.95
Real Estate	11.00	4.50	5.13
Infrastructure and Forestland	3.00	4.50	5.09
Liquidity	2.00	(0.55)	(1.05)

(a) an expected inflation of 2.5% for this period

(b) an expected inflation of 3.0% for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Misc. Plan - Classic
1% Decrease	6.50%
Net Pension Liability	\$ 711,286
Current Discount Rate	7.50%
Net Pension Liability	\$ 399,219
1% Increase	8.50%
Net Pension Liability	\$ 140,234

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

East Orange County Water District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Prior Period Adjustments

As a result of the implementation of GASB Statements No. 68 and 71, net position as of July 1, 2014 was restated as follows:

Net position at July 1, 2014, as previously reported	\$ 18,620,924
Net pension liability	(545,477)
Employer contributions to pension plan made after the measurement date	52,815
Changes in employer contributions and differences between proportionate share of pension expense	(25,793)
Total prior period adjustments	(518,455)
Net position at July 1, 2014, as restated	\$ 18,102,469

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REQUIRED SUPPLEMENTARY INFORMATION

Draft 12/14/2015

**East Orange County Water District
Required Supplementary Information
For the Year Ended June 30, 2015**

**Schedule of Proportionate Share of the Net Pension Liability
District's Plans
(Last Ten Years*)**

	<u>FY 2013-14</u>
<u>Miscellaneous Plan</u>	
Proportion of the net pension liability	0.00642%
Proportionate share of the net pension liability	\$ 399,219
Covered - employee payroll	\$ 424,397
Proportionate share of the net pension liability as percentage of covered-employee payroll	94.07%
Plan's fiduciary net position as percentage of the total pension liability	83.03%
Proportionate share of aggregate employer contributions	\$ 52,815

* Historical information is required only for measurement periods for which GASB No. 68 is applicable.

Draft 12-14-2015

**East Orange County Water District
Required Supplementary Information
For the Year Ended June 30, 2015**

**Schedule of Contributions
District's Plans
(Last Ten Years*)**

	<u>FY 2014-15</u>	<u>FY 2013-14</u>
<u>Miscellaneous Plan</u>		
Actuarially determined contribution	\$ 28,685	\$ 27,022
Contributions in relation to the actuarially determined contribution	<u>(28,685)</u>	<u>(27,022)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 437,129	\$ 424,397
Contributions as a percentage of covered-employee payroll	6.56%	6.37%

Notes to Schedule:

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact.

Changes of Assumption - There were no changes in assumptions.

Valuation Date:	June 30, 2011
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Average Remaining Period	20 years as of the valuation date
Assets Valuation Method	15 years smoothed market
Inflation	2.75%
Salary increases	3.30% - 14.20% depending on age, service and type of employment
Payroll growth	3.00%
Investment rate of return	7.50% net of administrative expenses

* Historical information is required only for measurement periods for which GASB No. 68 is applicable.

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SUPPLEMENTARY INFORMATION

Draft 12/14/2015

East Orange County Water District
Combining Schedule of Balance Sheet
For the Year Ended June 30, 2015

<u>ASSETS</u>	<u>Wholesale</u>	<u>Retail</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 6,302,289	\$ 2,614,063	\$ 8,916,352
Accrued interest receivable	3,252	1,318	4,570
Accounts receivable – water sales and services:			-
Wholesale	736,204	-	736,204
Retail	-	293,497	293,497
Property taxes receivable	6,484	3,692	10,176
Prepaid items	42,327	10,771	53,098
Water-in-storage inventory	35,883	4,881	40,764
Materials and supplies inventory	17,898	17,898	35,796
Total current assets	<u>7,144,337</u>	<u>2,946,120</u>	<u>10,090,457</u>
Noncurrent assets:			
Capital assets, net	<u>5,544,278</u>	<u>4,722,969</u>	<u>10,267,247</u>
Total noncurrent assets	<u>5,544,278</u>	<u>4,722,969</u>	<u>10,267,247</u>
Total assets	<u>12,688,615</u>	<u>7,669,089</u>	<u>20,357,704</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources:			
Employer contributions to pension plan made after measurement date	15,478	18,435	33,913
Total deferred outflows of resources	<u>15,478</u>	<u>18,435</u>	<u>33,913</u>
Total assets and deferred outflows of resources	<u>\$ 12,704,093</u>	<u>\$ 7,687,524</u>	<u>\$ 20,391,617</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 738,713	\$ 286,972	\$ 1,025,685
Accrued salaries and compensated absences	32,289	40,046	72,335
Deposits and unearned revenue	26,876	71,020	97,896
Total current liabilities	<u>797,878</u>	<u>398,038</u>	<u>1,195,916</u>
Noncurrent liabilities:			
Net pension liabilities	<u>182,205</u>	<u>217,014</u>	<u>399,219</u>
Total noncurrent liabilities	<u>182,205</u>	<u>217,014</u>	<u>399,219</u>
Total liabilities	<u>980,083</u>	<u>615,052</u>	<u>1,595,135</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources:			
Differences between projected and actual earnings on pension plan investments	61,229	72,927	134,156
Recognized portion of adjustment due to differences in proportions	9,673	11,521	21,194
Total deferred inflows of resources	<u>70,902</u>	<u>84,448</u>	<u>155,350</u>
<u>NET POSITION</u>			
Net position:			
Net investment in capital assets	5,544,278	4,722,969	10,267,247
Unrestricted	6,108,830	2,265,055	8,373,885
Total net position	<u>11,653,108</u>	<u>6,988,024</u>	<u>18,641,132</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 12,704,093</u>	<u>\$ 7,687,524</u>	<u>\$ 20,391,617</u>

East Orange County Water District
Combining Schedule of Revenues, Expenses and Change in Net Position
For the Year Ended June 30, 2015

	<u>Wholesale</u>	<u>Retail</u>	<u>Internal Balances</u>	<u>Total</u>
Operating revenues:				
Water sales:				
Wholesale	\$ 4,215,477	\$ -	\$ (7,201)	\$ 4,208,276
Retail	-	1,253,430	-	1,253,430
Meter and standby service charges	218,855	358,403	(47,034)	530,224
Capacity and connection fees	665,652	-	(25,833)	639,819
Other connection fees	7,578	9,635	-	17,213
Other service charges	12,791	15,701	-	28,492
Total operating revenues	<u>5,120,353</u>	<u>1,637,169</u>	<u>(80,068)</u>	<u>6,677,454</u>
Operating expenses:				
Source of supply – water purchases	4,214,970	7,201	(7,201)	4,214,970
Source of supply – standby service charges	222,994	47,034	(47,034)	222,994
Source of supply – capacity and connection fees	368,714	25,833	(25,833)	368,714
Source of supply – replenishment assessment	-	398,404	-	398,404
Total source of supply	<u>4,806,678</u>	<u>478,472</u>	<u>(80,068)</u>	<u>5,205,082</u>
Pipeline capacity lease	53,000	-	-	53,000
Pumping	1,745	118,424	-	120,169
Treatment, transmission and distribution	420,397	500,853	-	921,250
General and administrative	365,467	234,394	-	599,851
Total operating expenses	<u>5,617,227</u>	<u>1,332,143</u>	<u>(80,068)</u>	<u>6,899,352</u>
Operating income(loss) before depreciation	<u>(526,924)</u>	<u>305,026</u>	<u>-</u>	<u>(221,898)</u>
Depreciation	<u>(310,656)</u>	<u>(186,806)</u>	<u>-</u>	<u>(497,462)</u>
Operating income(loss)	<u>(837,580)</u>	<u>118,220</u>	<u>-</u>	<u>(719,360)</u>
Non-operating revenues(expenses):				
Property taxes	711,540	374,101	-	1,085,641
Rental income – cellular antennas	133,679	-	-	133,679
Interest and investment earnings	30,494	3,915	-	34,409
Change in fair-value of cash equivalents and investments	(1,778)	291	-	(1,487)
Interest income – note receivable – AMP	142	-	-	142
Other, net	818	4,821	-	5,639
Total non-operating revenues, net	<u>874,895</u>	<u>383,128</u>	<u>-</u>	<u>1,258,023</u>
Change in net position	<u>37,315</u>	<u>501,348</u>	<u>-</u>	<u>538,663</u>
Net position:				
Beginning of year	11,852,418	6,768,506	-	18,620,924
Prior period adjustments	(236,625)	(281,830)	-	(518,455)
End of year	<u>\$ 11,653,108</u>	<u>\$ 6,988,024</u>	<u>\$ -</u>	<u>\$ 18,641,132</u>



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: CONFERENCE AND MEETING ATTENDANCE REQUEST
DATE: DECEMBER 17, 2015

BACKGROUND

Pursuant to District Resolution No. 658, prior authorization for Board Member conference/meeting attendance and travel is required. There are two upcoming events that Board Members may wish to attend:

- MWDOC Water Policy Dinner - Friday, January 22, 2016 5:30 p.m. to 8:00 p.m.
Speaker: Felicia Marcus, Chair, SWRCB
Cost: \$80/person

RECOMMENDATION

The Board approve attendance at the upcoming meetings for designated Board Members as desired.



2016 WATER POLICY

Forum & Dinner

Featuring Keynote Speaker

FELICIA MARCUS

CHAIR

STATE WATER RESOURCES CONTROL BOARD



FRIDAY
January 22
5:30 PM - 8:00 PM

~ Register today! ~



**THE WESTIN
SOUTH COAST PLAZA HOTEL**

GRAND BALLROOM

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Costa Mesa, CA 92626



RESERVED TABLES AVAILABLE

Please Contact:
Bryce Roberto
(714) 593-5017
broberto@mwdoc.com

*Reserved tables (with
company logo) are
available for 8 guests
(\$640) or 10 guests
(\$800).*



REGISTER TODAY!

The Municipal Water District of Orange County (MWDOC) would like to invite you to join us for a Water Policy Forum & Dinner, Friday, January 22, 2016, where we are pleased to welcome back keynote speaker Felicia Marcus, Chair of the State Water Resources Control Board (SWRCB). Ms. Marcus was the keynote speaker at our July Water Policy Dinner, which drew in over 300 attendees, the largest audience in this event's history.

On April 1, Governor Brown issued an Executive Order mandating a 25 percent water use reduction. In May, the SWRCB adopted an emergency regulation requiring a 25 percent reduction in overall potable urban water use statewide. This regulation spurred water suppliers to make significant investments in their education and outreach programs, and these efforts paid off. Even with almost no precipitation and record-breaking high temperatures throughout most of the state this summer, Californians continued to conserve water.

Now, with emergency drought regulations expiring in February 2016, the SWRCB is evaluating the next set of regulations. As we move into the winter months, with long-term forecasts predicting a strong, potentially wet El Niño, and outdoor water needs down to a minimum, water suppliers will be tasked with the difficult challenge of continuing to motivate customers to cut back. This is your opportunity to discuss the process with, and ask questions of, Chair Marcus related to the new, upcoming regulations. Due to comments received from our previous post-event survey, the presentation time will be shortened to allow more time for Q & A.

Registration is now available for \$80 per person.* This includes the pre-dinner reception (cash bar), three-course dinner (choice of entrée), and self-parking.

Sincerely,

Larry D. Dick
Board President
Municipal Water District of Orange County



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: LOCAL SEWER TRANSFER
DATE: DECEMBER 17, 2015

ACTIVITIES UPDATE

Outreach & Communications

On November 12, Vice-President Davert, General Manager Ohlund and Consultants John Lewis and Brian Lochrie met with OCSD Board Members Tyler Diep and Peter Kim to discuss the proposed sewer transfer.

On November 12, 2015, President VanderWerff, General Manager Ohlund and Consultant John Lewis met with OCSD Board Member Dr. Steven Choi, to discuss the proposed sewer transfer.

On November 16, 2015, General Manager Ohlund met with OCSD Board Member Jim Katapodis and Alternate Board Member Erik Petersen to discuss the proposed sewer transfer,

On November 17, 2015, Vice-President Davert, General Manager Ohlund and Consultant Brian Lochrie met with OCSD Board Member Keith Curry to discuss the proposed sewer transfer.

On November 17, 2015, President VanderWerff, Vice-President Davert, General Manager Ohlund and Consultant John Lewis attended the Board of Supervisor's Meeting to address any issues/question arising out of the BOS' approval of property tax transfer from OCSD to EOCWD. The resolution successfully passed.

OC LAFCO/OCSD

At their November 18th Meeting, the Executive Officer noted that EOCWD's application would be deemed complete on November 24th due to the action taken by the Board of Supervisors in approving the property tax transfer. The Commission set EOCWD's application for a public hearing to be held at the December 9th LAFCO Meeting.

At their November 18th Meeting, the OCSD Board directed their staff to negotiate an amendment to the Sewer Transfer Agreement allowing OCSD to enter into a Transfer Agreement with IRWD. This amendment would allow OCSD to negotiate the same agreement that EOCWD has with OCSD, and protect the wastewater flows in Service Area 7 from being diverted to IRWD. OCSD staff was directed to bring the amendment back to the OCSD Board at their December 16th Meeting.

RECOMMENDATION

Information item only; no action required.



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: WHOLESALE AND RETAIL ZONE WATER DEMANDS – NOVEMBER 2015
DATE: DECEMBER 17, 2015

Wholesale Zone Water Demands

Attached is a graphical representation of the Wholesale Zone water demand through November 30, 2015. Total water sales for the month of October totaled 290.6 AF; total year-to-date sales are 1297.7 AF. This is a 8.8 AF or 2.9% decrease in demand from November, 2014.

Retail Zone Water Demands

Page 1 of the attached report is an overview of the sources of water supply and our monthly usage. Currently, all water supplied to the RZ is from the groundwater basin. With the end of the Coastal Pumping Transfer Program (CPTP), we will begin to provide some imported water to the RZ.

Page 2 of the report depicts our 10-year water usage and how much of this was groundwater versus imported water. As shown on this graph, drought allocations begun in 2014/15 have reduced total demand below the 10 year average of 1,070 AF. We expect that this will continue to decrease this year due to the enhanced conservation required under the drought.

Page 3 provides a comparison of water demand versus precipitation, water demand versus average high temperature and water demand versus unemployment rates. As would be expected, generally in wet years, demand is lower than in dry years, whereas average temperature doesn't have as much of a cause/effect relationship. There does appear to be a slight relationship between unemployment rates and water demand, with increasing demand occurring as unemployment rates decrease.

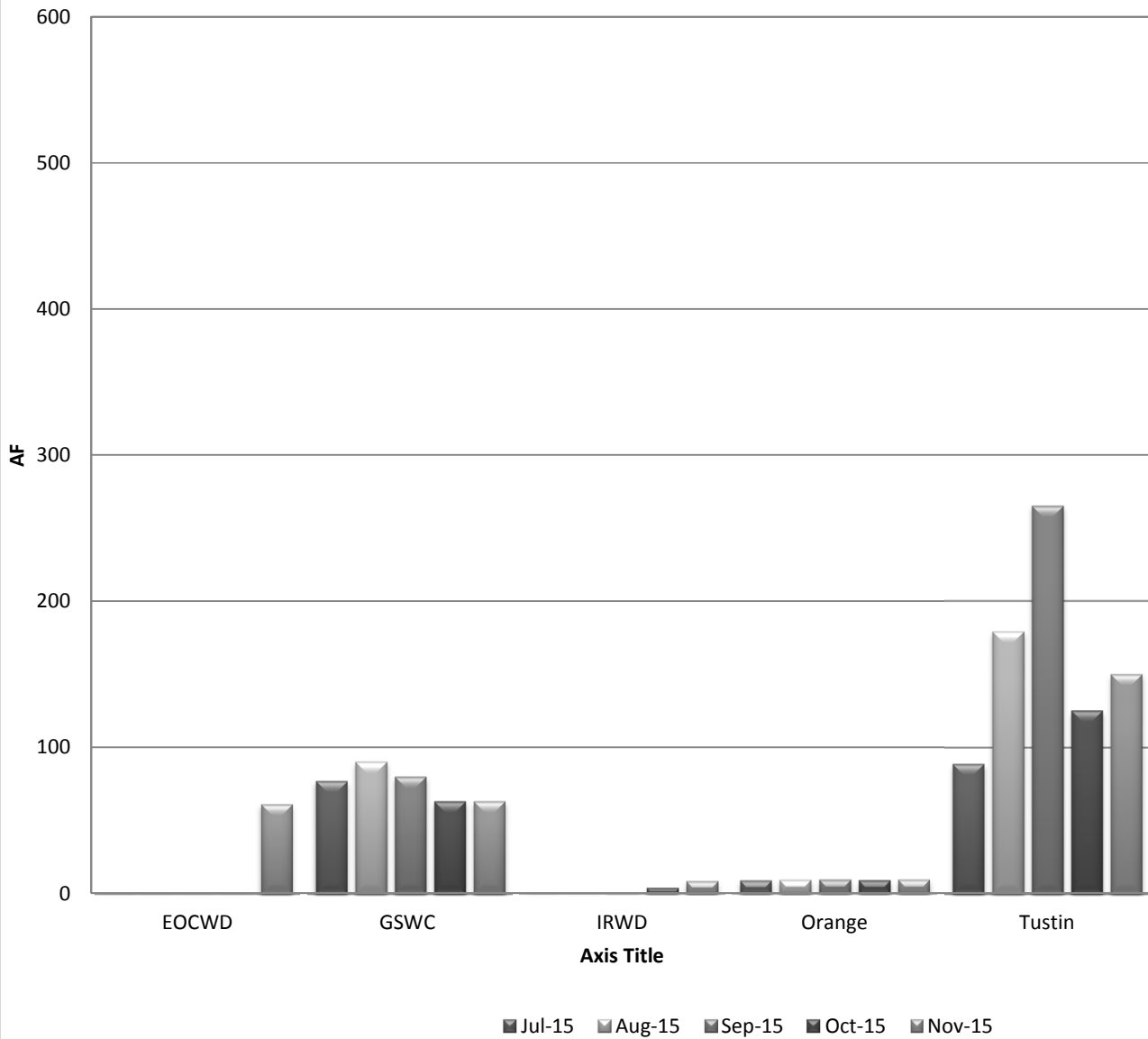
As shown on Page 4, total production for the month of November was 61 AF; this is 13 AF (19%) lower than our demand for October 2014 (74 af) and 15AF (20%) lower than our average demand for the last 6 years.

Also attached are graphs depicting the Retail Zone's water demand, including a table that shows "gallons per capita per day" or GPCD. The effect of the increased conservation is shown very vividly here - the table shows our residents' per person, per day water consumption for the month of **November 2015 (202)** compared to **October 2014 (249)**. This number is derived by dividing the total amount of water used by the population (a number calculated by the Center for Demographics at Cal State Fullerton). For comparison, the average GPCD for the South Coast area of California is 176 GPCD (Source: Department of Water Resources). The average GPCD for RZ customers for FY 2014/15 was 246 GPCD.

Wholesale Zone Water Demand

Total Monthly Sales for November, 2015= 290.6 AF

Total YTD Sales for July - November, 2015 = 1,297.7 AF



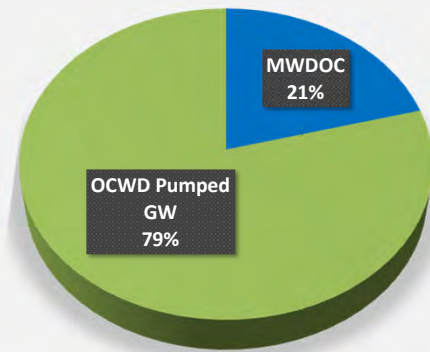
East Orange County Retail Zone Water Usage Report

East Orange County Retail Zone Overview of Usage FY 2015-16 Monthly Water Use

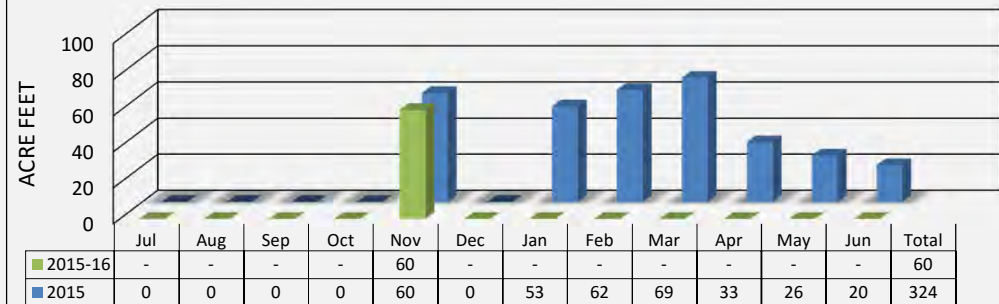
Type of Supply	July	August	September	October	November	December	January	February	March	April	May	June	Total
MWDOC	-	-	-	-	60	-	-	-	-	-	-	-	60
OCWD Pumped GW	54	69	60	46	0	-	-	-	-	-	-	-	230
Total	54	69	60	46	61	-	-	-	-	-	-	-	290

2015 MWDOC Usage	0	0	0	0	60	0	53	62	69	33	26	20	324
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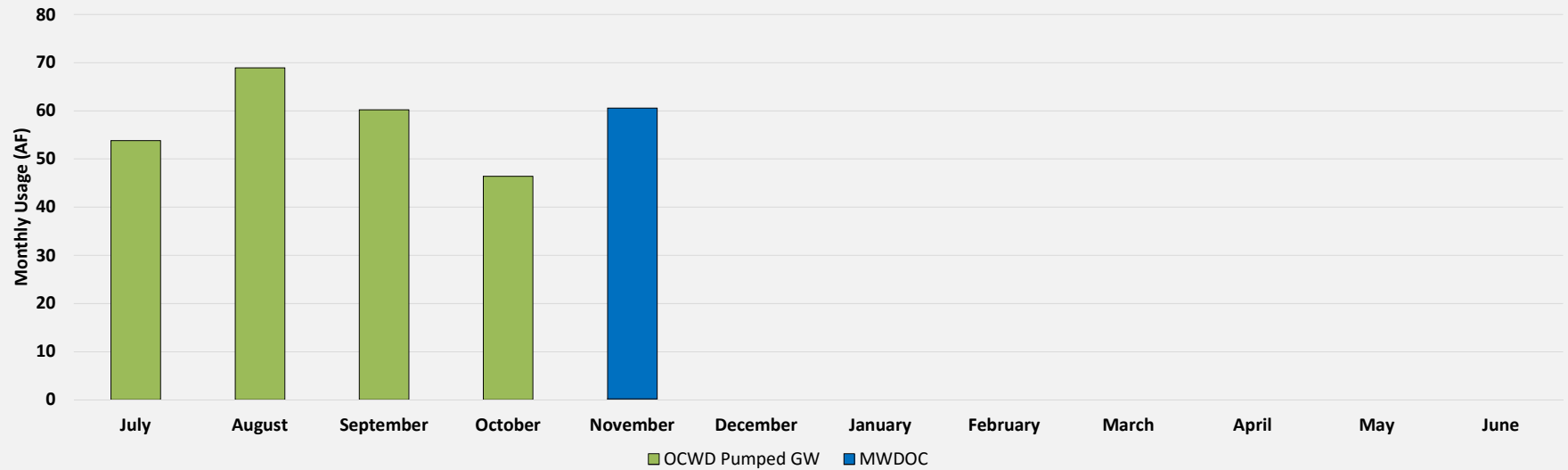
2015-16 Sources of Water Supply



MWDOC Calendar Year and Fiscal Year Purchases



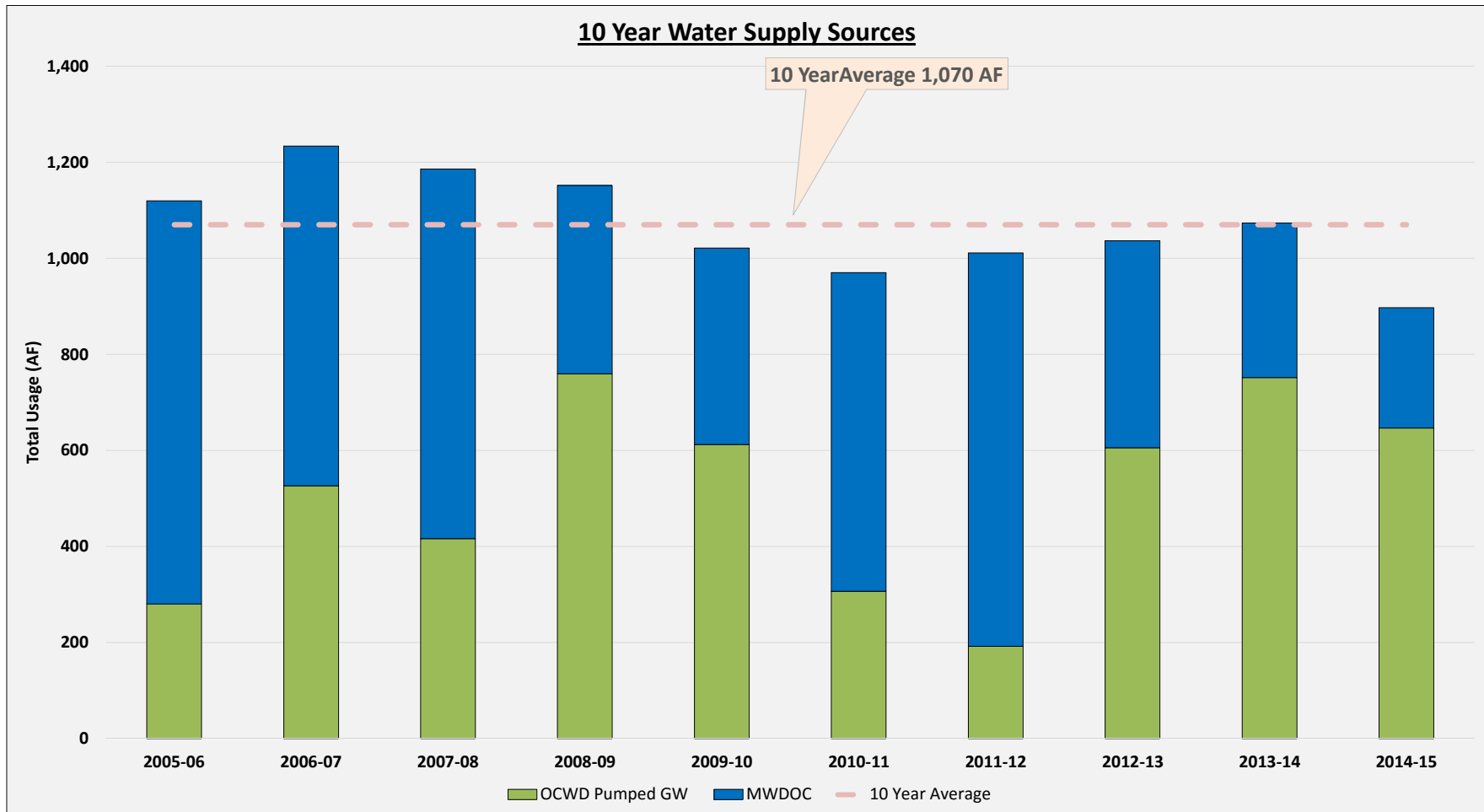
2015-16 Water Supply Sources



East Orange County Retail Zone Water Usage Report

Annual Water Usage

Type of Supply	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Average
MWDOC	839.5	707.1	770.0	392.3	409.3	663.8	819.1	431.3	322.0	250.7	560.5
OCWD Pumped GW	280.2	526.3	416.0	759.1	612.0	306.5	192.1	605.2	751.3	646.3	509.5
Total	1,120	1,233	1,186	1,151	1,021	970	1,011	1,037	1,073	897	1,070

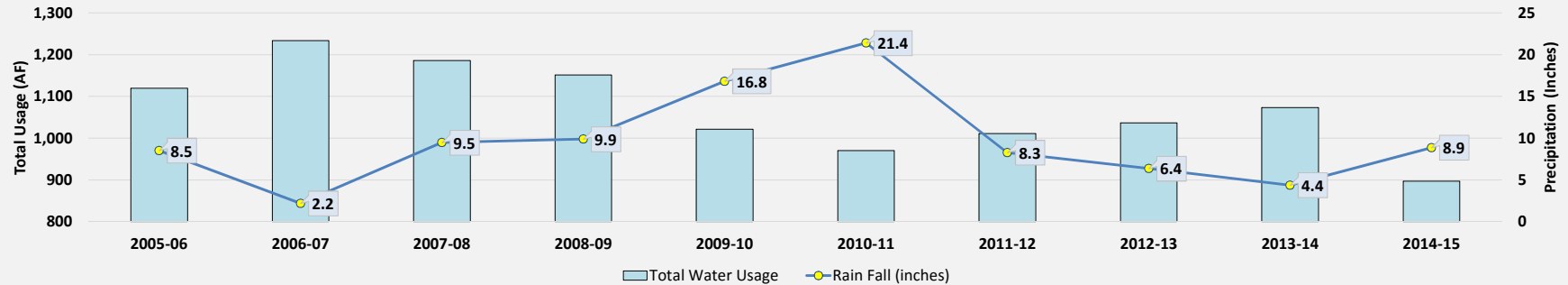


East Orange County Retail Zone Water Usage Report

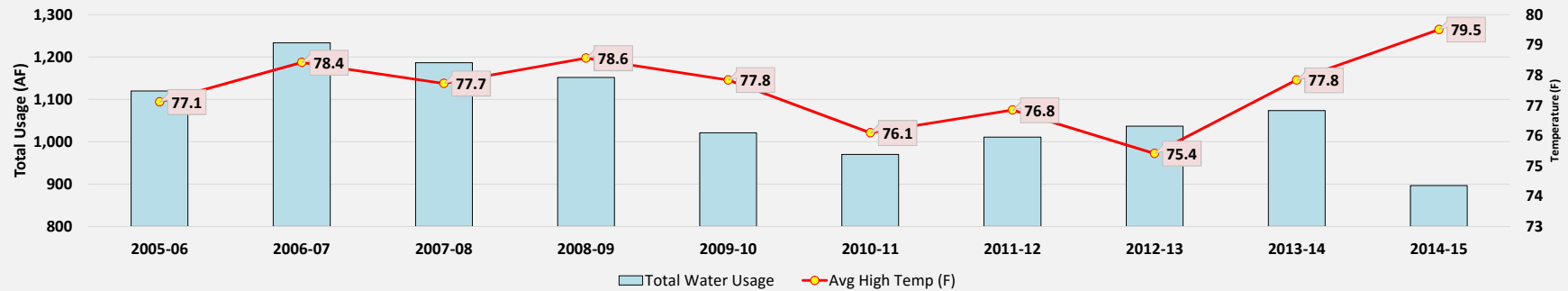
Water Usage Variables

Type of Supply	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Average
Rain Fall (inches)	8.5	2.2	9.5	9.9	16.8	21.4	8.3	6.4	4.4	8.9	9.6
Avg High Temp (F)	77.1	78.4	77.7	78.6	77.8	76.1	76.8	75.4	77.8	79.5	77.5
LA Unemployment %	4.6%	4.4%	5.5%	9.1%	11.6%	11.7%	10.9%	9.5%	8.2%	7.2%	8.3%
Total Water Usage	1,120	1,233	1,186	1,151	1,021	970	1,011	1,037	1,073	897	1,070

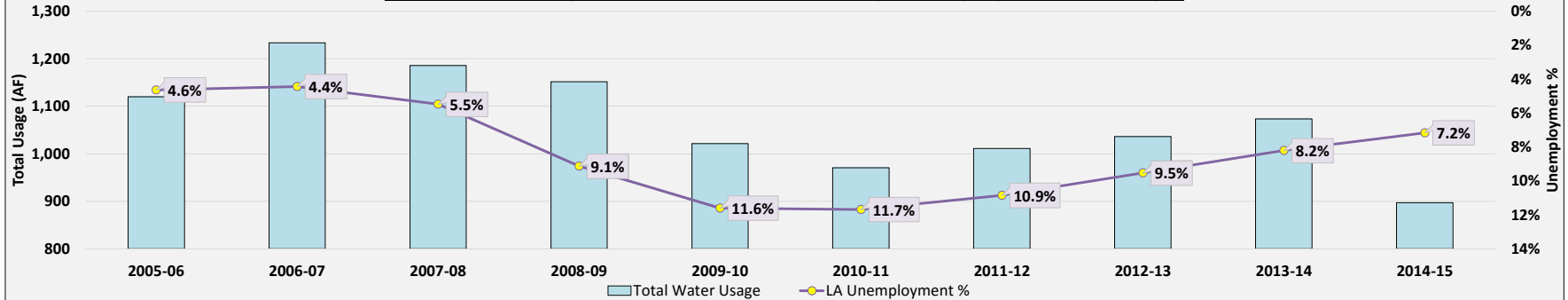
10 Year Water Usage VS Precipitation (SNA #121 Station)



10 Year Water Usage VS Average High Temperature (Santa Ana Fire Station)



10 Year Water Usage VS L.A. Metro Annual Average Unemployment Percentages



East Orange County Retail Zone Water Usage Report

East Orange County Retail Zone Detailed Usage Historical Monthly Potable Usage (Fiscal Year, July-June)

Fiscal Year	July	August	September	October	November	December	January	February	March	April	May	June	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	71	58	67	65	95	100	1,011
2012-13 Usage	114	118	107	99	75	42	58	62	73	85	101	103	1,037
2013-14 Usage	104	108	111	94	87	66	81	63	69	80	108	103	1,073
2014-15 Usage	100	104	102	93	74	41	59	53	72	73	52	74	897
Average of Last 6 FYs	112	115	106	91	76	53	63	54	66	76	91	98	1,002
Monthly Usage Percentage	11%	11%	11%	9%	8%	5%	6%	5%	7%	8%	9%	10%	100%

Water Usage By Source

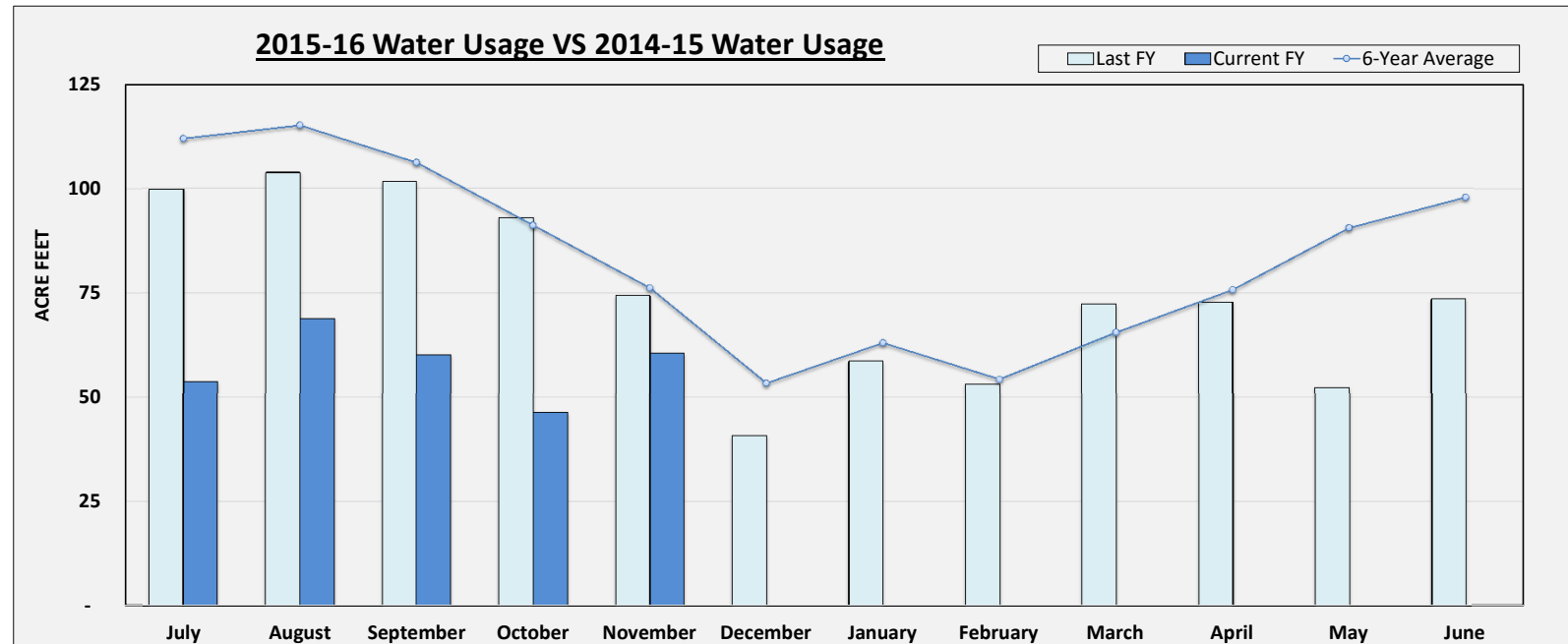
Imported	July	August	September	October	November	December	January	February	March	April	May	June	Total
MWD via EO Wholesale	-	-	-	-	60.4								60.4
CPTP													-
Imported Total	-	-	-	-	60	-	-	-	-	-	-	-	60.40

Local	July	August	September	October	November	December	January	February	March	April	May	June	Total
OCWD Pumped GW	53.8	68.9	60.2	46.4	0.2								229.5
Less CPTP													-
Local Total	54	69	60	46	0	-	-	-	-	-	-	-	229.50

Total Usage 2015-16	54	69	60	46	61	-	-	-	-	-	-	-	289.90
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FY 14-15 versus FY 13-14

-46% -34% -41% -50% -19%

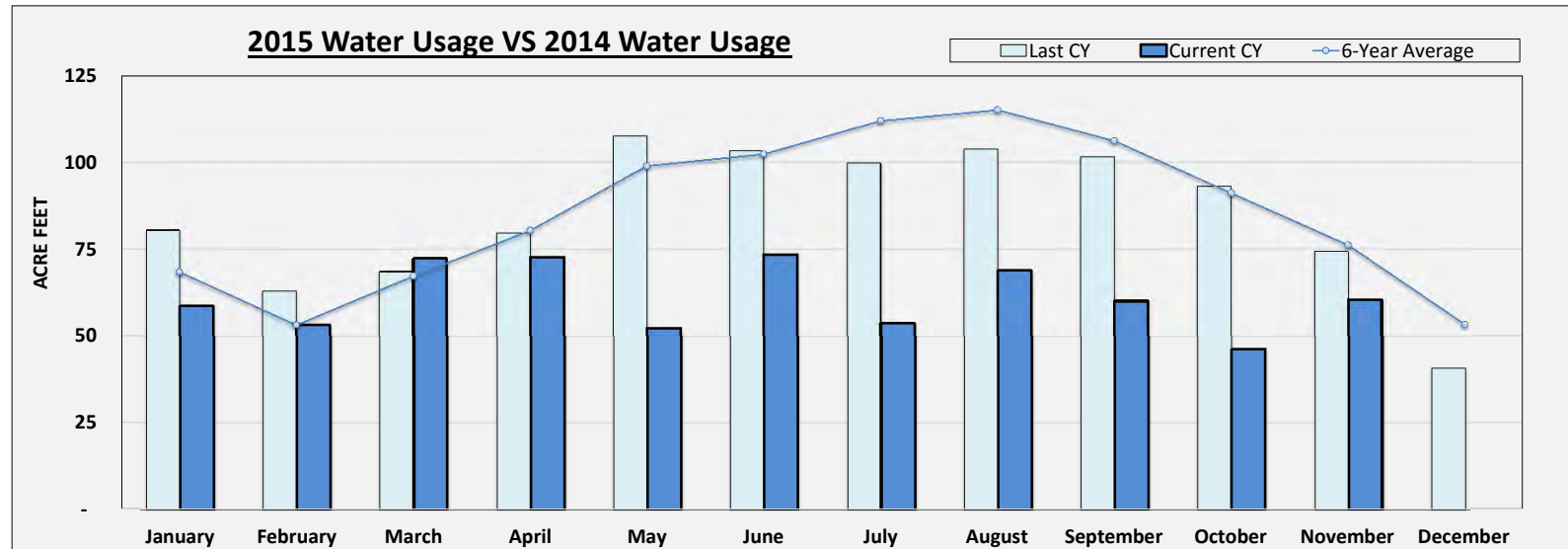


East Orange County Retail Zone Water Usage Report

Historical Monthly Potable Usage (Calendar Year)

Calendar Year	January	February	March	April	May	June	July	August	September	October	November	December	Total
2009	91	46	83	101	103	100	123	124	112	97	86	55	1,120
2010	52	35	59	74	96	110	112	118	109	76	73	49	962
2011	58	55	54	78	92	98	120	119	98	88	63	68	990
2012	71	58	67	65	95	100	114	118	107	99	75	42	1,010
2013	58	62	73	85	101	103	104	108	111	94	87	66	1,052
2014	81	63	69	80	108	103	100	104	102	93	74	41	1,017
6 year Average	69	53	67	80	99	102	112	115	106	91	76	53	1,025

Total Water Usage 2015	59	53	72	73	52	74	54	69	60	46	61	-	673
2015 VS 2014 Usage	+1%	-14%	-1%	-14%	-48%	-28%	-48%	-36%	-46%	-51%	-30%		-34%



	Population	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014 Usage (AF)	3,249	81	63	69	80	108	103	100	104	102	93	74	41	1,017
2014 GPCD		261	226	222	267	348	346	323	336	340	301	249	132	279
2015 Usage (AF)	3,257	59	53	72	73	52	74	54	69	60	46	61	-	673
2015 GPCD		189	190	234	243	169	245	174	222	201	150	202	-	201
CY over CY change in GPCD		-71	-36	+11	-24	-179	-100	-150	-114	-139	-151	-47		-78

	Population	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
2014-15 Usage (AF)	3,249	100	104	102	93	74	41	59	53	72	73	52	74	897
2014-15 GPCD		323	336	340	301	249	132	190	191	234	244	170	246	246
2015-16 Usage (AF)	3,257	54	69	60	46	61	-	-	-	-	-	-	-	290
2015-16 GPCD		174	222	201	150	202	-	-	-	-	-	-	-	190
FY over FY change in GPCD		-150	-114	-139	-151	-47								-57

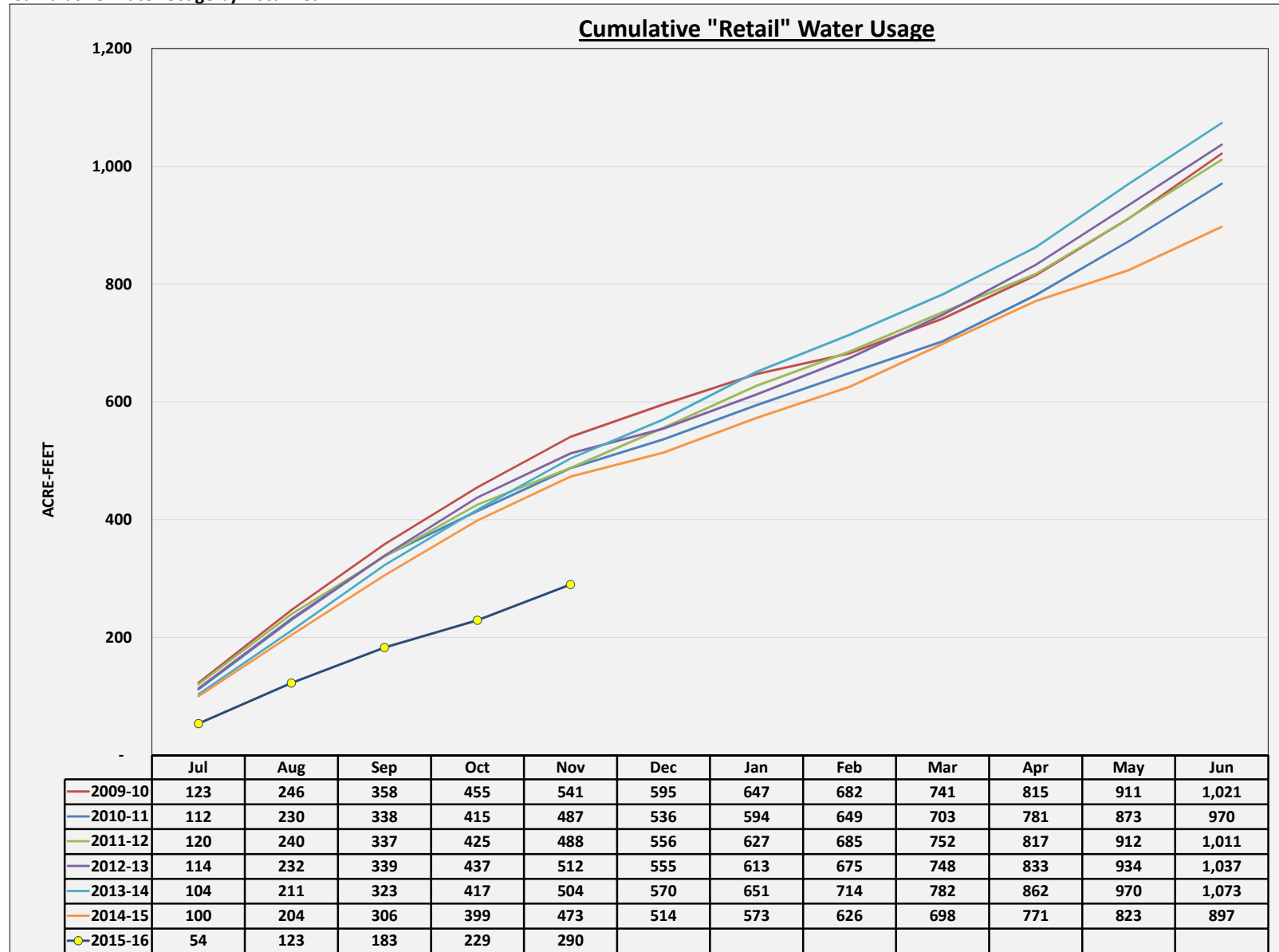
*Cumulative through the end of the last month shown

*GPCD = Total Monthly Production/ Population/days in the month



East Orange County Retail Zone Water Usage Report

Cumulative Water Usage by Fiscal Year



Drought Education/Enforcement Efforts - November 2015

<i>Activity</i>	<i>Date</i>	<i>Action</i>
Meetings		
MWDOC Water Use Efficiency Meeting	November 5, 2015	Reyna Ayala attended the monthly Water Use Efficiency Meeting at MWDOC; discussion items included the Irrigation Association Show in Long Beach, the EPA Award MWDOC is receiving for its water conservation program, update on the emergency drought regulations, 20x2020 Regional Alliance Report, Water Loss Control Program, Updated MWEL Ordinance, and public affairs/marketing information.
Water Management Program-Reyna	November 18, 2015	Reyna Ayala attended to the Water Management Program offered by Irrigation Tech and City of Santa Ana.
ACWA Webinar-Reyna	November 19, 2015	Reyna Ayala participated in the ACWA Conservation Regulations Water Caucus Webinar.
Water Waste/High Water Bill Phone Calls		
Water conservation assistance-Jerry	November 13, 2015	Customer at requested a assistance with water conservation and irrigation system. Timer was set to water every day. Jerry adjusted the timer to only water on Monday.
Water conservation assistance-Matt	November 18, 2015	Customer at had a broken sprinkler timer which she had turned off. The water consumption is down. Irrigation area is 10450 SF; this matches their water budget irrigable area.
Water conservation assistance-Matt	November 19, 2015	Customer on HOA requested assistance with water conservation and irrigation system. Re-measure area, irrigation area is 63,746 SF. Customer is watering one day a week for 5 minutes. Matt will periodically check the meter.
Water Conservation and irrigation assistance-Matt	November 19, 2015	Customer at requested assistance. There are 7 people living at the property. Irrigation area is 19,573 SF. Customer's indoor allocation was increased to reflect correct allocation; outdoor irrigation area was correct.

Water conservation assistance-Jerry	November 20, 2015	Customer at requested assistance for water conservation. The irrigation timer was set up for 2 minutes per area 3 times per week. The majority of the usage seems to be occurring inside home. Ten people are occupying home until January 2016; then will reduce to 7.
Water Conservation & irrigation system-Matt	November 23, 2015	Customer at requested assistance. Customer had a small leak in his back yard irrigation system. He has been doing a great job with conservation. He is also concerned about water theft from his next door neighbor filling their pool.
Water Conservation & irrigation system-Matt	November 23, 2015	Customer at requested assistance. Matt reset sprinkler timers from 4 days a week to 2 days a week and checked the lot size. Family occupancy size was changed from 7 to 10.
Water Conservation & irrigation system-Matt	November 23, 2015	Costumer at requested assistance because he exceeded his water usage. Matt reviewed sprinkler settings and reset to reduce usage.
Water conservation assistance-Jerry	November 27, 2015	Customer at requested assistance for water conservation. Jerry reduced sprinkler timer settings.

Drought Social Media/Print Messaging Efforts

Postcards	November 1, 2015	Postcards reminding customers to turn back their sprinklers to water 1 time per week were sent out to all customers.
Facebook	November-15	Site is updated on a weekly basis by Communications Lab staff and EOCWD staff. Eleven posts were shared in EOCWD's Facebook page.
Twitter	November-15	Twitter activity is maintained by CommunicationsLab staff providing content. Thirteen tweets were shared in Twitter.
EOCWD Drought Page on Website	November-15	Drought- still the same from November, 2015 no new updates have been made to the page.
Foothill Sentry Ad	November-15	The Foothills Sentry ad indicates that we did not make our required reduction for October (achieved 35.2% instead of 36%).

Customer Rebate Activities

		No activities for this month.
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Groundwater Replenishment System (GWRS) Credits

MWDOC/OCWD	November 30, 2015	The GWRS production allocated to EOCWD can be reported as Indirect Potable Reuse (IPR). For the month of November, EOCWD showed an IPR credit of 0.1 acre feet (equivalent to 32,000 gallons). The minimal credit is attributed to supplying the Retail Zone with import water through out November. The 32,000 gallons were pumped to fill the Barrett Reservoir after cleaning.
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MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: GENERAL INTEREST PUBLICATIONS
DATE: DECEMBER 17, 2015

BACKGROUND

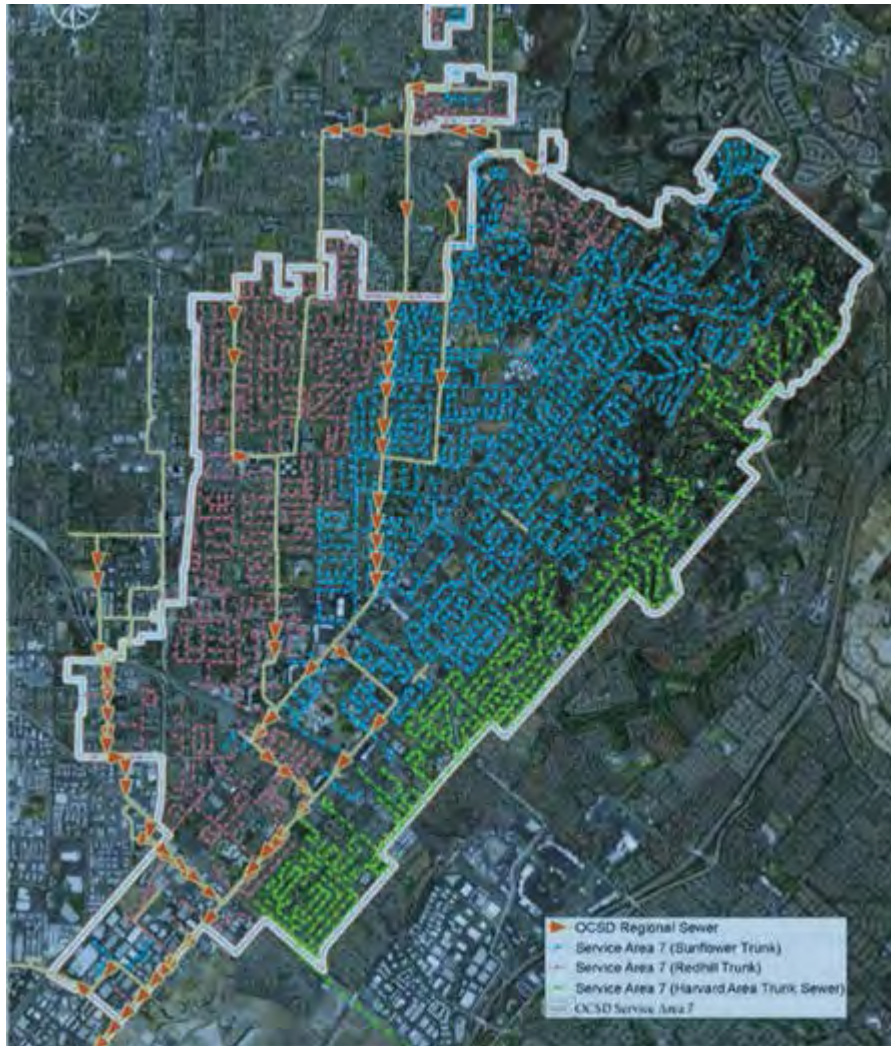
Attached to this memo is a copy of information pertinent to current events in the water industry:

- “Sewer system transfer awash in multi-agency input” *Foothill Sentry*, December 1, 2015

RECOMMENDATION

Information only; no action required.

Sewer system transfer awash in multi-agency input



By Tina Richards

The future of the Area 7 sewer system, located in North Tustin and El Modena, has become a case study in government agency overlap and jurisdictional deference. It illustrates why “process” is important, but can slow government decision-making to glacial speeds.

What started as an unremarkable transfer of a local sewer system from the Orange County Sanitation District (OCSD) to the East Orange County Water District (EOCWD) has become a prize sought by two competing agencies that must meet the demands and schedules of multiple authorities with varying degrees of interest in the outcome.

OCSD has long wanted to rid itself of small local sewer systems, and concentrate on large regional infrastructure. It put out the call for willing operators for the Area 7 system last year. EOCWD, which

already provides water service to that area, was the only suitor.

The two agencies subsequently drew up an exclusive negotiating contract; EOWD began a survey of the sewer system and submitted an application for transfer to the Local Agency Formation Commission (LAFCO). LAFCO has jurisdictional authority over agency boundaries in Orange County, and is the final word on interagency transfers like this one.

Due diligence

Before approving a boundary change, LAFCO is required to explore other possibilities. In this case, determine if other municipalities or agencies were interested in the sewer system and if so, allow them to apply for the job. Because the cities of Tustin and Orange border Area 7, they were approached, but declined. In fact, both cities wrote letters to LAFCO indicating their support for EOCWD.

LAFCO also queried the Irvine Ranch Water District. IRWD provides water service to Orange Park Acres, the Canyons, Irvine and Lake Forest. It also owns a sewer system. Just days before the LAFCO application period ended, IRWD filed a proposal to take on Area 7. LAFCO had indicated early this year that the sewer system transfer would be finished by May or June. But with two applications to assess, that decision was delayed.

Meanwhile, statewide drought conditions drew increased attention to Orange County's world-class Groundwater Replenishment System (GWRS) and the tons of sewage collected, treated and recycled back into the aquifer that provides much of the water used by north and central county residents. To ensure that sewage from Area 7 would continue to flow to the GWRS, OCSD asked EOCWD to sign an agreement guaranteeing that outcome. EOCWD agreed that Area 7 sewage would be sent to the GWRS "in perpetuity."

Waste not

IRWD has its own sewage treatment plant and, under an agreement with county sanitation, a small portion of Area 7 sewage is already diverted to that facility. Many local water and sewer stakeholders fear that if IRWD gets control of Area 7, more sewage will be diverted away from the GWRS to benefit water users in south county.

IRWD is willing to sign a sewage flow agreement with OCSD, but it can't. The county's exclusive contract with EOCWD prevents it from speaking to other agencies. That contract, however, expires Dec. 31.

LAFCO cannot select an Area 7 operator until the applications from both competing agencies are complete. The last hurdle is the County Board of Supervisors' approval to transfer property taxes from OCSD to the new agency. The board approved a property tax transfer to EOCWD, Nov. 17. It did not do the same for IRWD because that entity does not have a flow agreement with county sanitation.

As of its Nov. 18 meeting, LAFCO had one completed application from EOCWD and a filing from IRWD, missing supervisory approval of a property tax transfer. Supervisors cannot approve the tax transfer to IRWD until it reaches an agreement with OCSD, which it can't do because of the exclusivity clause.

Back and forth

The OCSD board met that same day to discuss whether or not to renew the exclusive contract with

EOCWD. Fearing that LAFCO would select IRWD without assurances that sewage would continue to feed the GWRS, the board unanimously voted not to extend the exclusive contract. It is now free to negotiate a sewer flow agreement with IRWD.

Had the sanitation district renewed its contract with EOCWD, it would have been unable to negotiate with IRWD, which means the board of supervisors could not approve a tax transfer, which means LAFCO would have only one complete application to assess.

At this point, LAFCO will not reach a decision until January or February. IRWD appears to have the edge because it touts 50 years of sewer experience and promises a 50 percent cost cut to ratepayers. EOCWD remains the choice of Tustin and Orange because it is already servicing the area, its board members live locally, and it has less overhead to consider in its rate structure. EOCWD has offered a 10 percent rate reduction to ratepayers, but its overall annual operating cost for the system (\$748,795), is actually less than IRWD's \$755,000. EOCWD proposes pay-as-you-go financing for capital improvements; IRWD says it will float bonds, which East Orange supporters say will override the 50 percent rate cut.

Musical chairs

Villa Park has no pipes in the Area 7 panorama, but it also favors local control and is supporting EOCWD from the sidelines.

While the final decision is LAFCO's, many participants in the broader agency dance wear a variety of shoes to follow through with the needed footwork. As is the nature of public service, elected officials are appointed to governing boards. Supervisors Todd Spitzer and Lisa Bartlett, for example, are also LAFCO commissioners. Officials from Orange, Tustin and Villa Park sit on the OCSD board. LAFCO commissioner John Withers serves on the OCSD board as well as that of IRWD. As an IRWD board member, he voted to file an application for Area 7; as a sanitation board member, he voted to let the exclusive contract with EOCWD expire; and as a LAFCO commissioner, he will vote on the outcome.

His participation in those votes is legal, but as OCSD board member (and Orange Mayor) Tita Smith noted, "it looks bad to the public." Withers has been asked to recuse himself, but so far has not.