

May 12, 2014

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

Dear Members of the Board,

Please be advised that a regular meeting of the Board of Directors of the East Orange County Water District will be held on Thursday, **May 15, 2014**, at **5:00 p.m.** in the offices of the East Orange County Water District, 185 N. McPherson Road, Orange, California. Enclosed please find the agenda for the meeting.

Very truly yours,

EAST ORANGE COUNTY WATER
DISTRICT

By:  Joan C. Arneson
Secretary

JCA/

Enclosures

cc: Mailing List

150473

AGENDA

EAST ORANGE COUNTY WATER DISTRICT
(EOCWD)

Thursday,
May 15, 2014

5:00 p.m.

1. Call Meeting to Order and Pledge of Allegiance – President VanderWerff

RECESS AND RECONVENE IN CLOSED SESSION

NOTE: NO INDOOR ACCOMMODATIONS WILL BE AVAILABLE DURING THE CLOSED SESSION- MEMBERS OF THE PUBLIC AND OTHERS ATTENDING MAY WISH TO DELAY THEIR ARRIVAL. FOLLOWING THE CLOSED SESSION, THE MEETING WILL BE RECONVENED AT 6:00 P.M.

2. Closed Session

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

RECONVENE IN OPEN SESSION – 6:00 P.M. (OR AS SOON THEREAFTER AS POSSIBLE)

Open Session

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

3. Public Communications to the Board
4. 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"

5. **General Manager's Report** (Exhibit "A")

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

6. **Approval of Minutes of April 17, 2013 Meeting** (Exhibit "B")

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

A. **Public Hearing** - Orange County Sanitation #7 local sewer service reorganization – application of East Orange County Water District to the Local Agency Formation Commission (LAFCO) for the activation of the District's sewerage powers and annexation of territory to the District (Exhibit "C")

(1) Opening:

President declares this to be the date, time and place set for hearing on the proposed activation of sewerage powers and annexation of territory.

(2) Notice:

President asks Secretary if all requirements for notice have been met.

Secretary states the date(s) and newspaper(s) of publication and presents affidavits of publication. If notice requirements have been met, state that approval of the following motion is in order:

Recommended Motion: "THAT THE AFFIDAVITS OF PUBLICATION AS PRESENTED TO THE BOARD BE RECEIVED AND FILED"

(3) Description:

President asks Legal Counsel to describe the nature of the proceedings.

Legal Counsel briefly describes the purpose of the hearing.

(4) Staff Report:

Presentation by staff on the proposed activation of sewerage powers and annexation of territory.

(5) Comment:

President invites interested persons to present any comments, objections or protests on the proposed activation of sewerage powers and annexation of territory. President

also requests General Manager to present any written correspondence received in relation to such proposed activation of sewerage powers and annexation of territory.

(6) Closing of Hearing:

Recommended Motion: "THAT THE PUBLIC HEARING BE CLOSED"

(7) Action, if any:

Recommended Motion: "THAT THE RESOLUTION NO. ____ BE ADOPTED, ENTITLED: 'RESOLUTION OF APPLICATION BY THE EAST ORANGE COUNTY WATER DISTRICT REQUESTING THE LOCAL AGENCY FORMATION COMMISSION TO INITIATE PROCEEDINGS FOR THE REORGANIZATION OF TERRITORY'"

- B. Orange County Sanitation #7 local sewer service reorganization – status report (Exhibit "D")
- C. Wholesale and retail water usage report (Exhibit "E")

8. Financial Matters

- A. Approval of schedules of disbursements (Exhibit "F")

Recommended Motion: "THAT THE SCHEDULES OF DISBURSEMENTS BE APPROVED"

- B. Report on investments/ ratification of investment activity (Exhibit "G")

Recommended Motion: "THAT THE SCHEDULES OF INVESTMENTS BE RATIFIED AND APPROVED"

- C. Receipt and filing of financial statements (March 31) – (Exhibit "H")

Recommended Motion: "THAT THE FINANCIAL STATEMENTS BE RECEIVED AND FILED"

- D. Municipal Water District of Orange County (MWDOC) 2014-15 budget – information update (Exhibit "I")
- E. Orange County Water District 2014-15 budget – information update (Exhibit "J")

9. Miscellaneous Matters

- A. Recognition of Richard Barrett's services (Exhibit "K")

Recommended Motion: "THAT RESOLUTION NO. 735 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 RICHARD E. BARRETT AS A MEMBER OF THE DISTRICT'S BOARD OF DIRECTORS'"

- B. Reports from committees and representatives to organizations
- C. Directors' reports on meetings attended
- D. November 2014 Election (Exhibit "L")

Recommended Motion: "DETERMINE THAT THE DISTRICT [SHALL/SHALL NOT] PAY FOR CANDIDATES' STATEMENTS AND THAT CANDIDATES' STATEMENTS SHALL CONTAIN A MAXIMUM OF [200/400] WORDS"

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 **June 19, 2014**, 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 Denise Dobson in the District Office at (714) 538-5815 during business hours at least seventy-two (72) hours prior to the scheduled meeting. This agenda can be obtained in alternative format upon written request to Denise Dobson in the District Office, at least seventy-two (72) hours prior to the scheduled meeting.

EAST ORANGE COUNTY WATER DISTRICT GENERAL MANAGER'S REPORT

May 2014

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

GENERAL MATTERS

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

SEWER

A. OCSD Transfer

Staff was informed that an error occurred during the Board's February 27th process to approve a resolution of application to OCLAFCO for the transfer of local sewers. A public hearing should have been held prior to the Board's vote on the transfer, but was not held.

Special counsel was consulted and drafted the Public Hearing Notice, which was published in the OC Register on April 24th. The public hearing, as well as consideration of the resolution authorizing application to OCLAFCO will be conducted at the May 15, 2014 Board Meeting.

Once approved, staff will resubmit the application and supporting documentation to OCLAFCO immediately.

B. OCLAFCO Application

A meeting will be held with OCLAFCO staff on Tuesday, May 13th to discuss the application and documentation required to be completed prior to the OCLAFCO Commission's consideration of the application. The Ad Hoc Consolidation Committee will also meet on May 13th to discuss the outcome of the earlier OCLAFCO meeting.

WHOLESALE ZONE

A. Peters Canyon (6 MG) Reservoir Status Update

Security System – Staff is working out some last details with AT&T regarding the installation of the fiber line and internet connection prior to commencement of construction. Delays have been incurred due to the change in ownership from AT&T to Crown Castle. Staff completed work with AT&T to locate all utilities within Handy Creek Rd. The survey was completed and is being used to create plans for the fiber optic run that will be installed from Jamboree Road to our 6 MG reservoir site. We expect to have plans within the next week which staff will review.

Roof Repair – A constructability review has indicated that there are concerns regarding the proposed repair that was reviewed with the Engineering Committee at their March meeting. District Engineers Lauri and Igar have discussed the issue with Rick Brady and are recommending that a closer look be taken of the roof system. Their recommendation is to have the glulam beam expert from Western Wood Structures and a structural engineer from Brady Engineering perform a joint inspection of the reservoir interior with the intent of making a more refined determination of the

path the District should take in addressing the roofs deficiencies. Staff proposed this recommendation to the Engineering Committee at their May 7th meeting. The Committee agreed that more investigation should be performed to determine the exact status of the roof.

Proposed Reconstruction of Treatment Plant – The RFP for the Treatment Plant Feasibility Study and Master Plan Update/Condition Assessment was released to preselected consulting firms on May 2nd. The proposals are due back by May 29th.

B. Minimum Demand Policy Development & Meeting with WZ Agencies

The Operations, Planning and Personnel Committee will be holding a joint meeting with the WZ agencies to review and discuss the proposed Minimum Demand Policy. ID Modeling representatives will be present to review the Water Quality Study that they performed wherein they modeled various low-flow scenarios and developed recommended minimum demand flows that will maintain water quality at each of the connections regardless of the demand from other WZ agencies. This meeting will be held at EOCWD's administrative offices on May 20th at 3:00 p.m.

Other issues to be discussed at the May 20th Meeting include: 1) EOCWD WZ Operating and CIP Budgets; levying WZ connection fees, WZ reliability analysis discussion, 6 MG Reservoir roof issues; operations update.

C. WZ Connection Permits

One permit application was received and processed during the month of May for one residential connection with the City of Tustin.

RETAIL ZONE

1) Well / Booster Station Operations

East Well - Staff filed a warranty claim with Tri-County Pump (TCP) due to a motor issue that staff detected on startup. This motor was inspected and rebuilt during our March 2013 well rehabilitation, and was still under the one-year warranty. Staff rejected the repairs proposed by TCP and has had the motor repaired outside of TCP; the motor has been repaired and installed and is currently operational. Staff is currently pursuing reimbursement of the repair costs from TCP, including pursuing it in Small Claims Court.

West Well and Stoller Booster Pump Repair Project – This 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. Staff had previously reported that an RFP would be sent out in April. Unfortunately we were not able to meet this time frame but are working towards releasing it by the end of May.

Panorama Heights Booster Station – Staff learned that SCE was continuing with a rebate program that provides an incentive of \$75 per horse power for pumps whose efficiency can be improved through rebuilding or replacing the pump. The program focuses on pumps rated at 25 hp or less. The two Panorama Heights centrifugal booster pumps are each 15hp, need rebuilding, and qualify for the SCE incentive; staff is looking at the most cost effective options - replacement versus repair.

2) Water Smart Home Certification Program

The District has 17 customers participating in this MWDOC sponsored program. The customers apply online to have a home inspection performed by the Mission Conservation District (MCD). The customers, located on Circula Panorama, Crawford Canyon Road, Miriam Place, Panorama View, Via Aventura, Via Del Cerro, Barrett Lane, El Roy Drive, View Ridge, St. Jude, Daniger Road, Greenwald Lane, and Kassy Drive met with District and MCD representatives between November 2013 and March 2014 to go through each interior and exterior plumbing fixture and evaluate their water efficiency.

Seventeen customers have received a water use report with recommendations on how to make their home water efficient. In order to achieve a Water Smart Home certification, the customer must have an efficiency score of 100. The high possible score is 120 which will give the home Gold certification status. The scores so far have ranged between 40 and 71 points. The customer then has 90 days to implement the recommendations and provide proof to MWDOC by providing invoices, receipts, and photographs. If all program criteria are met, the homeowner will receive a certificate stating that their home has been certified as being water efficient.

3) System Leaks

On April 21st, staff repaired a small service leak at 19441 Holiday Lane. There was a small hole on the 1" black plastic service lateral.

4) Operational Activities

- Cleaned, repaired and rebuilt worn areas within Stoller Reservoir pump house.
- Installed bollards, steps, and retaining wall around hydrant at Vista Panorama reservoir site.
- Cut down dead trees at Stoller reservoir site.
- Hauled away dead branches at 11.5 MG reservoir site.
- Replaced meter heads at Prospect, Hewes, and Foothill wholesale connections.
- Inspected service line relocation work at 10385 Cresthaven Lane and installed new 1" water meter.
- Met with AT&T to mark utilities along Handy Creek Road and the 6 MG reservoir site.
- Met with Crown Castle to review work to relocate equipment at 6 MG reservoir site.
- Took Director Everett on tour of the retail and wholesale systems.
- Met with RCE to review plan check work for proposed developments at Old Foothill, Barrett Lane, and Foothill.
- Met with contractor at 12791 Panorama Crest to inspect meter connection for construction of new home.
- Met with Serrano staff to review scope of work for proposed facilities needed for new developments.
- Standby Call out on 4/19 (superintendent) – 10262 Crawford Canyon Rd. – turn off water for customer.
- Standby Call out on 4/19 (superintendent) – possible leak at 19441 Holiday
- Review and approve drafts for Consumer Confidence Report
- Met with staff at Mesa W.D. to review plan check procedures

- Met with developers for projects at Fisher Lane and Foothill.
- Worked on project scope for system upgrades for proposed developments.
- Reviewed backflow reports
- Ordered new meters, tools, and misc. supplies.
- Repaired office security system.
- Completed Annual Report to CDPH
- Completed BMP reporting for 2011-2012
- Completed Monthly Report to CDPH
- Work order – Final Read at 12946 Azusa Circle
- Work order – Customer leak at 12532 Barrett Lane, 12351 Alexander Lane
- Work order – Water Quality Complaint – 19251 Fairhaven Ext. – entrained air
- Work order – high bill at 19441 Barrett Lane
- Work order – low pressure at 13121 March Ranch Rd. – bad pressure regulator
- Work order – meter leak at 19101 Barrett Lane and 10262 Crawford Canyon Rd.
- Work order – meter change-out at 19101 Barrett Lane
- Work order – possible leaks at 242 Crawford Canyon Rd. #6, 13121 Barrett Hill Circle, 19441 Holiday Lane.
- Work order – Meter turn offs at 19681 Pine Canyon, 13301 Orange Knoll, 18938 Smiley Drive, 13321 Shepard Way, 12581 Barrett Lane, 12246 Circula Panorama, 19392 St. Jude Drive, 12700 Barrett Lane, 12278 Media Panorama, 12312 Alta Panorama, 19052 Fowler Ave, 13162 Lemon Leaf Lane, 12752 Barrett Lane.
- Work order – Meter turn-ons at 18938 Smiley Drive, 19052 Fowler Ave., 19352 Barrett Lane, 12791 Panorama Crest, 12761 Bonita Heights Drive, 12890 Panorama Place, 13162 Lemon Leaf Lane, 12312 Alta Panorama, 12752 Barrett Lane.

Daily Tasks

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

Weekly Tasks

- Attend weekly safety meetings (All field staff)
- Performed weekly water quality sampling
- Measure static and pumping water levels in wells.
- Performed USA locations
- Responded to utility requests from the County and city of Orange
- Picked up water quality supplies and changed reagent bottles
- 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
- Performed dead-end flushing
- Read WZ meters
- Check WZ meter data; assist with preparation of WZ Billing
- Delivered Board agenda packages
- Participated in WEROC radio test

MISCELLANEOUS ITEMS

1) Meetings

District Staff attended the following meetings:

A. MWDOC Manager's Meeting – April 17, 2014

Meeting Summary: 1) Review of the Response & Recovery to the La Habra Earthquake – WEROC Manager Kelly Hubbard noted that the WEROC south Emergency Operations Center was opened, but no mutual assistance was requested by any affected agency. 2) MWDOC FY 2014/15 Budget – based on discussion at the MWDOC Board level, MWDOC is revising the draft budget; historically the desalination efforts (Doheny and Poseidon) were included in only the Choice elements of the budget, they are going to include these costs in both the Core and Choice elements for FY 2014/15. Selection of MWDOC's MET Director/Election of MET's Chairman – MWDOC will be sending a letter out regarding filling former MET Director John Foley's position. The 10 south Orange County agencies will be nominating a candidate. The candidate must live in the MWDOC service area and be able to devote a minimum of 60 hours a month. A sitting board member of an agency or city would not be eligible for this position as there is an incompatibility of office issue. There are three announced candidates for the MET Chairman position, Randy Record of Eastern Municipal Water District, David DeJesus of Three Valleys Municipal Water District and Robert Wunderlich of Beverly Hills. The MWDOC Board will be interviewing all three candidates for the two-year term; the election will be held within 90 days of the March 21st vacancy. 3) Adopted MET Budget and Rates – MET adopted their budget, MWDOC will be sending out an estimated bill to each agency soon. Beginning January 1, 2015, the commodity cost for one acre-foot of MET/MWDOC water will be \$923.60; it will rise to \$942 (plus MWDOC's charges) on January 1, 2016. 4) Water Supply Update - The water supply for the SWP is 61% of normal, so the State's Table A allocation may increase a little; we won't know possibly until August. The CRA is at 104% of normal snowfall, the Bureau of Reclamation is estimating that runoff will be 110% of normal. They are not going to release water from Lake Powell to Lake Mead however, which means that Lake Mead's water level will drop probably below the first ration level (1,075 feet) in 2015; Lake Mead is currently at approximately 1,100 feet (the lake's maximum elevation is 1,220 feet). 5) Vendor Selection for Value of Water Communications Plan – There were 7 responses to the RFQ; six were determined to be qualified – Fraser Communications was selected to perform the research and focus group work. This work is part of a long-term communications plan and isn't associated with MET's short-term drought/water efficiency program. 6) Continuous Energy Improvement Program Workshop – SCE has developed a special program and are offering technical resources to

each water agency to examine energy efficiency. 7) BDCP Comment Letter – MWDOC staff, working with member agencies, has prepared a draft comment letter on the BDCP environmental review process. 8) OC Water Summit – The Summit will be held on May 16th at the Disneyland Resort.

B. OCWD Long Term Facilities Plan Meeting – April 30, 2014

A special meeting of the Groundwater Producers was held at the City of Santa Ana. Following approval of the most recent annexation and documentation showing the significant reduction in Santa Ana River (SAR) baseflows, groundwater agencies requested that OCWD provide context and background for an update of the Long Term Facilities Plan (LTFP); the strategic planning tool they use to prioritize potential water supply projects. It was last updated in 2009 and is supposed to be updated every 3-5 years. The purpose of the LTFP is to increase water supply reliability and the basin's sustainable yield, protect/enhance groundwater quality and increase operational efficiency.

SAR flows have decreased from historic averages in excess of 100,000 AF/year to less than 60,000 AF during the past year. The minimum flow that is required to be sent to Orange County is 37,000 AFY.

OCWD prepared scenarios showing future supply sources under high, medium and low SAR baseflow conditions – these scenarios project a gap of between 51,000 AFY to 108,200 AFY to enable the basin to achieve a recurring 75% BPP of 375,000 AFY. It is anticipated that the FY 2014/15 BPP of 72% will yield 326,560 AF of pumping for the groundwater agencies.

OCWD staff identified 62 potential projects in 5 categories: Water Supply Facilities, Recharge Facilities, Basin Management Facilities, Operational Improvements and Alternative Energy Projects; these were ranked and 14 were identified as Priority Projects that will be studied further; doesn't mean they will be implemented.

The 14 projects will be discussed in further detail at the next meeting on May 29th.

C. Finance Committee Meeting, April 30, 2014

Meeting Summary – 1) FY 2014/15 Budget Review – Staff presented an overview of the WZ and RZ Budgets to the Committee in addition to the detailed budget information they were provided in their agenda. Staff noted that the proposed budget adds one new F/T employee, accommodates groundwater and imported water price increases, and provides a pool of funds for a cost of living and merit increase, however, reserves will be used to fund capital improvement costs again and a rate increase will be necessary for FY 2015/16. 2) MWDOC Budget Support Letter – Staff noted that some of the historic issues that were a problem between MWDOC and the south Orange County water agencies seem to be rising again during the budget process. Mesa Water, Yorba Linda Water District and EOCWD discussed this issue and have co-authored a letter in support of MWDOC's approach to the budget and that it is consistent with the agreements that were adopted in 2010 to settle these issues. Staff asked that the Committee indicate their consent for this letter as it would need to be submitted prior to the next EOCWD Board Meeting (May 15); the Committee consented. Staff noted that they would also take the letter to the Engineering Committee which would be meeting the next week to review it with those Directors also. 3) Budget Reports – March 2014 – Both the WZ's and RZ's income exceeded expenses at March 31, 2014; a surplus of revenue over expenses is anticipated at year-end.

D. MWDOC Elected Officials Forum – April 3, 2014

President VanderWerff, Vice-President Davert and Director Everett attended the first of the semi-annual forums held by MWDOC. Meeting Summary: 1) MWDOC Budget – The total MWDOC budget for FY 2014/15 is \$193,326,610 including a General Fund budget of \$7,672,098, and increase of \$735,287 or 11% over FY 2013/14. The primary reason for the increase is due to election expense and the establishment of a building repair and maintenance reserve. 2) Water Supply Update/Drought Response/BDCP – Rainfall in southern California is only 27% of average, recent rain/snowfall in NoCal has brought precipitation up, but the snow water equivalent (a measure of the water bearing capacity of the Sierras) is between 21-33% of normal. The “Table A Allocation” – the amount of water allocated to State Water Project Contractors, was set at 0% for the first time in the Project’s history. The Colorado River Snowpack, in contrast, is at 105% of normal, although reservoirs on the Colorado River are approaching historic low levels, and Lake Mead is expected to dip below the “Shortage Trigger” in late 2015. MWD has approximately 1.0 MAF of “Dry Year Storage” currently and is not expected to institute mandatory allocations (reductions in supply) for 2014 or 2015. MET will be starting a series of radio, print media and social media advertisements calling for water efficiency and voluntary conservation throughout April and May. The importance of the BDCP and improvements to the Delta was pointed out as salinity at the forebay where water is pumped out of the Delta for Southern California is approaching 1,000 mg/L (typical salinity is 300-350 mg/L). 3) SDCWA v. MET Lawsuit – On February 25, 2014, a judge issued a preliminary ruling in the lawsuit filed by the San Diego County Water Authority (SDCWA) challenging MET’s water rates. The court’s tentative determination is that there is insufficient evidence to support MWD’s cost allocation for Water Transportation rates and Water Stewardship rates. The court found in MWD’s favor that MWD fairly collects costs for “dry-year peaking” (purchasing more MWD water in dry years and less in wet years). It is anticipated that there will be appeals; it is unlikely that there will be any immediate impacts for several years. If the decision is upheld, it would mean an additional \$2.3 Million to EOCWD over the next 20 years (\$115,000/yr).

E. WEROC Quarterly Meeting – May 6, 2014

Meeting Summary: 1) After Action Analysis – La Habra Earthquake - Fullerton had 6 mainline breaks, La Habra had 2 mainline breaks, and Buena Park had 2 mainline breaks. Several agencies reported in on WebEOC (the countywide emergency operations center), however, most did not; need to improve this reporting as many agencies are still not routinely using WebEOC. Discussed the protocol for responding to earthquakes; MWDOC activates their EOC for quakes at 5.0; other agencies don’t unless they are within 30 miles of epicenter and it’s at least 3.5 magnitude. Noted that systems should be continuously rechecked as aftershocks occur. 2) Drought Emergency Declaration – Agencies were asked what they are doing in light of the Governor’s declaration; most indicated that they are working with customers to make them aware of the situation and reemphasizing water use efficiency. The message is out there and is being reinforced on a region-wide basis. Agencies are also reviewing their Conservation Ordinances; no one has implemented mandatory cutbacks yet. Cal OES is finalizing a statewide bottled water contract and will have the ability to send emergency supplies of bottled water into areas in a crisis. 3) Fuel Planning Gap Analysis - Local vendors have a very limited amount of fuel storage, most is kept at gas stations and in Los Angeles. Vendors also don’t have backup power at their sites, so even if fuel was available, it couldn’t be pumped out. Agencies need to know their fuel burn rate for their backup generators and determine the amount of fuel to keep in reserve on-site; keep careful inventory during emergencies as employees and others may take it for personal use. It was noted that the transfer of over 110 gallons requires a hazardous materials endorsement. One agency is negotiating an agreement with a gas station that they will provide backup

power for the gas station in return for fuel. MWDOC is working on a study to determine water and sewer agencies' ability to operate without SCE; they are planning on approaching AQMD in an effort to establish reasonable guidelines for essential service providers.

4) CDPH Reorganization – Local chief health officer Oliver Pacifico discussed the transfer of CDPH to the State Water Resources Control Board (which previously handled all wastewater permitting and water rights issues). He noted that the transfer will become effective on July 1, 2014 with the implementation of the new state budget. CDPH will have a different logo and email address, but other than that, most agencies won't be affected by the transition. 5) Water Trailer Follow-Up Items – Agencies that received water trailers were requested to have them FDA certified. Some problems have been occurring with some of the piping on the trailers; plastic piping needs to be changed out for copper. Agencies were encouraged to use the trailers at public events as public education. 6) Grant Proposals – Portable Fuel Pumps – WEROC has applied for grant funds for the purchase of 10 portable fuel pumps and 500 gallon trailers to supply fuel to backup generators; drivers will need Haz Mat endorsements. 7) Grant Proposals – Generator Cam-lock and Cabling – Agencies were requested to consult with their electricians to determine if standardizing cam-locks and cables would facilitate mutual aid situations. 8) Radio Tests – Agencies were encouraged to participate in the radio tests.

F. Engineering Committee Meeting – May 7, 2014

Meeting Summary – 1) Peters Canyon (6 MG) Reservoir Roof Study Update – Staff discussed this issue with Brady and are recommending that additional, detailed investigation be conducted to better determine and document the condition of the roof; the investigation will include a comparison of historical records (including pictures) to assist with determining the rate of change (if any) occurring. 2) Feasibility Study/Master Plan Update – The RFP was sent to prequalified firms on May 2nd; responses are due on May 29th. 3) WZ Reliability – Staff requested the services of Hunt Resource Strategies to assist with an analysis of how reliable our WZ agencies need/want the WZ to be. Ultimately, this information would be used to help draft a Board policy regarding WZ reliability. 4) OC-70 Backup Power – MET has begun the process for the installation of the backup power connection by issuing an invoice for the cost of the project. Using funds leftover from the \$25,000 initial engineering deposit (\$11,733), Met has submitted an invoice of \$51,567 to fund the project cost of \$63,300. The funds have been remitted to MWDOC, and will be relayed to MET. 5) Wholesale Service Connections – one residential permit was issued in April for a City of Tustin project. 6) EOCWD/IRWD Joint Well Project – We are awaiting issuance of the final report. 7) Replacement Well and Funding Plan – nothing to report. 8) Vista Panorama Reservoir Repair/Replacement Options – Staff discussed options for interim repairs and seismic stabilization of the reservoir; an engineering firm will be identified to further investigate these options. 9) Joint Administration Projects – Local Sewer Transfer Status – A public hearing should have been held prior to the adoption of the OCLAFCO resolution in February; the public hearing has been noticed and scheduled for the May 15th Board Meeting. Staff will be meeting with OCLAFCO staff within the next week to discuss the scope of work for the study that needs to be completed by OCLAFCO in order to bring the latent powers activation and annexations to the OCLAFCO commission for consideration.

Water Availability Request

Staff has received 2 requests for water service. The first request was for 12221 Circula Panorama and the second request for 12791 Panorama Crest. Staff is working with the customers and District Engineers to determine their needs as well as the appropriate fees for the projects.

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

April 17, 2014

1. Call to Order. A Regular Meeting of the Board of Directors of the East Orange County Water District was called to order by WILLIAM VANDERWERFF, President of the Board of Directors, at 5:00 p.m. on Thursday, April 17, 2014, in the offices of the East Orange County Water District, 185 N. McPherson Road, Orange, California. JOAN ARNESON, Secretary, recorded the minutes of the meeting (the minutes with respect to Items 10(A) and 11 were recorded by General Manager OHLUND).

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

Also present were:

LISA OHLUND	General Manager
JERRY MENDZER	Maintenance & Operations Superintendent
JOAN ARNESON	District Secretary and Legal Counsel (by telephone)
DOUG CHAPMAN	Former Director
ROB HANFORD	Golden State Water Company
JIM FISLER	Mesa Consolidated Water District
JOHN WITHERS	Irvine Ranch Water District
RICK FRESCHI	Serrano Water District

2. Public Communications to the Board. Candidates JIM FISLER and RICK FRESCHI for the alternate special district seat on LAFCO and candidate JOHN WITHERS for the regular seat addressed the Board concerning their interests and qualifications. Mr. FISLER said he did not advocate involuntary reorganization. Mr. WITHERS said he favored making the municipal services review process less burdensome, and in response to a question from President VANDERWERFF, said county islands and south county cities would be top LAFCO issues in the next 5 years. Mr. FRESCHI said his private sector experience would give him a good skill set for the LAFCO seat and he would represent districts actively and with passion.

3. Items Arising After Posting of Agenda. None.

4. **General Manager's Report.** In response to question from President VANDERWERFF, Ms. OHLUND elaborated on the item regarding the East Well repair cost recovery. She is looking at cathodic protection in the system, and will be discussing it with the retailers at an upcoming meeting and then bringing it to the Board.

ACTION TAKEN:

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

5. **Minutes.**

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the minutes of the meeting of March 20, 2014 were approved as submitted.

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

A. **Orange County Sanitation District #7.** Ms. OHLUND said she had nothing to add to her written report in the agenda. She said the preparation of the metes and bounds description was awaiting base map information from the County Surveyor.

B. **Office Manager Retirement.** Ms. OHLUND said Denise Dobson's will be difficult to replace following her upcoming retirement, and said she will be working with the Operations & Personnel Committee to add an administrative position and how to best fill the positions.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the Operations & Personnel committee was authorized to work with the Manager to review and recommend modifications to District organizational structure and to approve such changes as are within the existing budget.

C. **Orange County Water District Request to Oppose AB 2712.** Ms. OHLUND reported that AB 2712 proposes to insert a level of state agency involvement in OCWD's authority to conduct basin cleanup. In recent litigation, it was ruled that OCWD cannot secure cleanup cost from responsible parties before the cost is actually incurred. This resulted in objection of the Orange County Business Council and the current legislative proposal. Directors commented that OCWD's handling of the litigation brought this on, but the proposal was nevertheless punitive. Director EVERETT commented that the motion would put EOCWD fully behind OCWD. It was questioned whether there was a way to edit the draft letter to back OCWD's opposition only. After further discussion, it was the consensus to take no action on the request, and entertain any reconsideration that OCWD might request.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, it was determined that no action be taken on the request.

D. Water Demand Status Report. Ms. OHLUND recapped the demand trends and contributing factors over the last few years, including rainfall, economic recession, District outreach programs.

7. Financial Matters.

A. Schedule of Disbursements. Schedules of disbursements in the following amounts were presented: \$491,380.30 from Wholesale and Retail Operating Funds, \$3,436.84 for directors' payroll, and \$33,744.75 for employees' payroll. On behalf of the Finance Committee, Director DAVERT recommended approval.

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

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

ACTION TAKEN:

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

D. Expenditure Authorization and Purchasing Policy. Ms. OHLUND reported that the revised policy will be a restructuring of and increase in certain delegations of authority to make purchases and enter into contracts.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, Resolution No. 733 was adopted, entitled: "Resolution of the Board of Directors of the East Orange County Water District Adopting Expenditure Approval and Purchasing Policy."

8. Miscellaneous Matters.

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

B. Directors' Reports on Meetings Attended. Director DULEBOHN reported that he attended the MWD State Water Project tour.

C. Form 806 Changes – Compensated Committee/Designated Representative Assignments. Ms. OHLUND said this form was required to be filed and posted on the District's website.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the form was approved for filing and posting.

D. Authorization of Conference Attendance. Ms. OHLUND reported that the Water Summit is a valuable event for a relatively minor cost.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, all Directors interested in attending, along with the General Manager, were authorized to attend the May 16 Water Summit.

9. Informational Items.

A. General Interest Publications. Included were *Sacramento Bee* article on depletion of San Joaquin Valley groundwater stores; *San Francisco Gate* article on storage and the drought; *Los Angeles Times* article on Senate approval of homeowner drought relief measure; and a *Santa Barbara Independent* article on federal action to stop state water transfers; and U.S. Water Alliance release on the EPA award of the 2014 U.S. Water Prize to Orange County Sanitation District and Orange County Water District.

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

OPEN SESSION

Open session was resumed. No action was reported from the closed session. Ms. ARNESON rejoined the meeting (telephonically) for the next closed session.

President VANDERWERFF then announced that the Board would meet in the following closed session as listed in the agenda: **(B)** conference with real property negotiators (Government Code Section 54956.8) – property: premises leased for telecommunications at 9312 Jamboree Road, Orange; negotiating parties: Crown Castle MU LLC; agency negotiators: Director VanderWerff and General Manager Ohlund; under negotiation: price and terms of payment (lease amendment).

OPEN SESSION

Open session was resumed. It was reported that on a unanimous vote the Board approved the Fourth Amendment to the Lease, providing for modifications to site improvements, premises parcel reconfigurations and other related changes. Ms. ARNESON and Ms. OHLUND were excused for the next closed session.

President VANDERWERFF then announced that the Board would meet in the following closed session as listed in the agenda: (C) conference with labor negotiators (Government Code Section 54957.6), Agency designated representatives: Directors Bell and VanderWerff, Unrepresented employee: General Manager.

OPEN SESSION

Open session was resumed. No action was reported from the closed session. Ms. ARNESON (telephonically) and Ms. OHLUND rejoined the meeting for the balance of the meeting.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the following modifications were approved to the agreement for the General Manager's employment: 1) an increase to an annual salary for 2014 in the amount of \$115,000, and 2) a \$5,000 annual allowance to be used at the General Manager's discretion for educational and training opportunities and participation in professional organizations.

Director DAVERT noted that it was the intention of the Board to revisit the above action when the District's provision of sewer service is activated.

11. Independent Special District Selection Committee – Election of LAFCO Special District and Alternate. Ms. ARNESON said it was necessary to update the District's existing resolution delegating authority to alternate representatives to the ISDSC in the absence of the President.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, Resolution No. 734 was adopted, entitled: "Resolution of the Board of Directors of the East Orange County Water District Appointing Alternate Representatives To Independent Special District Selection Committee."

Following discussion of the statements by the candidates earlier in the meeting, it was the consensus to allow the EOCWD representative to vote in his discretion.

ACTION TAKEN:

Upon the motion duly made, seconded and carried unanimously on a roll call vote, the President or alternate attending in his place was authorized to use his discretion in casting the District's votes in the election of the special district representatives to LAFCO.

12. Adjournment.ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously, the meeting was adjourned at 7:20 p.m., the next regular meeting date and time being Thursday, April 17, 2014, at 5:00 p.m., to be held in the Offices of the East Orange County Water District, 185 N. McPherson Road, Orange, California.

Respectfully submitted,

Joan C. Arneson



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: PUBLIC HEARING – TRANSFER OF LOCAL SEWERS
DATE: MAY 15, 2014

BACKGROUND

On February 27, 2014, the Board approved the submittal of an application for District reorganization to the Orange County Local Agency Formation Commission (OCLAFCO) for two purposes: 1) the activation of latent sewer powers the District holds as a County Water District under the California Water Code and; 2) annexation of thirteen (13) parcels into EOCWD as part of the transfer of Sewer Area #7 from the Orange County Sanitation District to EOCWD.

On April 22nd, staff was notified by OCLAFCO Assistant Executive Officer Ken Lee that at the February 27th meeting, the Board should also have held a public hearing pursuant to Government Code Section 56824.12(c) prior to adopting the resolution of application. The public hearing process requires a notice of public hearing be published (in a newspaper of general circulation). Legal Counsel John Bakker quickly prepared a notice for this hearing; the notice was published in the Orange County Register on April 24th (attached).

Once the public hearing is conducted, the Board will need to re-approve submittal of the application (and supporting documents) to OCLAFCO. Also attached to this memorandum are all of the documents (including the Board briefing memo) from the February 27th meeting.

Assistant Executive Officer Lee indicated that while this action will restart the process, it will have no practical effect on the actual schedule (see attached OCLAFCO draft scheduled dated December 12, 2013), as staff has continued to work on background information and other application issues while awaiting this action. Please note that this schedule anticipated an application submittal date of January 22, 2014; the actual application was submitted on March 27, 2014, therefore completion dates should be adjusted by two months.

RECOMMENDATION

The Board conduct the public hearing and consider approval of the resolution for application for District reorganization to the Orange County Local Agency Formation Commission, including activation of latent sewer powers and annexation of thirteen (13) parcels into the District's service area.

AFFIDAVIT OF PUBLICATION

STATE OF CALIFORNIA,)
) ss.
County of Orange)

I am a citizen of the United States and a resident of the County aforesaid; I am over the age of eighteen years, and not a party to or interested in the above entitled matter. I am the principal clerk of **The Orange County Register**, a newspaper of general circulation, published in the city of Santa Ana, County of Orange, and which newspaper has been adjudged to be a newspaper of general circulation by the Superior Court of the County of Orange, State of California, under the date of November 19, 1905, Case No. A-21046, that the notice, of which the annexed is a true printed copy, has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to wit:

April 24, 2014

"I certify (or declare) under the penalty of perjury under the laws of the State of California that the foregoing is true and correct":

Executed at Santa Ana, Orange County, California, on

Date: April 24, 2014



Signature

**The Orange County Register
625 N. Grand Ave.
Santa Ana, CA 92701
(714) 796-2209**

PROOF OF PUBLICATION

NOTICE OF PUBLIC HEARING REGARDING RESOLUTION OF APPLICATION REQUESTING THE LOCAL AGENCY FORMATION COMMISSION INITIATE PROCEEDINGS FOR THE REORGANIZATION OF TERRITORY

NOTICE IS HEREBY GIVEN that the East Orange County Water District (EOCWD) will hold a public hearing on May 15, 2014 at 5:00 P.M., or as soon as possible thereafter, at the EOCWD offices at 185 N. McPherson Road, Orange, California, 92869, on the following item, at which time and place any and all persons interested may appear and be heard thereon. Written correspondence may be submitted to the attention of the Board of Directors, at the address below.

1. The EOCWD wishes to initiate proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Section 56000 of the California Government Code, for reorganization which would concurrently:

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

The proposal would result in EOCWD providing local sewer services in certain specified areas including portions of the City of Tustin, portions of the unincorporated communities of North Tustin, Cowan Heights, Lemon Heights, and Panorama Heights, and a very small portion of the City of Orange, where such services are currently provided by the Orange County Sanitation District.

If you have any questions or wish to submit written correspondence regarding this matter, contact the General Manager at 185 N. McPherson Road, Orange, CA 92869-3720; Phone: (714) 538-5815; Fax: (714) 538-0334.
Publish: The Orange County Register April 24, 2014 9881691

Estimated Timeline
(prepared 12/12/2013)
East Orange County Water District Reorganization

TASK	RESPONSIBLE PARTY	COMPLETION DATE
Submit LAFCO Application - District resolutions (EOCWD and OCSD) - Application and filing fees - Plan of Services - CEQA: timeline assumes a NOE; if ND or Mitigated ND used, timeline may be extended	Applicant	1/22/2013
Application Status Letter, AB 8 Letter and Preliminary Staff Report (PSR) issued	LAFCO	2/11/2014
EOCWD submits Map and Legal Description to LAFCO (includes review and approval by County Surveyor)	Applicant	Mid-March 2014
Assessor issues report to Auditor identifying TRAs and AV	Assessor	3/30/2014
Auditor issues report identifying amount of negotiable property tax	Auditor	Mid-May 2014
County adopts property tax resolution on behalf of both EOCWD and OCSD	County	6/17/2014
If application complete, EO issues Certificate of Filing and sets a hearing date	LAFCO	6/30/2014
Preparation of staff report, resolution	LAFCO	June 2014
Public hearing notice	LAFCO	June 6, 2014
LAFCO hearing	LAFCO	July 9, 2014
Request for reconsideration	LAFCO	July 10, 2014 – August 11, 2014
Period of protest (assumes 45-day protest period)	LAFCO	August 14, 2014 – September 29, 2014
Protest hearing date	LAFCO	September 29, 2014
Tabulate protest (if any)	LAFCO	September 29 – October 3, 2014
Recordation*	LAFCO	October 6, 2014

**Timeline can be delayed If: (1) a competing application is filed; (2) an interested party files a request for reconsideration (requiring a second LAFCO hearing date); (3) sufficient protest is filed to push the proposal to an election.*

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

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

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

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

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

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

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

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

and,

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

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

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

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

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

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

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

AYES:

NOES:

ABSTAIN:

ABSENT:

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

ATTEST:

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

AYES:

NOES:

ABSTAIN:

ABSENT:

1572.004 2242625.1

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

General Description and Justification of the Proposal

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

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

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

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

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

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

Service Providers, Sphere of Influence Designations, and Proposed Reorganization

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

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

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

Plan for Service

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

Changes or Organization and Sphere Of Influence Amendments

This application proposes the following actions:

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

Consideration of Alternatives

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

Resolution of Initiation

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

Map and Legal Description

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

Disclosure of Political Expenditures

The District has no related financial reports or disclosures.

Indemnification Agreement

The signed indemnification agreement is shown as Appendix 7.

LAFCO Fees

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

CERTIFICATION

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

Signature

Print Name

Title

Date

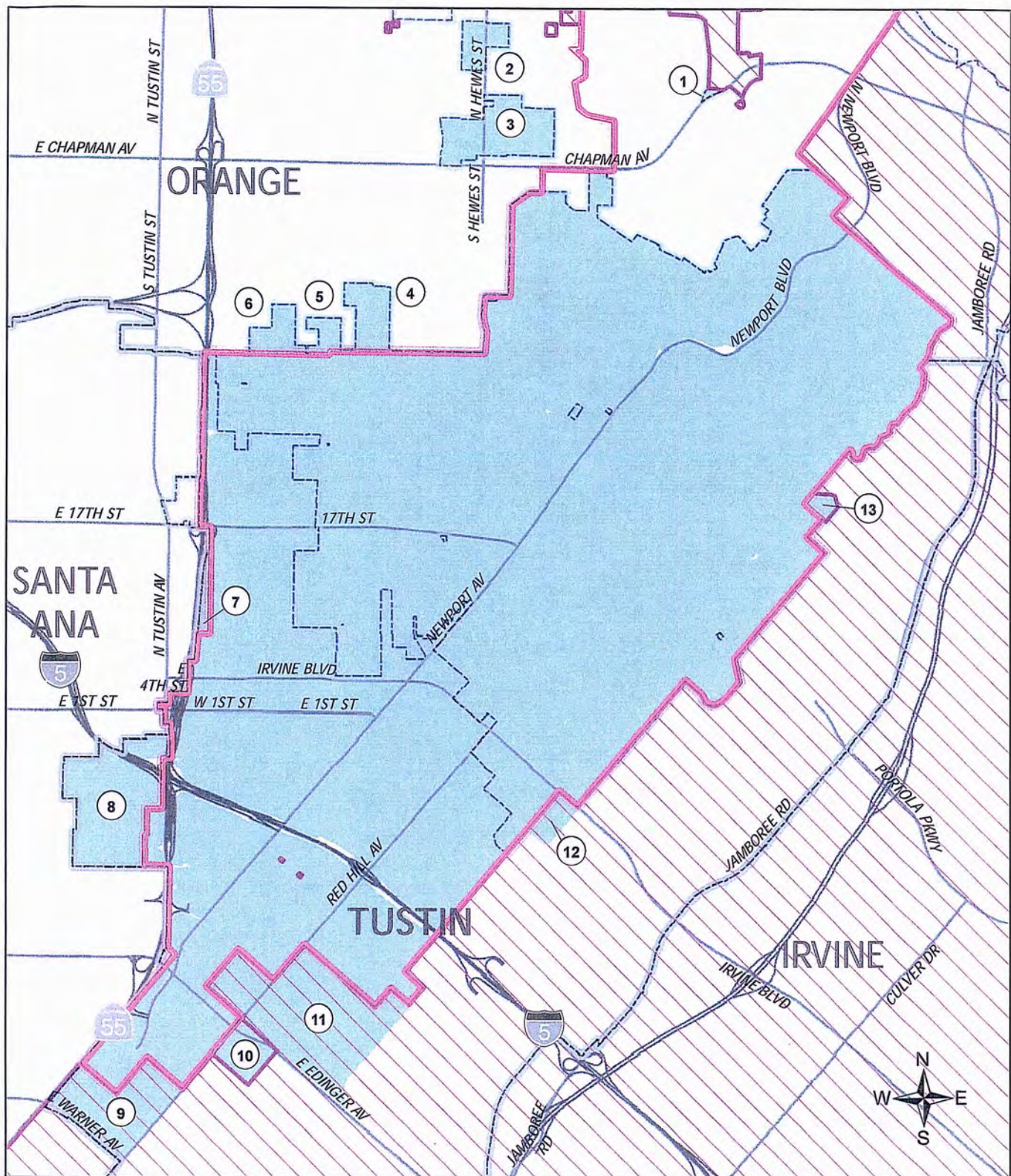
East Orange County Water District LAFCO Application

February 27, 2014

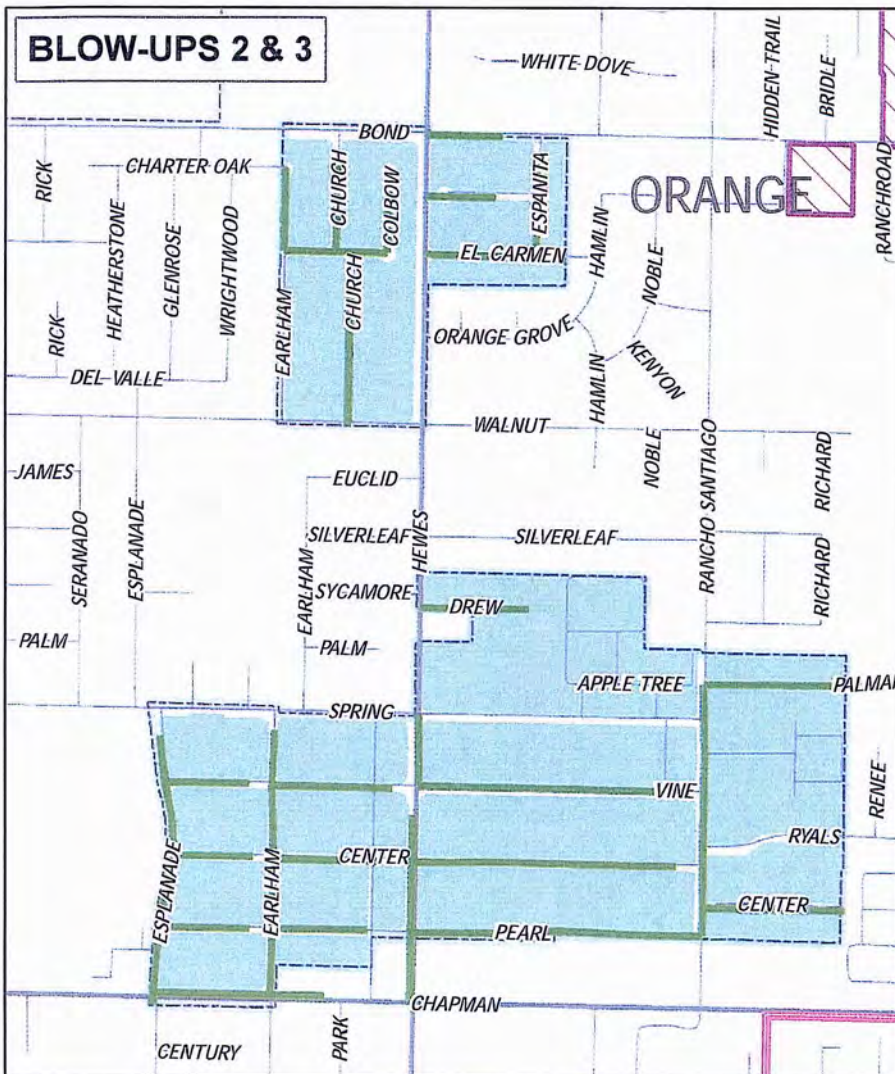
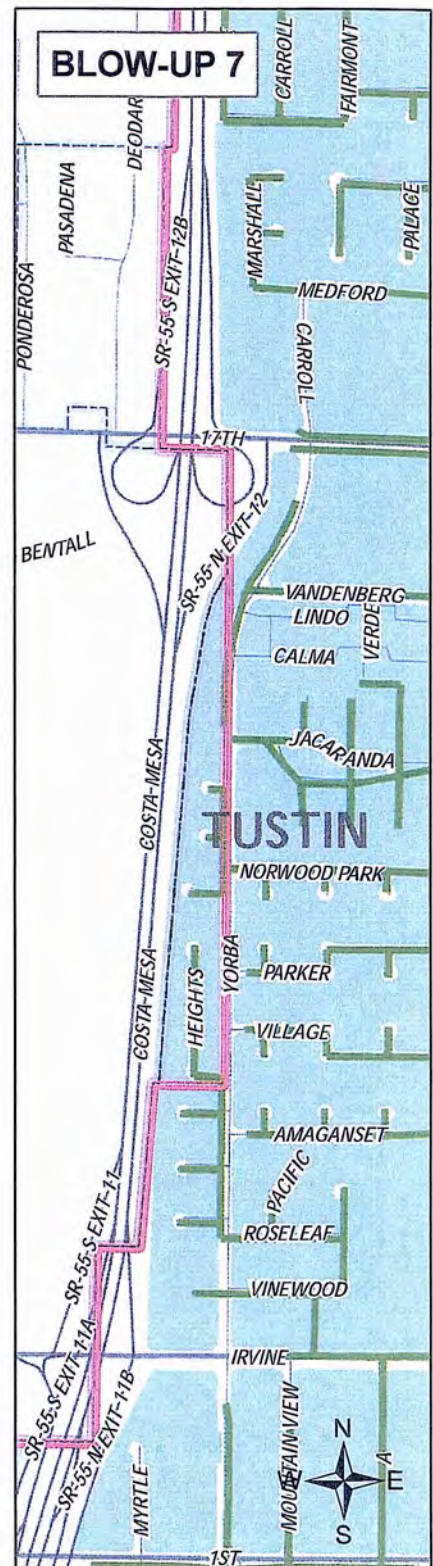
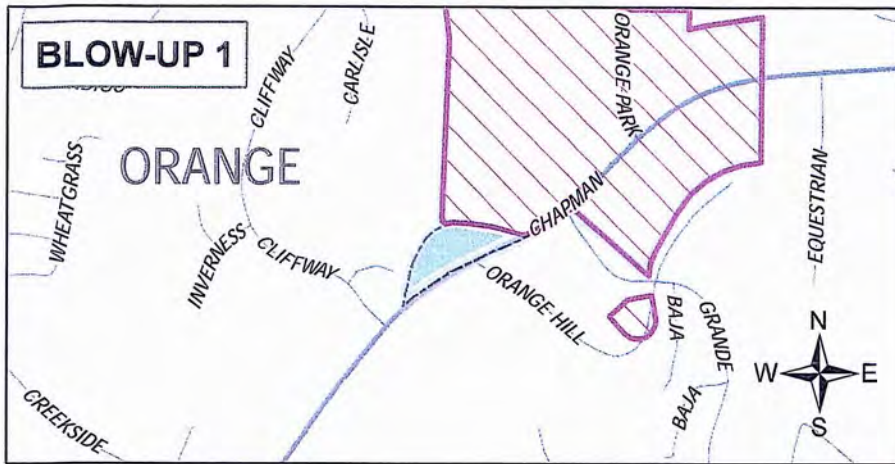
Attachments:

- Exhibit A Map of the Reorganization and proposed Sphere Amendments

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



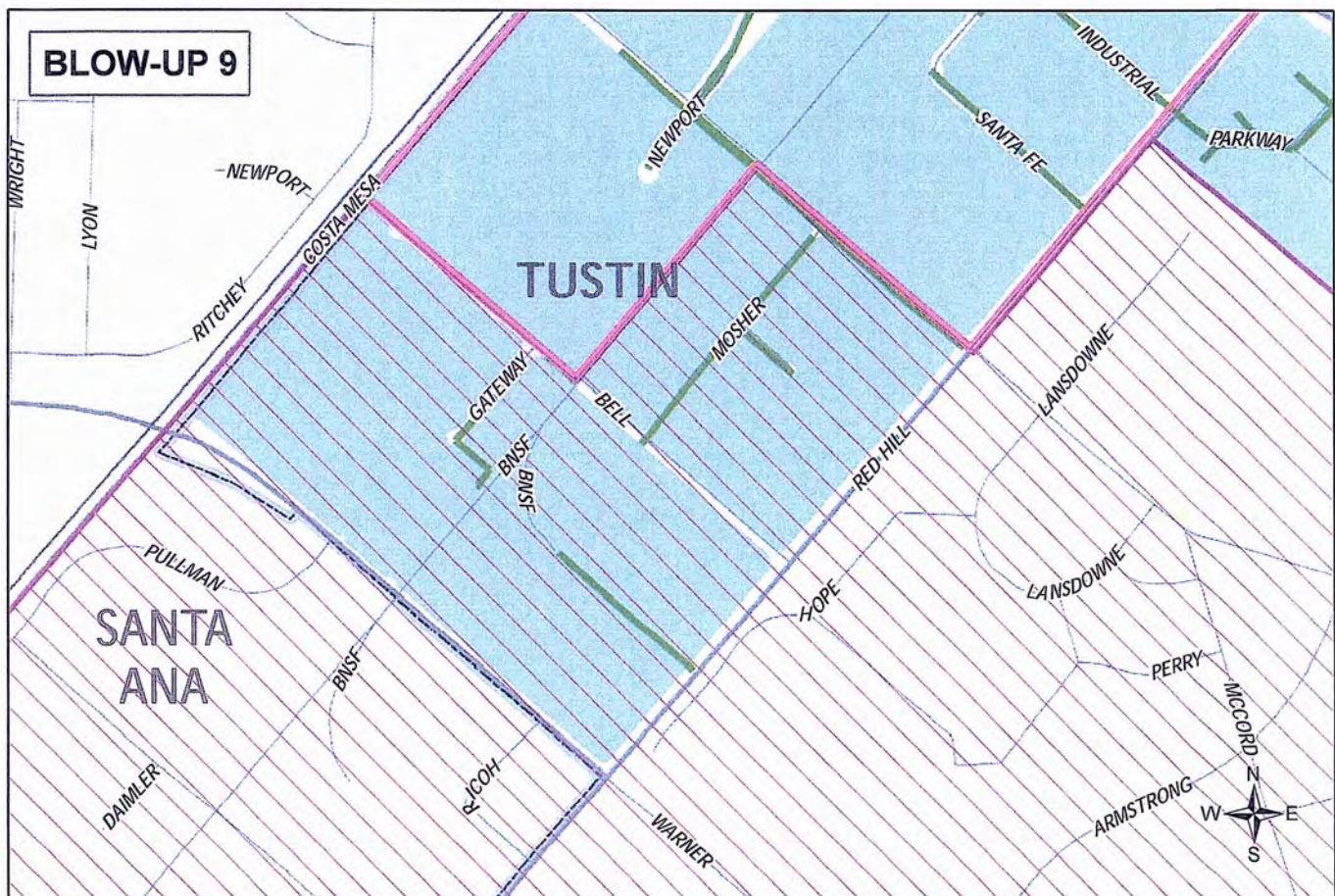
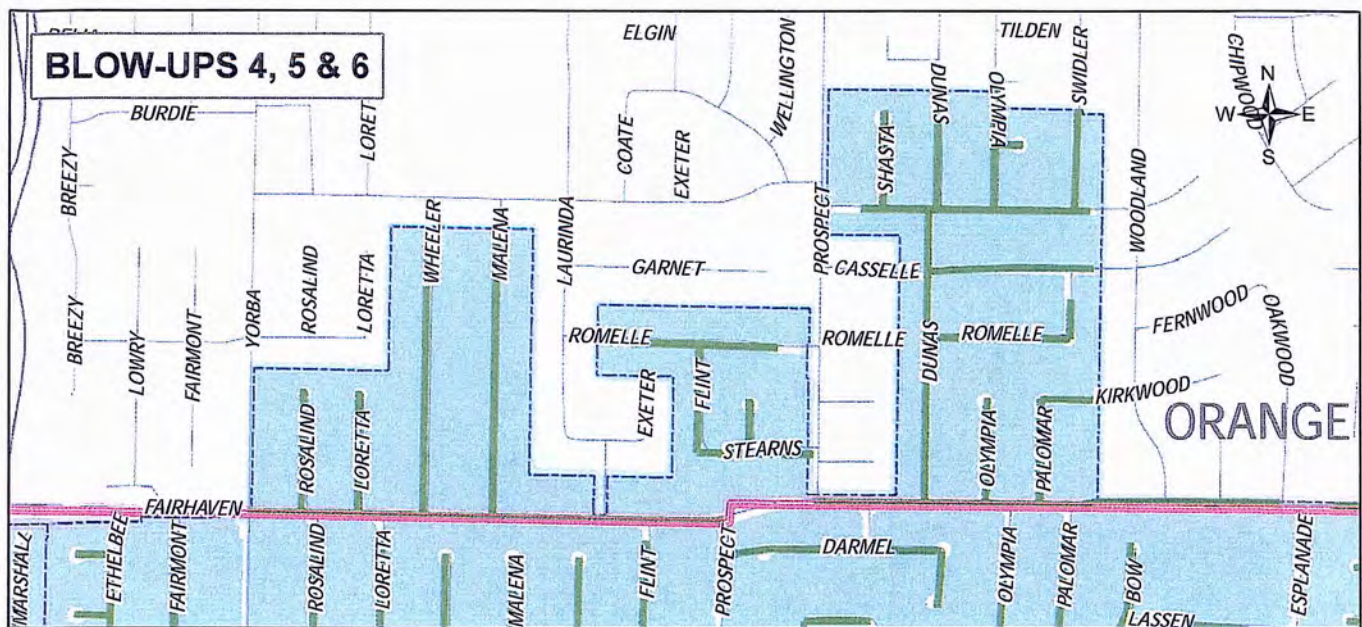
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BLOW-UP MAPS OCSD'S SERVICE AREA 7 SHEET 1

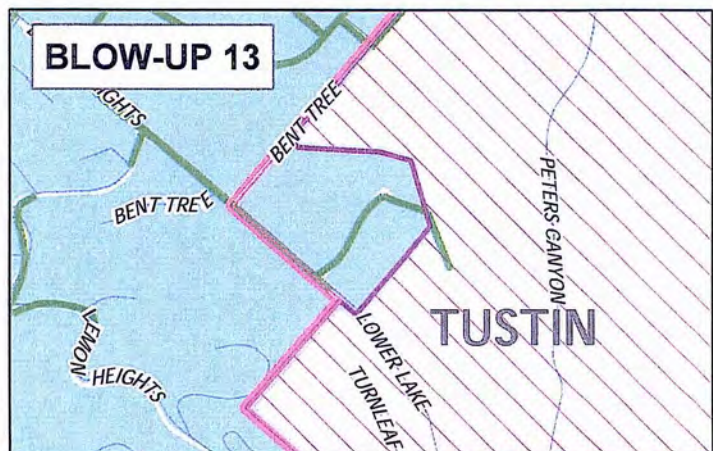
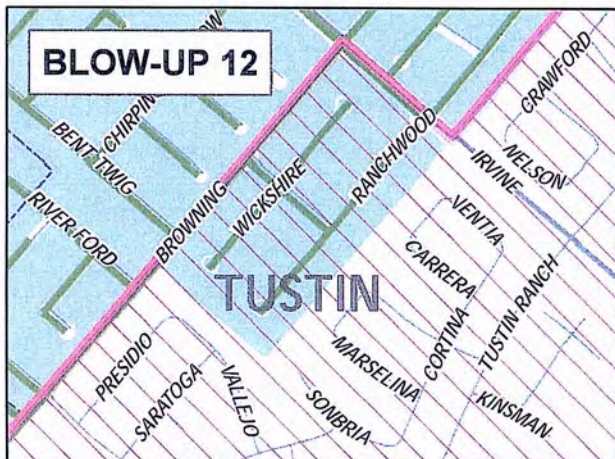
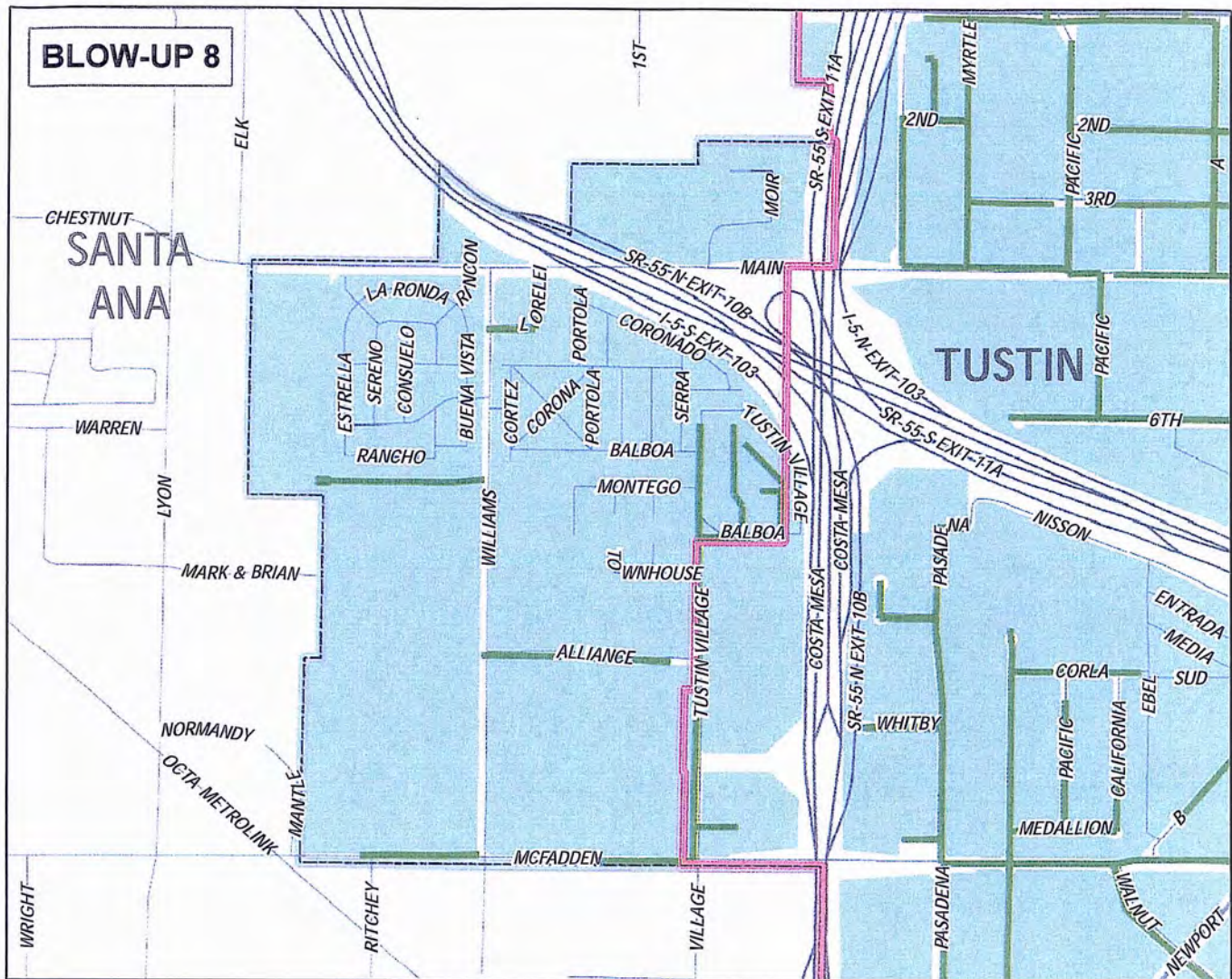
- EOCWD Service Boundary
- IRWD Service Boundary
- City Boundaries
- OCSD's Area 7 Service Boundary
- Local Sewers Proposed for Transfer



Created on: 11/18/2013

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

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

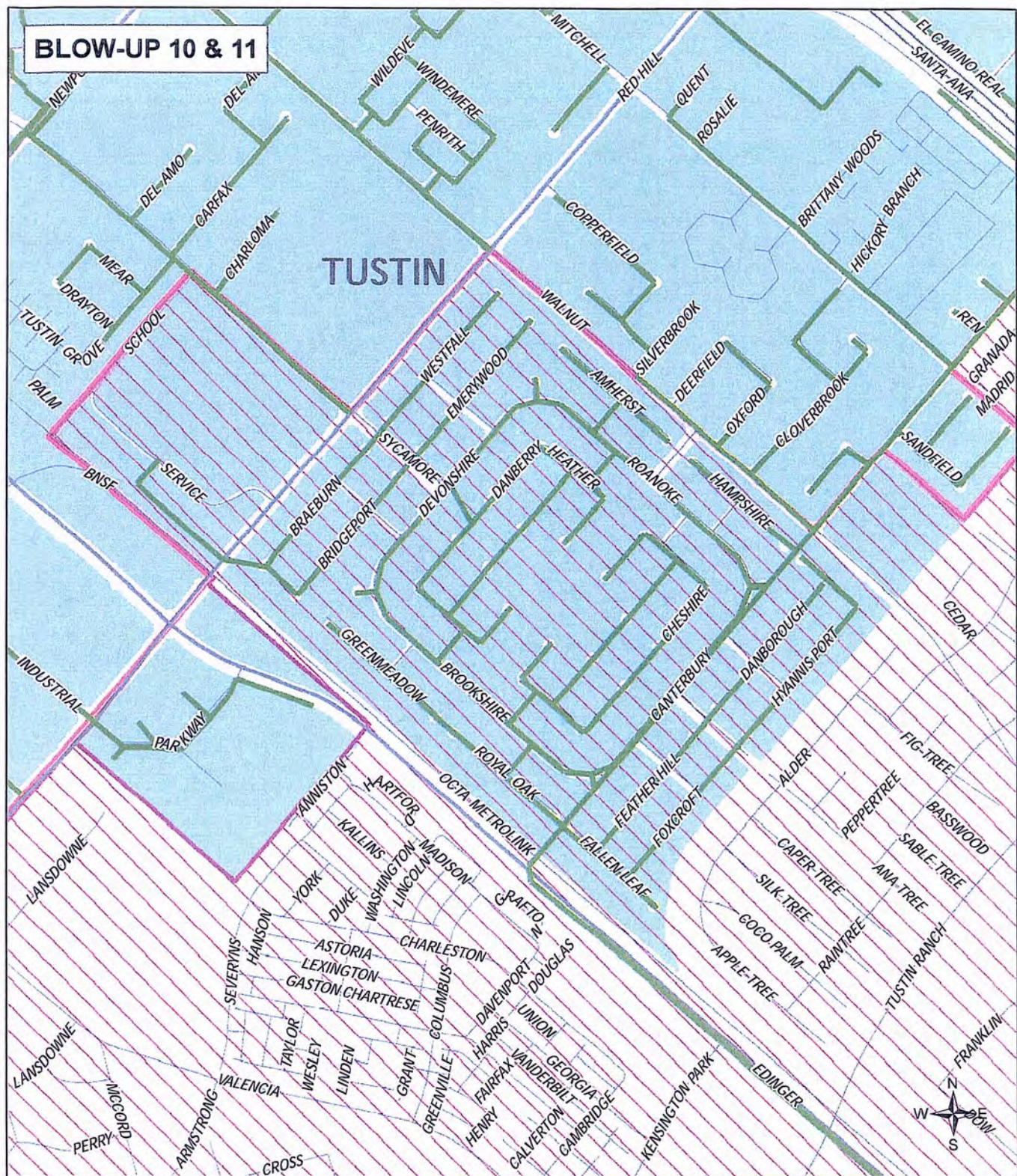


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BLOW-UP MAPS OCSD'S SERVICE AREA 7 SHEET 3

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

BLOW-UP 10 & 11



Created on: 11/18/2013

BLOW-UP MAPS OCSD'S SERVICE AREA 7 SHEET 4

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



PLAN FOR SERVICE

SEWER AREA #7

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

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1.0 District Background

HISTORY

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

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

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

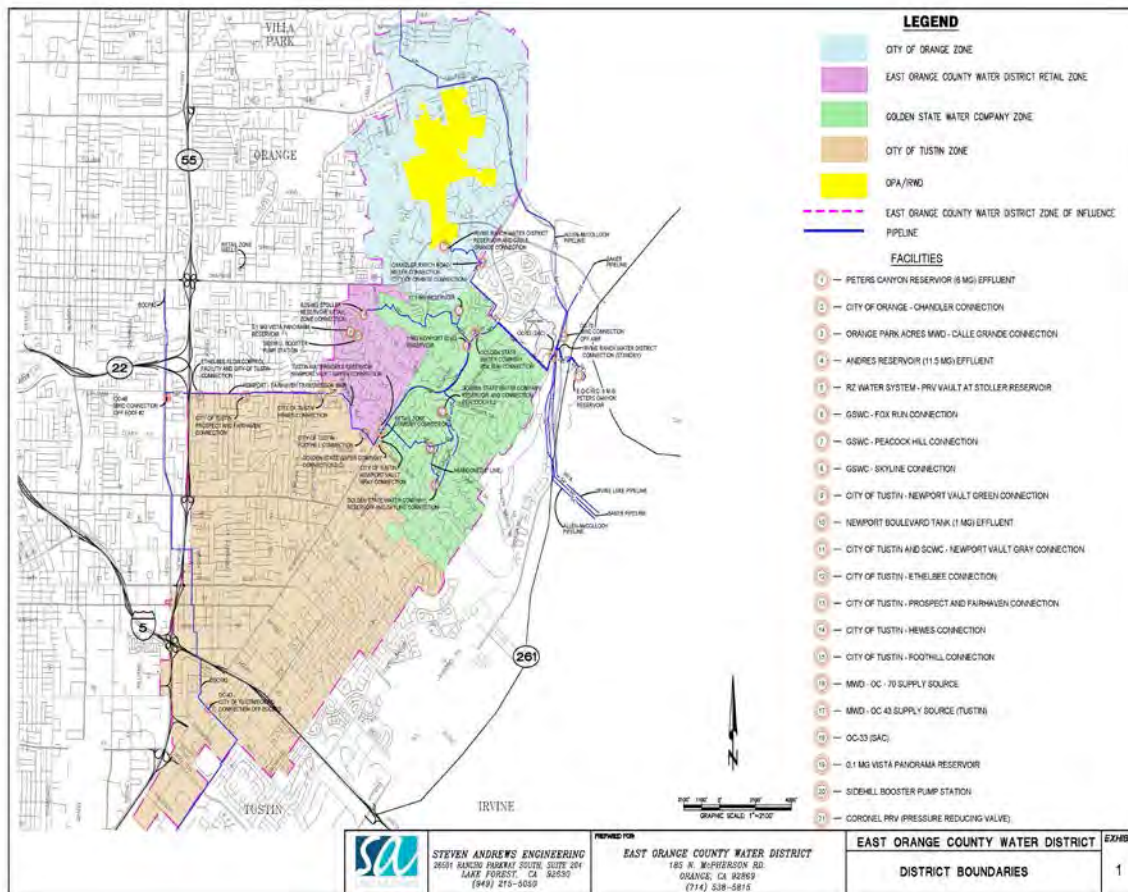
PROPOSED ACQUISITION OF LOCAL SEWERS

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

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

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



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

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

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

PLAN OF SERVICE

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

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

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

GOVERNANCE

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

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

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

STAFF

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

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

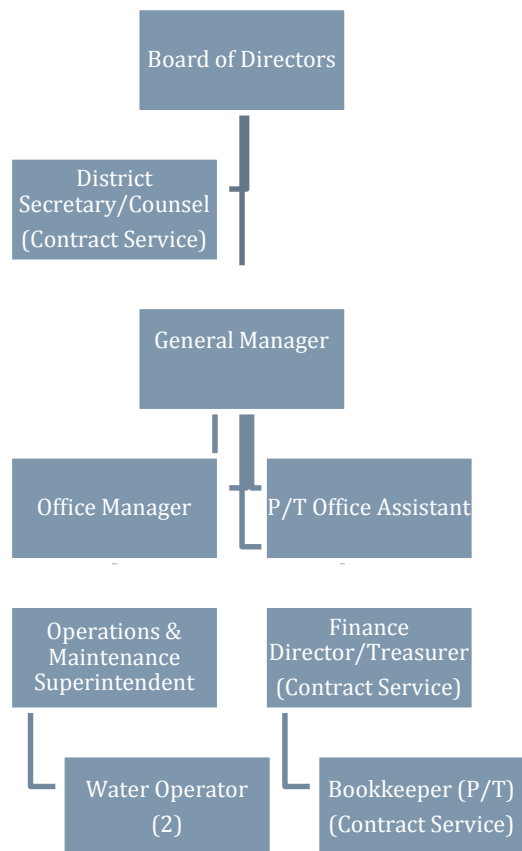
Other key positions are staffed via contract:

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

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Figure 2 depicts the current organizational chart.

FIGURE 2. CURRENT ORGANIZATIONAL CHART



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

WATER DISTRICT FACILITIES

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

Wholesale Zone

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

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Retail Zone

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

Sewer Area #7 facilities are summarized in Section 2.0.

CURRENT FINANCIAL STATUS

The District is operated in a fiscally prudent manner, consistently generating operating revenues in excess of operating expenses year over year; for FY 2012/13, the District's Change in Net Position was \$835,565², an increase of \$502,523 or 150% over FY 2011/12. It has been the District's objective that all revenue generated from District customers, inclusive of property taxes, support all District expenses including capital project funding; during periods when this has not been achieved, the District has used reserve funds (for one-time expenses) and/or increased user fees to provide sustaining financial resources.

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

The District's commitment to financial prudence is long-standing. The District has used long-term debt sparingly; currently it has no long-term debt. Additionally, the District has no "Other Post-Employment Benefits" (retirement medical benefits) and thus has no unfunded OPEB liabilities. The District also never increased its retirement benefit from the California Public Employees Retirement System (CalPERS) 2%@60 formula it offered since the District's inception; currently the District's Plan is Market Value³ funded at 82%, one of only 2% of California public agencies whose retirement plan is funded above 75%⁴.

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

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

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

⁴ CalPERS Facts At A Glance; pg 3. December 2013

2.0 Sewer Area #7 Background

HISTORY

The Orange County Sanitation District was formed in 1954 to provide regional wastewater collection, treatment and disposal⁵. OCSD's 471 square mile service area comprises all of north Orange County and they provide services for over 87 percent of the population of Orange County (2.5 million as of 2007). They operate and maintain 580 miles of trunk and local sewers and are the third largest wastewater discharger in the western United States.

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

In 2007, the OCSD Board of Directors adopted a Strategic Plan that recommended the transfer of local sewers to local agencies; this position was affirmed by OCLAFCO in their 2007 Municipal Service Review for OCSD with the specific mention of the transfer of Sewer Area #7.⁶ The transfer of these sewers is a priority to OCSD; the 2013 Strategic Plan anticipates the transfer of the Sewer Area #7 sewers by December 31, 2013.

SEWER AREA #7 STATISTICS AND CURRENT CONDITION

Sewer Area #7 is comprised of 174 miles of primarily 8" clay pipe⁷ and 3,586 manholes serving 18,000 parcels. The majority of the pipelines (118 miles) are within the unincorporated portion of Sewer Area #7, while 52 miles are within the City of Tustin and 4 miles are within the City of Orange. There are no pump stations or other mechanical appurtenances or facilities associated with Sewer Area #7. Between 2003 and 2009 the entire service area was CCTV'd and repairs were made as problems were discovered; there is no backlog of repairs needed, nor are there any

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

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

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

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major construction projects, planned developments or freeway projects that would cause any relocation or expansion of the system within the near future that staff was aware of⁸. The entire service area has been entered into GIS and a computerized maintenance management system tracks problems and repairs.

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

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

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

CURRENT OPERATIONS

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

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

⁸ Richard Brady & Associates, Assessment of OCSD Service Area #7

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

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

Additionally, OCSD also maintains small diameter pipeline cleaning/vacuuming equipment at their Fountain Valley site for their regional collection crew to respond to emergencies in Sewer Area #7, and to perform “Trouble Spot⁹” cleanings.

CURRENT ENGINEERING & CAPITAL IMPROVEMENT PROGRAM

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

2008 – 2013 FINANCIAL SUMMARY AND CUMMULATIVE RESERVES

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

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

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

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

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

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

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

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

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

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3.0 Transition Plan

GENERAL PLAN

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

TABLE 2. OCLAFCO PROJECTED TIMELINE FOR SEWER TRANSFER

TASK	RESPONSIBLE PARTY	COMPLETION DATE
Submit LAFCO Application - District resolutions (EOCWD and OCSD) - Application and filing fees - Plan of Services - CEQA: timeline assumes a NOE; if ND or Mitigated ND used, timeline may be extended	Applicant	1/22/2013
Application Status Letter, AB 8 Letter and Preliminary Staff Report (PSR) issued	LAFCO	2/11/2014
EOCWD submits Map and Legal Description to LAFCO (includes review and approval by County Surveyor)	Applicant	Mid-March 2014
Assessor issues report to Auditor identifying TRAs and AV	Assessor	3/30/2014
Auditor issues report identifying amount of negotiable property tax	Auditor	Mid-May 2014
County adopts property tax resolution on behalf of both EOCWD and OCSD	County	6/17/2014
If application complete, EO issues Certificate of Filing and sets a hearing date	LAFCO	6/30/2014
Preparation of staff report, resolution	LAFCO	June 2014
Public hearing notice	LAFCO	June 6, 2014
LAFCO hearing	LAFCO	July 9, 2014
Request for reconsideration	LAFCO	July 10, 2014 – August 11, 2014
Period of protest (assumes 45-day protest period)	LAFCO	August 14, 2014 – September 29, 2014
Protest hearing date	LAFCO	September 29, 2014
Tabulate protest (if any)	LAFCO	September 29 – October 3, 2014
Recordation*	LAFCO	October 6, 2014

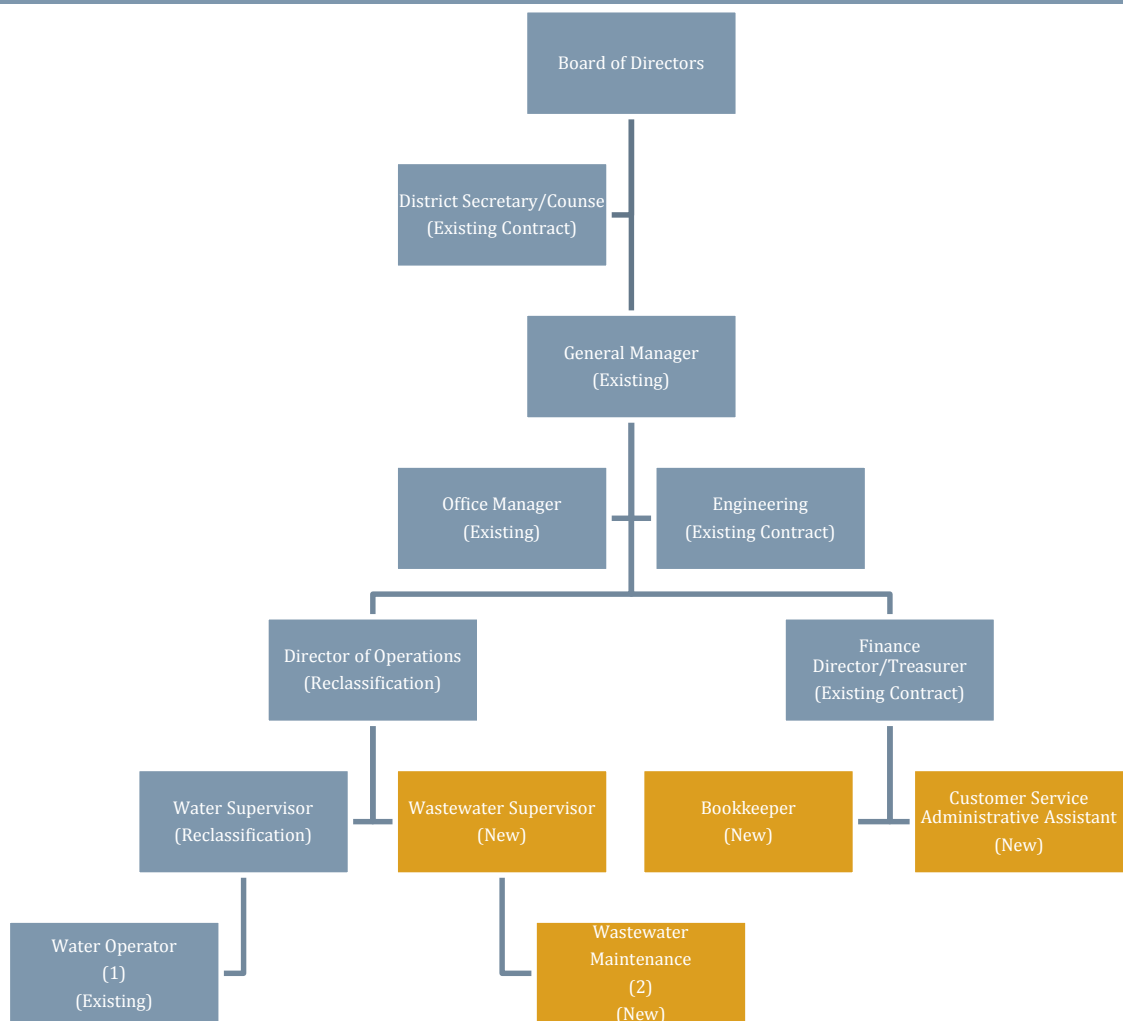
PLAN OF SERVICE

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

STAFFING AND TRAINING

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

FIGURE 3. PROPOSED ORGANIZATIONAL CHART



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

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

TABLE 3. PROPOSED HIRING SCHEDULE FOR F/T EMPLOYEES

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

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

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

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

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

FINANCIAL

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

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

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

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

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

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

REGULATORY

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

PLAN OF SERVICE

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

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

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

The required elements of the SSMP include:

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

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

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

¹⁰ The SSMP will be based upon the existing OCSD SSMP.

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

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SSMP AUDIT TEAM

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

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

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

DATA MANAGEMENT

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

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

4.0 Long-Term Operations

GENERAL PLAN

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

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

TRANSITION PERIOD ASSESSMENT AND STAFFING PLAN ANALYSIS

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

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

CONDUCT FINANCIAL AND RATE ASSESSMENT STUDY

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

CONDUCT SSMP AUDIT

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

PLAN OF SERVICE

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

UPDATE SEWER ASSESSMENT STUDY/CAPITAL IMPROVEMENT PROGRAM

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

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

DEVELOP 5-YEAR STRATEGIC PLAN

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

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

Exhibit A
to
Plan of Service
2013 EOCWD Audited
Financials



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



Our Mission Statement

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

East Orange County Water District

Board of Directors as of June 30, 2013

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

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

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

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

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Introductory Section



October 31, 2013

Board of Directors
East Orange County Water District
Orange, California

Introduction

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

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

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

District Background

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

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

Industry Outlook

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

Internal Control Structure

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

Budgetary Control

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

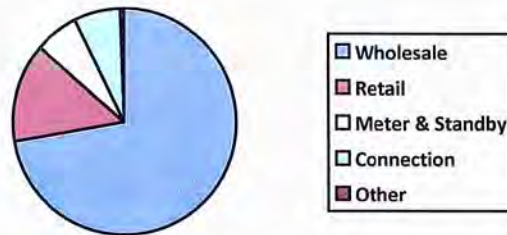
Financial Plan

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

Water Rates and District Revenues

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

District Operating Revenues



Investment Policy

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

Audit and Financial Reporting

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

Risk Management

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

Water Conservation Programs

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

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

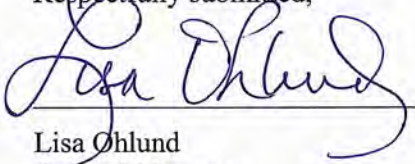
Transparency

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

Other References

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

Respectfully submitted,

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

Lisa Ohlund
General Manager

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Financial Section

Independent Auditor's Report

Board of Directors
East Orange County Water District
Orange, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Independent Auditor's Report, continued

Required Supplementary Information

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

Other Matters

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

Other Reporting Required by Government Auditing Standards

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

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

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

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

Financial Highlights

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

Required Financial Statements

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

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

Notes to the Basic Financial Statements

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

Financial Analysis of the District

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

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

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

Condensed Statement of Net Position

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

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

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

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

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

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

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

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

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

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

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

Capital Asset Administration

Changes in capital assets for 2013, were as follows:

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

Changes in capital assets for 2012, were as follows:

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

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

Capital Asset Administration, continued

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

Conditions Affecting Current Financial Position

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

Requests for Information

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

Basic Financial Statements

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

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

See accompanying notes to the basic financial statements

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

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

See accompanying notes to the basic financial statements

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

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

See accompanying notes to the basic financial statements

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

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

See accompanying notes to the basic financial statements

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

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

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

B. Basis of Accounting and Measurement Focus

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

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

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

C. Financial Reporting

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

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

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

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

D. Assets, Liabilities and Net Position, continued

1. Use of Estimates

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

2. Cash and Cash Equivalents

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

3. Investments and Investment Policy

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

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

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

4. Accounts Receivable

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

5. Property Taxes

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

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

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

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

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

D. Assets, Liabilities and Net Position

6. Prepaid Expenses

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

7. Water-In-Storage Inventory

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

8. Materials and Supplies Inventory

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

9. Capital Assets

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

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

10. Construction-in-Process

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

11. Compensated Absences

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

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

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

D. Assets, Liabilities and Net Position

12. Net Position

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

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

13. Water Sales – Wholesale and Retail

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

14. Capital Contributions

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

15. Budgetary Policies

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

E. Implementation of New Accounting Pronouncements

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

Governmental Accounting Standards Board Statement No. 63

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

Governmental Accounting Standards Board Statement No. 65

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

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

(2) Cash and Investments

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

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

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

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

Custodial Credit Risk

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

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

Investment in State Investment Pool

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

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

(2) Cash and Investments, continued

Interest Rate Risk

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

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

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

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

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

Credit Risk

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

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

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

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

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

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

(3) Note Receivable – Allen-McColloch Pipeline

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

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

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

MWDOC Certificates of Participation (COPs):

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

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

(4) Capital Assets

Changes in capital assets for 2013, were as follows:

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

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

(4) Capital Assets, continued

Changes in capital assets for 2012, were as follows:

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

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

Construction-In-Process

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

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

(5) Allen-McColloch Pipeline Lease

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

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

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

(6) Deferred Compensation Savings Plan

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

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

(7) Defined Benefit Pension Plan

Plan Description

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

Funding Policy

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

California Public Employees Pension Reform Act of 2013

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

Key components of the legislation are as follows:

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

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

(7) Defined Benefit Pension Plan, continued

Second-Tier – Beginning January 1, 2013

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

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

Three Year Funding Information

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

See Page 27 for the Schedule of Funding Status.

Actuarial Methods and Assumptions

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

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

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

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

(8) Risk Management

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

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

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

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

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

Governmental Accounting Standards Board Statement No. 68

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

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

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

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

Governmental Accounting Standards Board Statement No. 69

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

Governmental Accounting Standards Board Statement No. 70

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

(10) Commitments and Contingencies

Joint Facilities Agreement

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

Construction Contracts

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

Litigation

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

(11) Subsequent Events

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

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Required Supplementary Information

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

(1) Defined Benefit Pension Plan

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

Funding History

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

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

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

Supplemental Information

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

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

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

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

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

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

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

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

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Report on Compliance and Internal Controls

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

Board of Directors
East Orange County Water District
Orange, California

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

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

LOCAL SEWER FACILITIES TRANSFER AGREEMENT

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

RECITALS

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

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

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

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

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

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

AGREEMENT

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

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

2. Cooperation.

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

3. LAFCO Proposal.

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

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

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

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

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

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

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

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

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

f. *Local Sewer Service User Fee.*

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

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

4. Transfer of Local Sewer Facilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16. Indemnification.

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

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

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

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

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

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

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

[SIGNATURES ON FOLLOWING PAGE]

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

ORANGE COUNTY SANITATION DISTRICT

By _____
Troy Edgar,
Chairman of the Board

Date _____

ATTEST:

Maria Ayala
Clerk of the Board

APPROVED AS TO FORM:

Brad Hogin
General Counsel

EAST ORANGE COUNTY WATER DISTRICT

By _____
William VanderWerff
President of the Board of Directors

Date _____

ATTEST:

APPROVED AS TO FORM:

Joan Arneson
General Counsel

EXHIBIT "A"

SERVICE AREA 7

EXHIBIT "B"

QUITCLAIM DEED

Attachment 1 of Exhibit B

Attachment 2 of Exhibit

**LOCAL SEWER FACILITIES
TRANSITIONAL SERVICES AGREEMENT**

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

RECITALS

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

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

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

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

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

AGREEMENT

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

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

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

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

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

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

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

3. EOCWD's Specific Obligations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17. Indemnification.

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

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

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

[SIGNATURES ON FOLLOWING PAGE]

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

ORANGE COUNTY SANITATION DISTRICT

By _____
James D. Herberg,
General Manager

Date _____

ATTEST:

Maria Ayala
Clerk of the Board

APPROVED AS TO FORM:

Brad Hogin
General Counsel

EAST ORANGE COUNTY WATER DISTRICT

By _____
William VanderWerff
President of the Board of Directors

Date _____

ATTEST:

APPROVED AS TO FORM:

Joan Arneson
General Counsel

EXHIBIT "A"

FEE SCHEDULE

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

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

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

[On OCSD Letterhead]

[Date]

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

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

Dear Chair Wilson,

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

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

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

Very truly yours,

James D. Herberg, General Manager

cc: OC LAFCO Commissioners

NO FEE DOCUMENT
Government Code § 6103

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

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

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

QUITCLAIM DEED

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

No Warranty of Title or Condition

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

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

[Signatures on the following page.]

EAST ORANGE COUNTY WATER DISTRICT

By:_____

Printed Name: William VanderWerff

Title: President of the Board of Directors

Date: _____

EAST ORANGE COUNTY WATER DISTRICT

By:_____

Printed Name: Joan Arneson

Title: Secretary

Date: _____

ORANGE COUNTY SANITATION DISTRICT

By:_____

Printed Name: Troy Edgar

Title: Chair of the Board of Directors

Date: _____

ORANGE COUNTY SANITATION DISTRICT

By:_____

Printed Name: Maria Ayala

Title: Clerk of the Board

Date: _____

ATTACHMENT "1"

Description of Local Sewer Facilities

ATTACHMENT "2"

Visual Depiction of Local Sewer Facilities

EXHIBIT "A"

INDEMNIFICATION AGREEMENT

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

Executed at _____, California on __ day of _____, 2008.

APPLICANT

By: _____

Title: _____

Mailing Address: _____

REAL PARTY IN INTEREST (If different from Applicant)

By: _____

Title: _____

Mailing Address: _____

Original Adoption Date: 2/10/1999
Date of Last Review: 2/13/2013
Date of Last Revision: N/A



APPROVED
November 20, 2013

5 year strategic plan

NOVEMBER 2013

ORANGE COUNTY SANITATION DISTRICT

ORANGE COUNTY SANITATION DISTRICT

five year strategic plan

NOVEMBER 2013





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board of directors

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

Anaheim
Lucille Kring

Brea
Brett Murdock

Buena Park
Fred Smith

Costa Mesa Sanitary District
James M. Ferryman

Cypress
Prakash Narain

Fountain Valley
Steve Nagel

Fullerton
Gregory Sebourn

Garden Grove
Steve Jones

Huntington Beach
Joe Shaw

Irvine
Steven Choi

Irvine Ranch Water District
John Withers

La Habra
Tom Beamish

La Palma
Peter Kim

Los Alamitos
Troy Edgar
(Board Chair)

Midway City Sanitary District
Tyler Diep

Newport Beach
Keith Curry

Orange
Teresa Smith

**Orange County
Board of Supervisors**
Janet Nguyen

Placentia
Scott Nelson

Santa Ana
David Benavides

Seal Beach
Michael Levitt

Stanton
David Shawver

Tustin
John Nielsen

Villa Park
Brad Reese

Yorba Linda
John Anderson
(Vice Chair)

message from the general manager



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

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

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

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

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

Respectfully submitted,

A handwritten signature in dark ink that reads "James Herberg". The signature is fluid and cursive, with the first name "James" being more prominent.

James D. Herberg, General Manager

executive summary

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

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

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

Strategic Goals:

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

executive summary

Modifications to Levels of Service:

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



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

strategic planning framework

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



our mission statement

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

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



vision statement

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

ORANGE COUNTY SANITATION DISTRICT WILL BE A LEADER IN:

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

core values

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

Honesty, Trust and Respect

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

Teamwork and Problem Solving

We strive to reach OCSD goals through cooperative efforts and collaboration with each other and our constituencies.

We work to solve problems in a creative, cost-effective and safe manner, and we acknowledge team and individual efforts.

Leadership and Commitment

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

Learning/Teaching

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

Recognition/Rewards

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

risk register 2013

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

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

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

The top opportunities for the 2013 update are:

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

The major underrated continuity challenges include:

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

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

strategic goals and levels of service

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

Providing Exceptional Customer Service

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

Levels of Service to support Customer Service:

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

Protecting Public Health

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



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

strategic goals and levels of service

Levels of Service in support of Protecting Public Health:

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

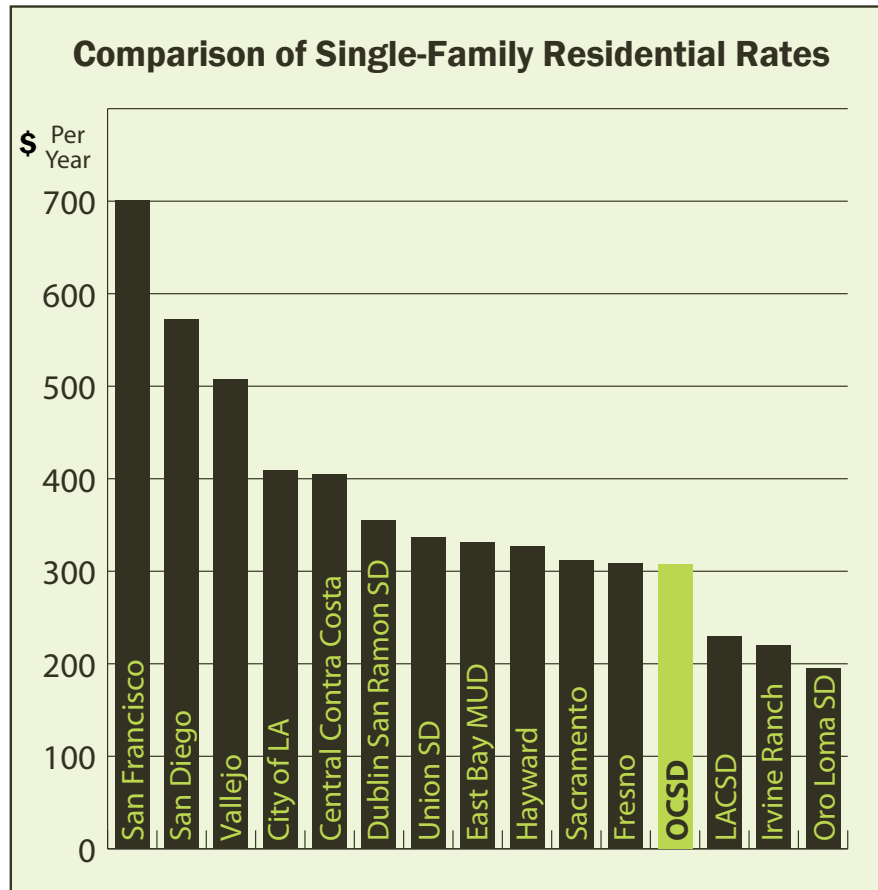
Managing and Protecting the Public's funds

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

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

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

strategic goals and levels of service



Stakeholder Understanding and Support

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

Levels of Service to support Stakeholder Understanding and Support:

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

strategic goals and levels of service

Organizational Effectiveness

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

Levels of Service to support Organizational Effectiveness:

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



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

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

appendix A: issue papers

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

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



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

odor control

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

Why is this issue important to the District?

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

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

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

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

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

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

Goals

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

Desired Outcome

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



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

future biosolids management options

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

Why is this issue important to the District?

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

Although there is an option to renew the Synagro contract, staff recommends studying biosolids management options to ensure that OCSD obtains the most cost effective and efficient process for its future biosolids management. Studying the current market for available biosolids management options prior to selecting a new management option or renewing the contract would ensure that OCSD has the necessary information to implement the best strategy, as well as providing OCSD staff with the knowledge on how to improve the purchasing process or develop a capital project. Due to the large costs involved in biosolids management contracts, staff seeks to develop the fairest process with the most beneficial outcome.

The 2003 Long-Range Biosolids Management Plan resulted in guidelines for the diversification of biosolids products, contractors, and markets to create a sustainable biosolids program. The updated biosolids policy (2013 Board Resolution No. OCSD 2013-03) commits OCSD to a diverse portfolio of biosolids options and to recycle biosolids, among other requirements. A study of current and available biosolids recycling options will assist OCSD in selecting the right option to ensure conformance with the biosolids policy regarding diversity of management options and other criteria.

Ahead of the selection of the next biosolids management option, staff recommends studying mid-term (4-10 years) and long-term (10+ years) strategies for biosolids management available after 2016-17 when the Synagro contract expires, IRWD stops sending solids to OCSD, and centrifuges come online thereby reducing our biosolids production by one-third. The study of biosolids management options will include off-site and on-site facilities, new and established technologies, and biosolids markets, as well as ensuring onsite strategies are aligned with any new recommendations and research.

Goals

- Study available biosolids management options and costs relevant and applicable to OCSD's daily biosolids production;
- Verify available biosolids management options align with new capital facilities and meet established levels of service;
- Identify practical and reasonable biosolids management options considering OCSD's Biosolids Policy and relevant research information;
- Develop a mechanism to allow for short-term demonstrations of viable biosolids management options;
- Develop a strategy to select a management contractor or capital project for biosolids management options in the mid-term and long-term timeframe.

Desired Outcome

- OCSD will have a clear mid-term and long-term strategy for biosolids management options (beginning after fiscal year 2016-2017) when the existing composting contract expires, centrifuges begin operation, and daily biosolids production is reduced by one-third. Consider on-site options.
- Maintain a sustainable biosolids management program in accordance to OCSD's Biosolids Policy that includes diversification of products, markets, and contractors.



OCSD takes pride in our strict oversight of our Biosolids contractors. Biosolids Inspector, Leyla Perez, interviewing South Kern Compost Manufacturing Facility staff during regular inspection. About one-third of our biosolids are turned to compost here.

energy efficiency

Should OCSD continue to expand the creation and utilization of renewable energy in wastewater management?

Why is this issue important to the District?

OCSD and its contractors are a significant consumer of energy. Energy is procured in the forms of electricity, natural gas, diesel fuel and gasoline. In addition, the organic sludge recovered in the wastewater treatment process is an energy rich resource which OCSD has been converting into electricity and heat for many years.

OCSD seeks to minimize its overall energy usage and maximize the conversion of sludge to energy. Minimizing energy usage is designed into every project constructed by the OCSD. Capital dollars are expended when a lifecycle payback is calculated for energy efficiency. Variable speed pumping systems, ultra efficient electrical motors, and efficient aeration systems for our Activated Sludge Plants are examples of component selection for long term energy efficiency. Energy utilization is a significant factor in process technology selection when unit processes are added or replaced. Examples of this include using Trickling Filters rather than Activated Sludge Plants, and creative designs to replace collection system pump stations with gravity lines. Transportation fuels are also optimized by selection of advanced technology options. OCSD is investing in biosolids dewatering technology to reduce diesel costs and emissions for hauling biosolids.

OCSD is also a leader in the conversion of organic sludge to energy. OCSD has operated anaerobic digestion which uses bacteria to convert sludge to methane gas. The methane has been used to fire boilers and generators. The reduction of sludge volume and the use of heat to pasteurize the sludge creates a useful fertilizer product with lower volume and corresponding diesel fuel input to haul the product to farms.

Goals

- Complete the fuel cell research evaluation and make a recommendation to the Board of Directors.
- Continue to design energy efficiency into every project.
- Search for new research opportunities to improve conversion of organic sludge to energy.
- Search for new research opportunities to optimize processes energy and to minimize hauling energy.

Desired Outcome

- Reaffirm the OCSD commitment to leadership in energy efficiency and energy conversion from organic sludge to electricity, gas, and useful heat.

disinfection of OCSD's ocean discharge

Should OCSD stop the disinfection of effluent?

Why is this issue important to the District?

During the summer of 1999, stretches of Orange County beaches were closed due to elevated levels of fecal indicator bacteria. In response, Orange County Sanitation District (OCSD) and numerous other organizations conducted extensive studies to determine the source(s) of this contamination. The outcome of these studies recognized several potential sources, including birds, Talbert Marsh and the Santa Ana River discharge, and groundwater contamination. A trunk line near the coast and the effluent plume discharging from the OCSD's 5 mile outfall were also investigated, but were not found to be contributing sources of bacterial contamination. However, in an effort to be proactive and insure protection of public health, in 2002 OCSD began disinfection of its final effluent using chlorine at both treatment plants as a temporary measure to eliminate any uncertainty.

In 2006, OCSD observed degradation of marine life near the ocean outfall. Staff conducted 10 individual studies targeting potential causes for these observed effects. Results showed that the OCSD's use of chlorine for ocean outfall disinfection was highly correlated with the observed effects and is therefore the likely cause of the decline in biological communities near the outfall.

In addition, staff performed a historical analysis using the most recent 14-years of bacterial data from beaches monitored by OCSD in order to assess if public health protection improved since the initiation of OCSD's disinfection of its ocean discharge. The results from this assessment showed that disinfection of OCSD wastewater at an average annual cost of \$4.18 million dollars over the 14 year period had no measurable public health benefit. Regardless of disinfection, bacteria concentrations did not change significantly, either temporally or spatially, at Orange County beaches.

A 2008 review of OCSD's disinfection practices by a 9 member independent panel of experts organized by the National Water Research Institute produced a recommendation to re-evaluate the need for disinfection once full-secondary treatment was achieved. With full secondary treatment now in place, these studies indicate no public health benefit has been gained; there are negative impacts to the biological community near OCSD's ocean outfall and going forward disinfection costs OCSD's rate payers approximately \$500,000 annually.

Goal

- Cessation of disinfection of OCSD's effluent.

Desired Outcome

- Requirement to disinfect long outfall removed from our ocean discharge permit.
- Full recovery of marine life around the ocean outfall.

local sewer transfers

Should the Sanitation District continue its efforts to transfer local sewers to member cities and sewerage agencies?

Why is this issue important to the District?

The Strategic Plan of November 2007 recommended transferring back to cities local assets that are not serving a true regional purpose. Successor Strategic Plans reaffirmed this initiative. This allows OCSD to focus staff's full attention on the medium and larger diameter regional sewer pipes and pumping facilities that we own and operate, i.e., our core business.

Background

Since 1984, we have successfully transferred 61 miles of our sewers and 2 pumping facilities to member cities and sewerage agencies. Most recently we transferred 3 miles of local sewers to the City of Anaheim. We anticipate completing the transfer of an additional 174 miles of local sewers serving parts of Tustin and unincorporated areas north of Tustin by December 31, 2013.

OCSD Resolution No. 11-11 provides the criteria for classifying a local facility as compared to a regional facility. Regional facilities transport combined flows from two or more jurisdictions. Local facilities are directly connected to the properties they serve and allow the local utility to assess and collect local fees for service including reserves for future replacement. Local facilities also transport flows within the boundaries of the city or sewerage agency to the point of connection at the downstream OCSD regional sewer.

Discussions are underway with staff in Newport Beach, Huntington Beach, Santa Ana, Orange and Costa Mesa Sanitary District to transfer about 72 miles of sewers and 6 pumping facilities serving only local purposes.

All cities and sewerage agencies must establish appropriate local fees for services as mandated by state regulations. The GM's FY 13/14 Proposed Work Plan recommends that we seek the Board's input on whether to continue to pursue transfers of local sewers and pumping facilities to local sewer agencies.

Desired Outcome

- Gain Board support for the current direction as is or,
- Seek Board input and support for desired changes in the current Resolution or program.

legislative advocacy and public outreach

Should OCSD expand its legislative advocacy and public outreach efforts?

Why is this issue important to the District?

As a special district, we owe it to our ratepayers to keep them apprised of our efforts to accomplish our mission of protecting public health and the environment. A mandated Proposition 218 notice is among the only points of communication that we have with our customers. It is far more effective for OCSD to reach out to the communities we serve throughout the year to describe our cost-management efforts, our budget process, audits, findings, and capital improvement projects.

As the largest regional wastewater utility in Orange County, and the third largest west of the Mississippi River, OCSD recognizes the need for an active state and federal legislative advocacy program to ensure that the interests of the ratepayers and board of directors are protected. Towards that end, staff monitors activities in Sacramento and Washington, D.C., and, with the assistance of our legislative advocates, takes appropriate action to support or oppose legislative initiatives.

A unified legislative advocacy and public outreach program is essential in delivering our messages and positioning the District as a leader in our field.

Goals

- Establish a special committee of the Board of Directors to oversee and guide development of the legislative and public outreach program.
- Develop a legislative advocacy strategic plan to set priorities for state and federal elected official outreach.
- Track bills and legislative activities.
- Identify and pursue grant funding opportunities.
- Analyze and lobby on behalf of proposed legislation that may impact the District.
- Carry out public outreach and legislative advocacy activities in support of the policy guidance contained in the strategic plan.
- Promote What 2 Flush outreach program that educates the public about the importance of infrastructure investment and supports the District's mission to protect the public's health and the environment.

Desired Outcome

- Position OCSD as a leader in innovative solutions to infrastructure issues.
- Secure additional funding for OCSD programs.
- Educate the public about OCSD's purpose, mission, and the services we provide.

future water recycling options

Should OCSD study the possibility of expanding water recycling to Treatment Plant No. 2 in Huntington Beach?

Why is this issue important to the District?

Water demands are forecasted to increase in north and central Orange County, emphasizing the importance of water recycling to boost local water resources and reduce dependence on imported water. Estimated water demands in the OCSD and Orange County Water District service area are projected to increase from approximately 480,000 acre-feet per year up to 558,000 acre-feet per year in 2035 (OCWD, “Long Term Facilities Plan”, 2009). Presently, about one-third of the area’s water demands are supplied with imported water. To bolster local supplies, OCSD and OCWD have jointly sponsored renowned water recycling projects such as the Groundwater Replenishment System and the Green Acres Project. Yet, about half of OCSD’s treated wastewater is lost to ocean disposal. Treated wastewater from OCSD’s Plant No. 2 could be used as source water for water recycling, via groundwater recharge, a purple pipe irrigation system, and/or wetlands restoration. This Project will help OCSD, along with its partner OCWD, determine if Plant No. 2 effluent could be used as feedwater to support expansion of the Groundwater Replenishment System or for a new reclamation facility. More water recycling will help serve Orange County’s escalating water demands, maximizing local water independence, enhancing supply reliability, restoring and protecting wetlands, and shielding against droughts.

Goals

- Develop alternative treatment and utilization alternatives for Plant No. 2 effluent including potential technologies and partnerships;
- Create an evaluation methodology to weigh the benefits, costs, and risks of each alternative;
- Compare alternatives and make recommendations for the best apparent project(s) and partner(s) to be implemented.

Desired Outcome

- OCSD will begin to plan for the highest and best utilization of effluent water at Treatment Plant No. 2.

workforce planning and workforce development

Should OCSD advance the workforce planning and workforce development initiative as a means to ensure workforce capabilities match the work required to meet the mission and levels of service?

Why is this issue important to the District?

OCSD continues to face staffing challenges. Since March 2010 to date, 110 employees have left OCSD taking 1,985 years of knowledge and experience with them. Based on retirement eligibility today, analysis of OCSD core wastewater occupations and management positions indicates potential job replacement rates of over 38% and 57%, respectively. Robust technical skills training and leadership development efforts are in place to deal with the challenges. It is essential that OCSD continues to act on preparing for future staffing needs and ensuring access to qualified applicants while developing the existing workforce.

The workforce planning and workforce development (WFPD) programs position organizations for improved performance by ensuring that workforce capabilities match the work required to meet their mission and levels of service. To that end, it is important to have a diverse, competitive group competing for a position instead of simply hiring the next person in line based on time on the job. This Initiative will continue to help OCSD get the right people with the right skills in the right positions at the right time.

Ongoing efforts aimed at District-wide WFPD activities are necessary to ensure the ongoing delivery of efficient and effective levels of service to meet our mission. Workforce planning reinforces authorized staffing levels while addressing future needs and changing work requirements. Workforce development strengthens the workforce by preparing employees for future opportunities and focusing efforts on growth of technical skills to ensure staff is well-trained.

It is important that WFPD remains an OCSD Strategic Plan Goal for the Board of Directors to emphasize to District management that this issue requires organization-wide attention and resource allocation.

Goals

- Develop and implement workforce plans that ensure critical work is performed, identify new ways to perform work, and meet future workforce needs.
- Enhance OCSD's ability to recruit highly qualified, diverse staff.
- Develop employees to meet workforce demands.
- Actively manage employee performance to ensure OCSD goals are met.
- Create an environment that encourages retention of employees.

Desired Outcome

- Integrate WFPD efforts to ensure workforce capabilities match work required to meet the mission and levels of service.

appendix B summary of accomplishments

Goal	Completed						
	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14
SARI Line Relocation - Work in conjunction with the County of Orange and the Federal Government to relocate the SARI Line by December 31, 2013.							●
Management System for Environmental Compliance - Implement a management control system for environmental compliance information that incorporates a dashboard-style report.	●						
Contaminants of Potential Concern (CPC) - Complete three phase testing and analysis of 550+ CPC, prepare report on findings and recommendations, develop initial source control strategy if they are CPCs identified that require control.	●						
Climate Change/Greenhouse Gases							
Develop an overall strategy for responding to climate change regulations and proactively adapting to the effects of climate change including identification and mitigation of greenhouse gases and adapting to any impacts to our facilities and operations.		●					
Develop models to estimate greenhouse gas and traditional pollutant emissions for determination of our environmental footprint. (Functional predictive greenhouse gas model completed)				●			
Engine Emission Compliance							
Complete study to evaluate alternatives for complying with lower emission limits in the South Coast Air Quality Management's Rule 1110.2. Initiate planning and design of demonstration testing of most promising technology(s) identified in the study.	●						
Implement capital improvements or operational modifications in order to achieve compliance..							●
Providing Ongoing Leadership Development - Maximize the development of a pool of dedicated and talented employees ready to lead OCSD into the future.				●			

summary of accomplishments

Goal	Completed						
	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14
Fuel Cell Evaluation							
Start up 300kW demonstration unit. .				●			
Evaluate cost feasibility of replacing or supplementing CGS engines with fuel cell.							●
Reclaiming Santa Ana River Interceptor Line (SARI) Flows - Meet with stakeholders, develop a list of obstacles that need to be overcome to reclaim the SARI Line and develop a strategy to obtain regulatory approval to reclaim SARI Line flows. This goal was canceled due to inability to obtain regulatory approval.		●					
Sewer Rate for Green Development - Submit for Board approval an amendment to sewer rate ordinance with incentives for green developments.	●						
Complete Facilities Master Plan Update - Complete a comprehensive update of the Facilities Master Plan and obtain Board approval	●						
Enterprise Information Technology Strategic Plan - Complete a District-wide Information Technology Strategic Plan.			●				
Updating OCSD's Risk Register - Review and update OCSD's risk register to include an assessment of technical, regulatory, financial, and political risks (among others) and possible mitigation strategies	●						
Annex Unincorporated Areas - With Board concurrence, annex unincorporated areas onto OCSD's service area.	●						
Review Interagency Agreements - Conduct a comprehensive review of agreements with the Santa Ana Watershed Project Authority and Irvine Ranch Water District, and, if appropriate, reopen for discussion.			●				
Strategic Business Plan - With Board concurrence, annually update and implement the Strategic Plan and Business Plan.				●			

summary of accomplishments

Goal	Completed						
	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14
Business Accountability Charters – Create Business Accountability Charters for each department consistent with those developed by managers and supervisors.				●			
Chemical Supplies – Develop a Chemical Sustainability Plan that provides OCSD with options for obtaining wastewater treatment chemicals during chemical shortages, emergencies or complete stoppages.				●			
Chemical Sustainability - Ensure a reliable and sustainable chemical supply using multiple vendor contracts to reduce the risk of supply disruption while benefiting from competitive pricing.						●	
Full-Cost Recovery 2010-11 - Conduct a comprehensive review of the Sanitation District's Urban Runoff Program to ensure a fair share recovery of costs for services.				●			
Full-Cost Recovery 2012-13 - Implement a direct charging mechanism to recover the full cost of urban runoff treatment starting July 1, 2013 when the new rate structure is in place. This goal was canceled in FY 12-13 to allow additional urban runoff at no cost to the local jurisdiction.						●	
Groundwater Replenishment System - Maximize the production of GWR System product water to augment and protect the Orange County groundwater basin with a goal of 70 mgd.		●					
Sustainable Biosolids Program							
Complete new in-county Compost Take-Back Program Plan Strategy.	●						
Evaluate the feasibility of deep injection/methane recovery including commissioning a study of the geological formations below Plants 1 and 2, and availability and acceptability of any existing wells		●					
Evaluate option of processing some biosolids at the City of Los Angeles Terminal Island demonstration well.		●					
Implement Energy Master Plan – After the completion of the plan, assess final recommendations to ensure adequate power resources and energy management.			●				

summary of accomplishments

Goal	Completed						
	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14
Disinfection of Final Effluent - Develop a cost effective program to sustain protection of public health associated with bacteria in the effluent and incorporate program elements into our NPDES Permit.				●			
Ocean Protection – Undertake studies to determine the cause of benthic community changes near the ocean outfall and take corrective action to return affected areas to reference conditions.					●		
Space Planning Study Recommendations – Complete relocation of staff housed in Information Technology Trailers, Administration Building, Control Center and Building 6.	●						
Improve the Sanitation District Security - Provide long-term security enhancements at both treatment plants and within OCSD's Collection System.	●						
Safety and Health Strategic Plan – Develop and implement a Safety and Health Strategic Plan for all OCSD activities.		●					
Human Resources Strategic Plan - Design, develop and implement human resources policies, practices, systems and tools to ensure OCSD has a workforce that meets future needs of OCSD and the public it serves.		●					
Succession Plan - Implement the Succession Management Plan including management training and the creation of a Leadership Academy.		●					
North County Yard – Open the North County Maintenance Yard and complete the relocation of selected staff and equipment to the facility. Implement flex space for added agency-wide needs as appropriate. This goal was canceled in FY 10-11 and the facility is currently being leased.				●			
Five-Year Rate Plan – Prepare an updated 5-year rate schedule for Board consideration to go into effect July 1, 2013						●	
Sustainable Biosolids Program - Conduct research to reduce the amount of biosolids produced and increase digester gas production						●	

appendix C: glossary

Activated-sludge process—A secondary biological wastewater treatment process where bacteria reproduce at a high rate with the introduction of excess air or oxygen, and consume dissolved nutrients in the wastewater.

Biochemical Oxygen Demand (BOD)—The amount of oxygen used when organic matter undergoes decomposition by microorganisms. Testing for BOD is done to assess the amount of organic matter in water.

Biosolids—Biosolids are nutrient rich organic and highly treated solid materials produced by the wastewater treatment process. This high-quality product can be recycled as a soil amendment on farm land or further processed as an earth-like product for commercial and home gardens to improve and maintain fertile soil and stimulate plant growth.

Business Accountability Charters—A business unit strategic plan.

Capital Improvement Program (CIP)—Projects for repair, rehabilitation, and replacement of assets. Also includes treatment improvements, additional capacity, and projects for the support facilities.

Coliform bacteria—A group of bacteria found in the intestines of humans and other animals, but also occasionally found elsewhere used as indicators of sewage pollution. E. coli are the most common bacteria in wastewater.

Collections system—In wastewater, it is the system of typically underground pipes that receive and convey sanitary wastewater or storm water.

Certificate of Participation (COP)—A type of financing where an investor purchases a share of the lease revenues of a program rather than the bond being secured by those revenues.

Contaminants of Potential Concern (CPC)—Pharmaceuticals, hormones, and other organic wastewater contaminants.

Dashboard—A computer based business tool used to visually track performance.

Dilution to Threshold (D/T)— the dilution at which the majority of the people detect the odor becomes the D/T for that air sample.

1,4-Dioxane—A chemical used in solvents for manufacturing, fumigants and automotive coolant. Like NDMA, it occurs in the Groundwater Replenishment System water and is eliminated with hydrogen peroxide and additional ultra-violet treatment.

Greenhouse gases—In the order of relative abundance water vapor, carbon dioxide, methane, nitrous oxide, and ozone gases that are considered the cause of global warming (“greenhouse effect”).

Groundwater Replenishment (GWR) System—A joint water reclamation project that proactively responds to Southern California’s current and future water needs. This joint project between the Orange County Water District and the Orange County Sanitation District will provide 70 million gallons a day of drinking quality water to replenish the local groundwater supply.

Levels of Service (LOS)—Goals to support environmental and public expectations for performance.

Million gallons per day (mgd)—A measure of flow used in the water industry.

Most Probable Number (MPN)—Number of organisms per 100 ml that would yield a test result or the observed test result with the greatest frequency. Commonly used for coliform bacteria.

NDMA—N-Nitrosodimethylamine is an N-nitrosoamine suspected cancer-causing agent. It has been found in the Groundwater Replenishment System process and is eliminated using hydrogen peroxide with extra ultra-violet treatment.

appendix C: glossary

National Biosolids Partnership (NBP)—An alliance of the National Association of Clean Water Agencies (NACWA) and Water Environment Federation (WEF), with advisory support from the U.S. Environmental Protection Agency (EPA). NBP is committed to developing and advancing environmentally sound and sustainable biosolids management practices that go beyond regulatory compliance and promote public participation in order to enhance the credibility of local agency biosolids programs and improved communications that lead to public acceptance.

O&M—Operations and maintenance of the treatment plants facilities and collections system.

Publicly-owned Treatment Works (POTW)—Municipal wastewater treatment plant.

Recycling—The conversion of solid and liquid waste into usable materials or energy.

Risk Register—An internal document that describes vulnerabilities of the Sanitation District.

Santa Ana River Interceptor (SARI) Line—A regional brine line designed to convey 30 million gallons per day (MGD) of non-reclaimable wastewater from the upper Santa Ana River basin to the ocean for disposal, after treatment.

Sanitary sewer—Separate sewer systems specifically for the carrying of domestic and industrial wastewater. Combined sewers carry both wastewater and urban run-off.

South Coast Air Quality Management District (SCAQMD)—Regional regulatory agency that develops plans and regulations designed to achieve public health standards by reducing emissions from business and industry.

Secondary treatment—Biological wastewater treatment, particularly the activated-sludge process, where bacteria and other microorganisms consume dissolved nutrients in wastewater.

Sludge—Untreated solid material created by the treatment of wastewater.

Total suspended solids (TSS)—The amount of solids floating and in suspension in wastewater.

Trickling filter—A biological secondary treatment process in which bacteria and other microorganisms, growing as slime on the surface of rocks or plastic media, consume nutrients in wastewater as it trickles over them.

Urban runoff—Water from city streets and domestic properties that carry pollutants into the storm drains, rivers, lakes, and oceans.

Wastewater—Any water that enters the sanitary sewer.

Watershed—A land area from which water drains to a particular water body. OCSD's service area is in the Santa Ana River Watershed.



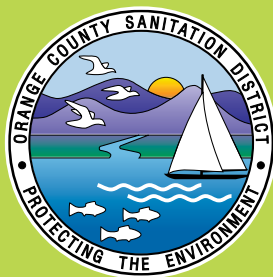
**Strategic Planning
Project Team**

Jennifer Cabral
Principal Staff Analyst

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Graphics Coordinator

Thank you to the entire
management team, staff analysts,
and support staff for your time
and effort on this project.



Reclamation Plant No. 1 (Administration Offices)
10844 Ellis Avenue • Fountain Valley, California 92708 • 714.962.2411

Treatment Plant No. 2
22212 Brookhurst Street • Huntington Beach, California 92646

www.ocsewers.com



Accomplishments

Local Sewer Transfers Completed as of 9-24-13:

<u>Date</u>	<u>City/Agency</u>	<u>Linear Miles</u>	<u>Pump Stations</u>
April 1984	City of Santa Ana	0.25	
July 2003	Irvine Ranch Water District (IBC)	44.0	
July 2003	IRWD—McGaw Pump Station		1
July 2003	IRWD—Michelson Pump Station		1
December 2010	Costa Mesa Sanitary District	3.0	
July 2010	Irvine Ranch Water District	0.1	
August 2010	Tract 3709 near La Mirada	0.8	
September 2010	City of Orange (Phase I)	4.4	
December 2010	City of Anaheim (Euclid)	0.5	
October 2011	CMSD/32 nd Ag (OC Fairgrounds)	5.1	
June 2012	City of Newport Beach (Back Bay)	0.28	
November 2012	City of Huntington Beach (Newland)	0.02	
June 2013	City of Anaheim	<u>3.02</u>	<u>2</u>
Total		61.47	

NJA note:

Local cities and agencies establish local fees consistent with the ir studies and requirements of the state's WDR Order for Sewers issued statewide in 2006.

If needed:

Completing the transfer of the local sewers serving parts of Tustin and adjacent unincorporated areas is expected to be completed by December 31, 2013.



MEMO

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

BACKGROUND

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

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

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

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

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

2

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

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

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

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

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

RECOMMENDATION

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

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

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

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

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

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

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

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

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

and,

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

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

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

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

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

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

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

AYES:

NOES:

ABSTAIN:

ABSENT:

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

ATTEST:

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

AYES:

NOES:

ABSTAIN:

ABSENT:

1572.004 2242625.1

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

General Description and Justification of the Proposal

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

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

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

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

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

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

Service Providers, Sphere of Influence Designations, and Proposed Reorganization

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

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

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

Plan for Service

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

Changes or Organization and Sphere Of Influence Amendments

This application proposes the following actions:

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

Consideration of Alternatives

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

Resolution of Initiation

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

Map and Legal Description

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

Disclosure of Political Expenditures

The District has no related financial reports or disclosures.

Indemnification Agreement

The signed indemnification agreement is shown as Appendix 7.

LAFCO Fees

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

CERTIFICATION

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

Signature

Print Name

Title

Date

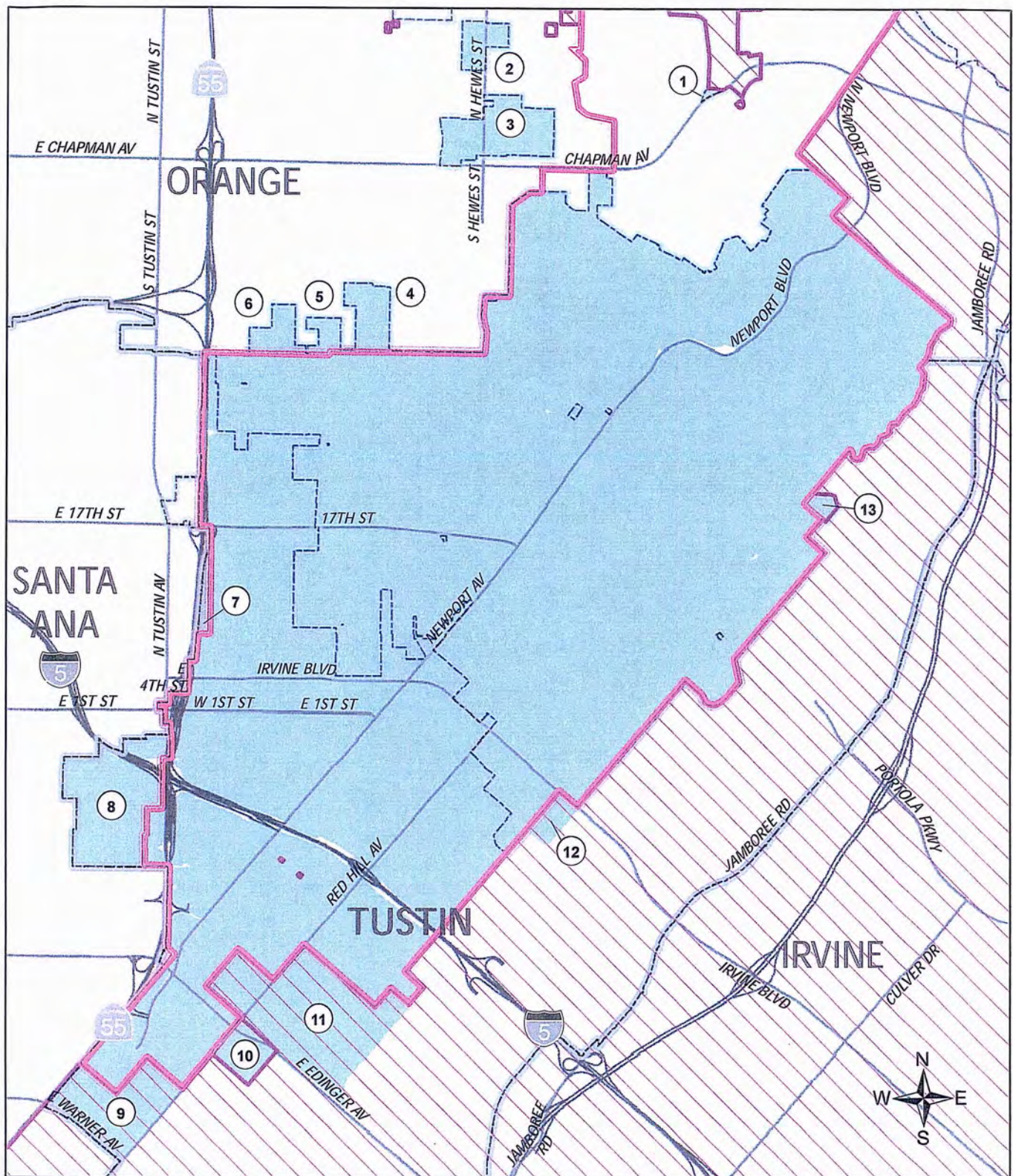
East Orange County Water District LAFCO Application

February 27, 2014

Attachments:

- Exhibit A Map of the Reorganization and proposed Sphere Amendments

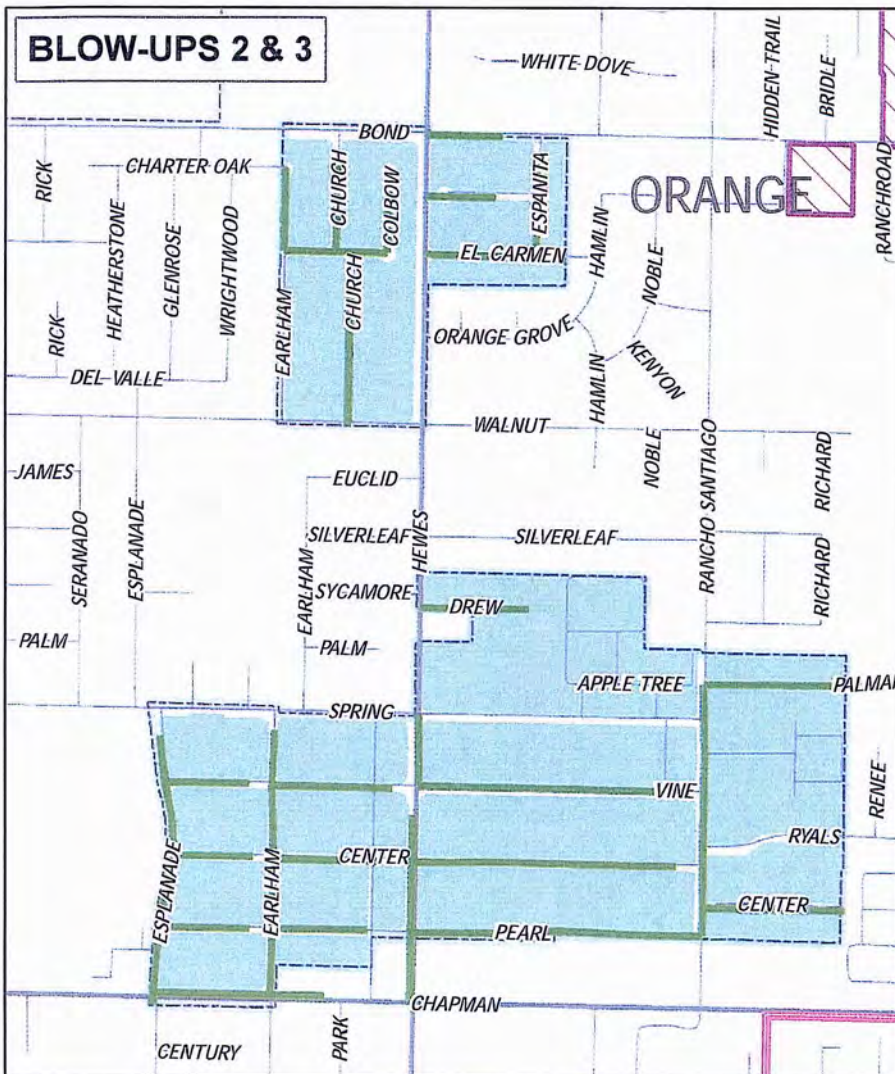
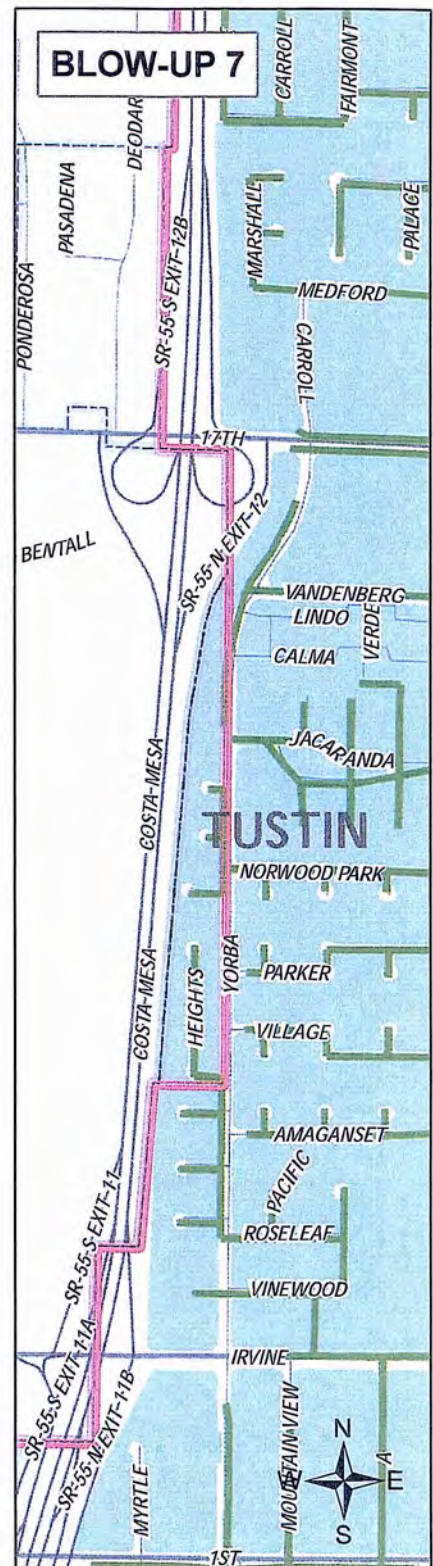
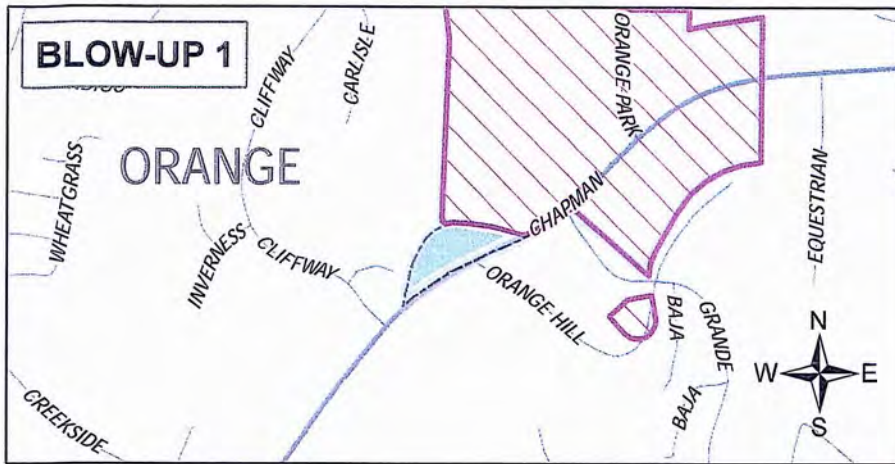
- Appendix 1 East Orange County Water District Initiating Resolution
- Appendix 2 East Orange County Water District Plan of Service
- Appendix 3 Local Sewer Facilities Transfer Agreement
- Appendix 4 Local Sewer Service Transitional Services Agreement
- Appendix 5 OCSD Letter of Support
- Appendix 6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



BOUNDARY MAP OCSD'S SERVICE AREA 7

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

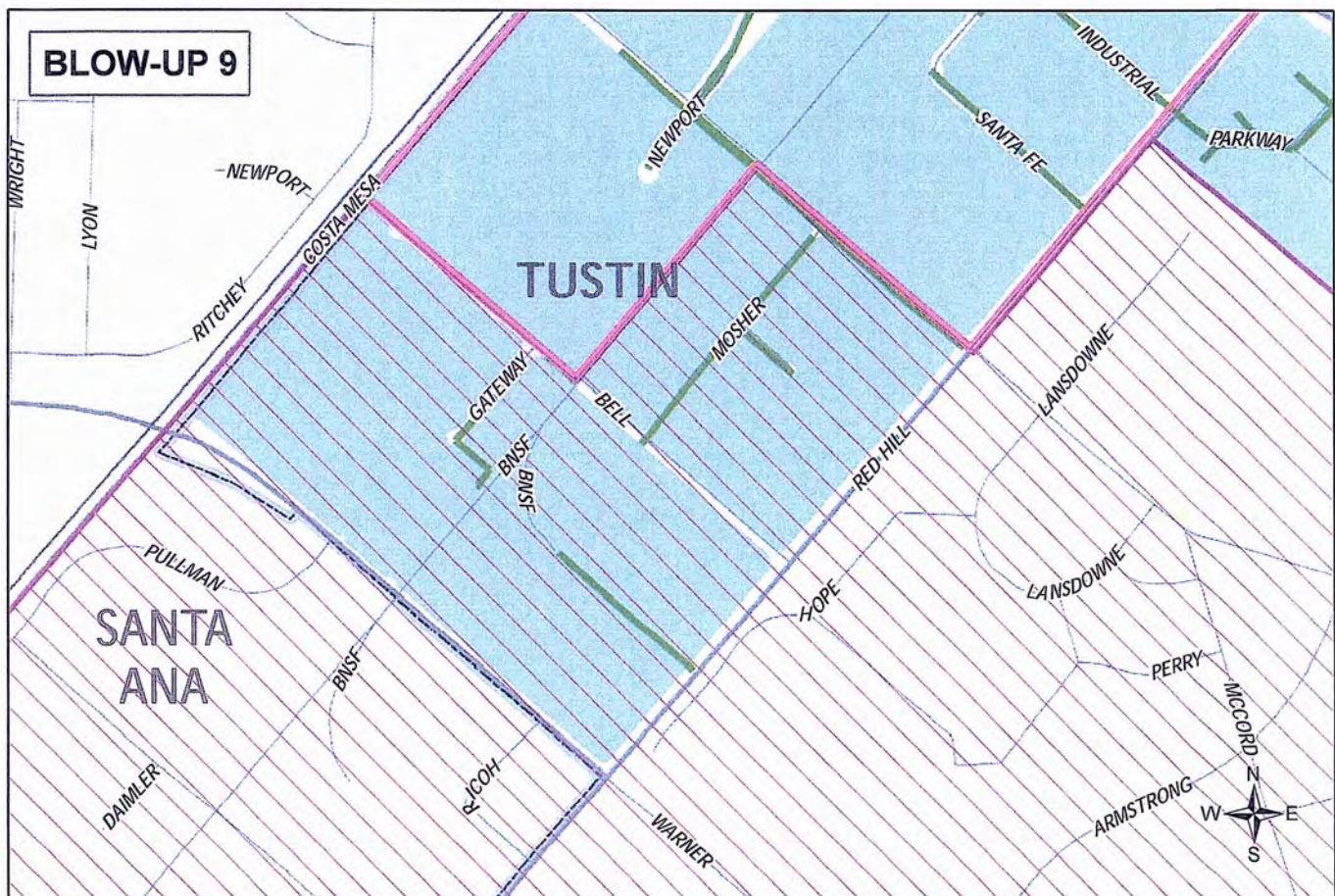
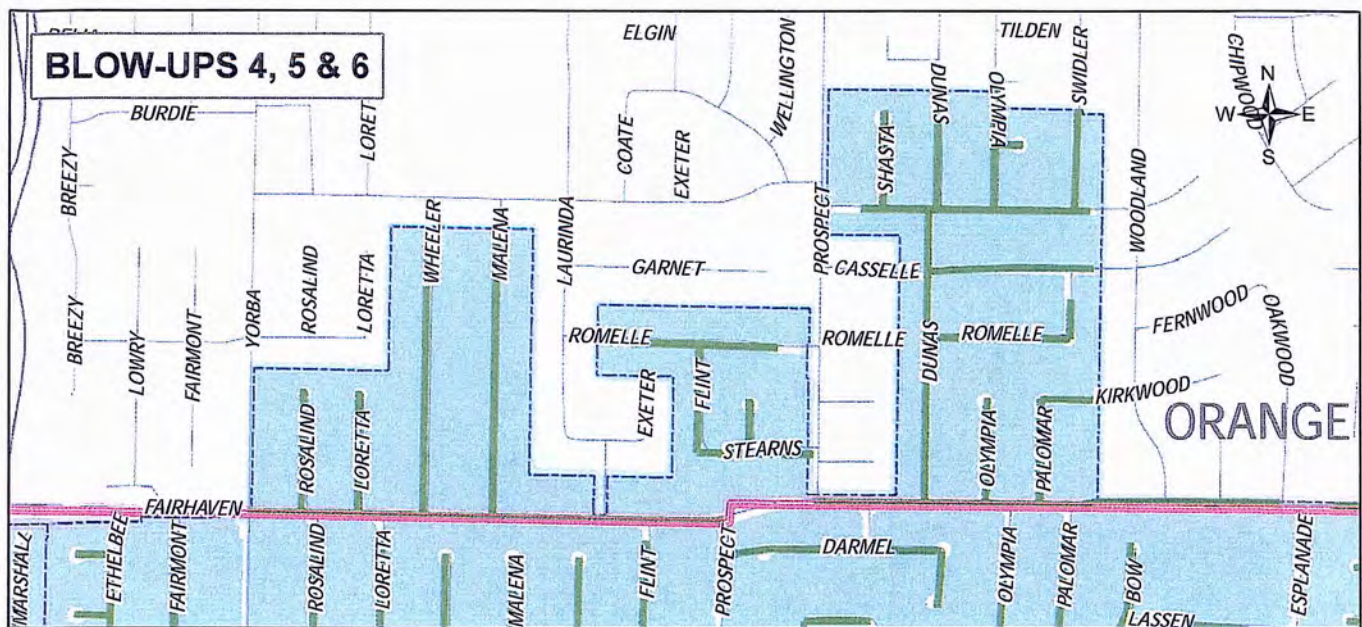
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BLOW-UP MAPS OCSD'S SERVICE AREA 7 SHEET 1

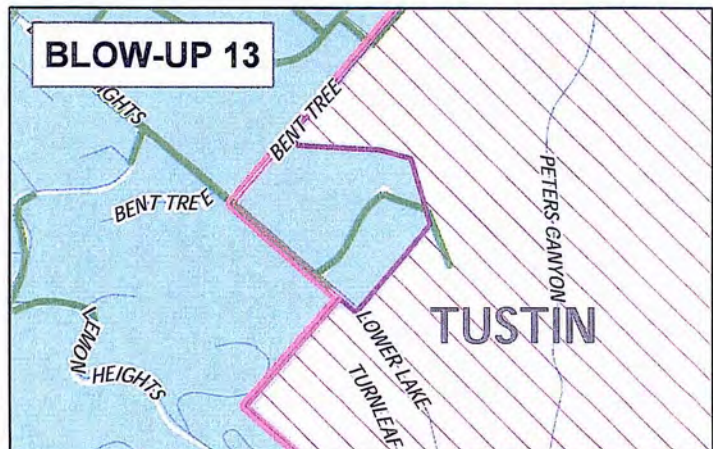
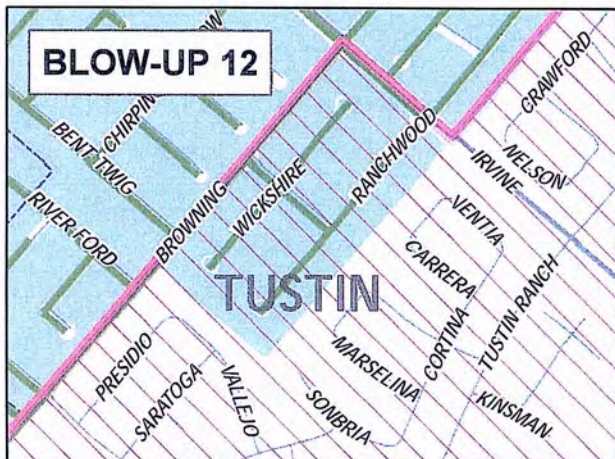
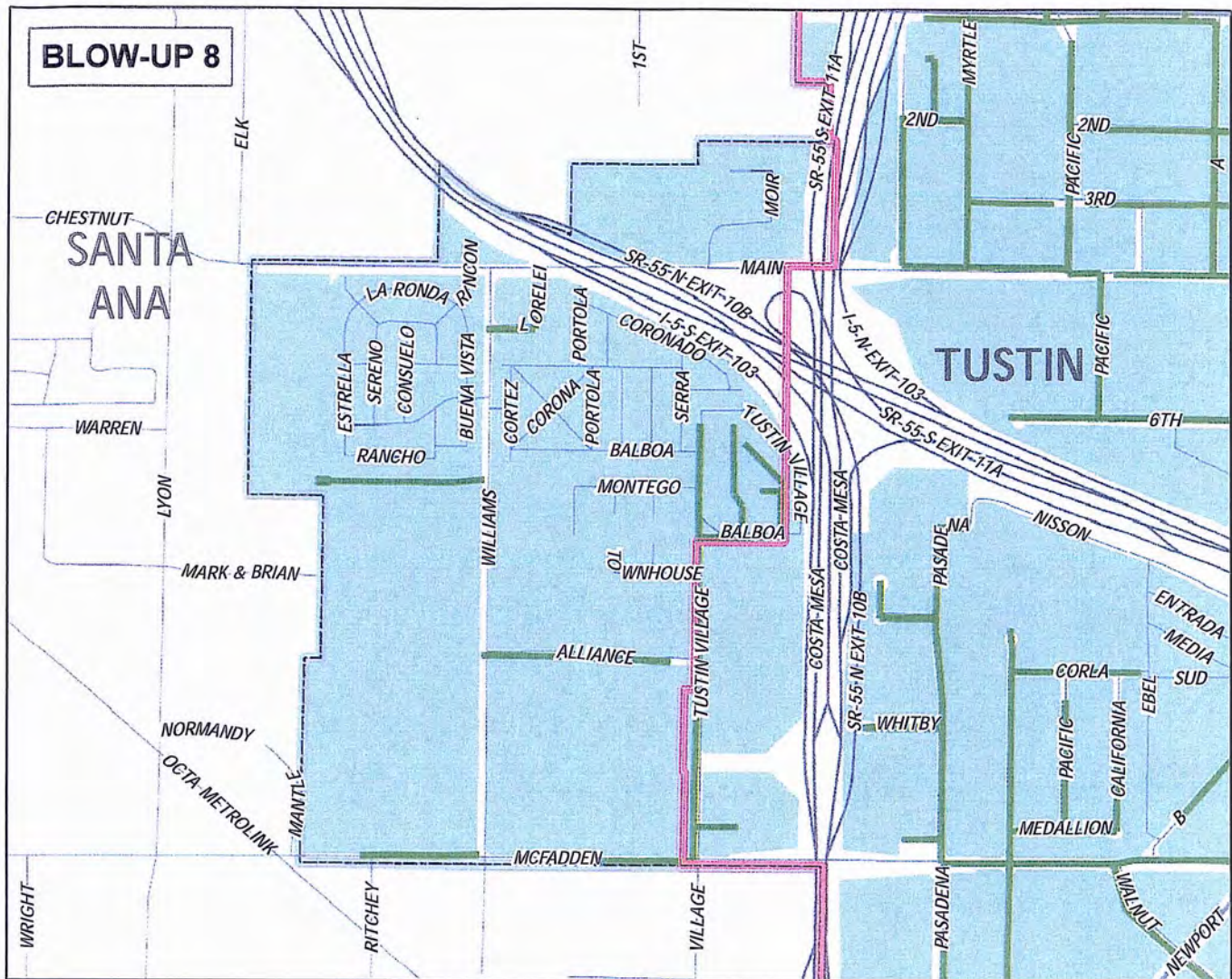
- EOCWD Service Boundary
- IRWD Service Boundary
- City Boundaries
- OCSD's Area 7 Service Boundary
- Local Sewers Proposed for Transfer



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

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

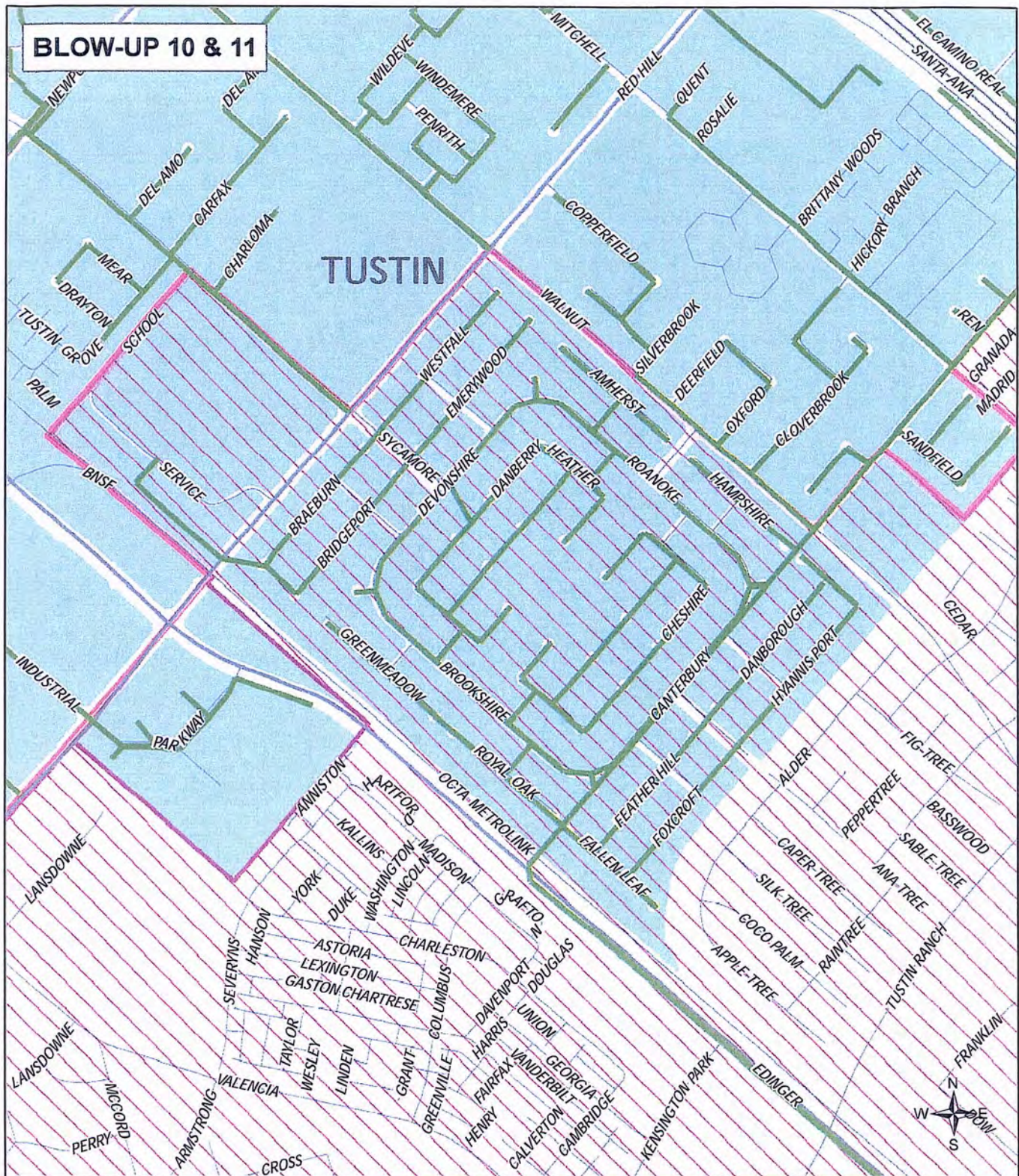


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BLOW-UP MAPS OCSD'S SERVICE AREA 7 SHEET 3

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

BLOW-UP 10 & 11



Created on: 11/18/2013

BLOW-UP MAPS OCSD'S SERVICE AREA 7 SHEET 4

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



PLAN FOR SERVICE

SEWER AREA #7

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

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1.0 District Background

HISTORY

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

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

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

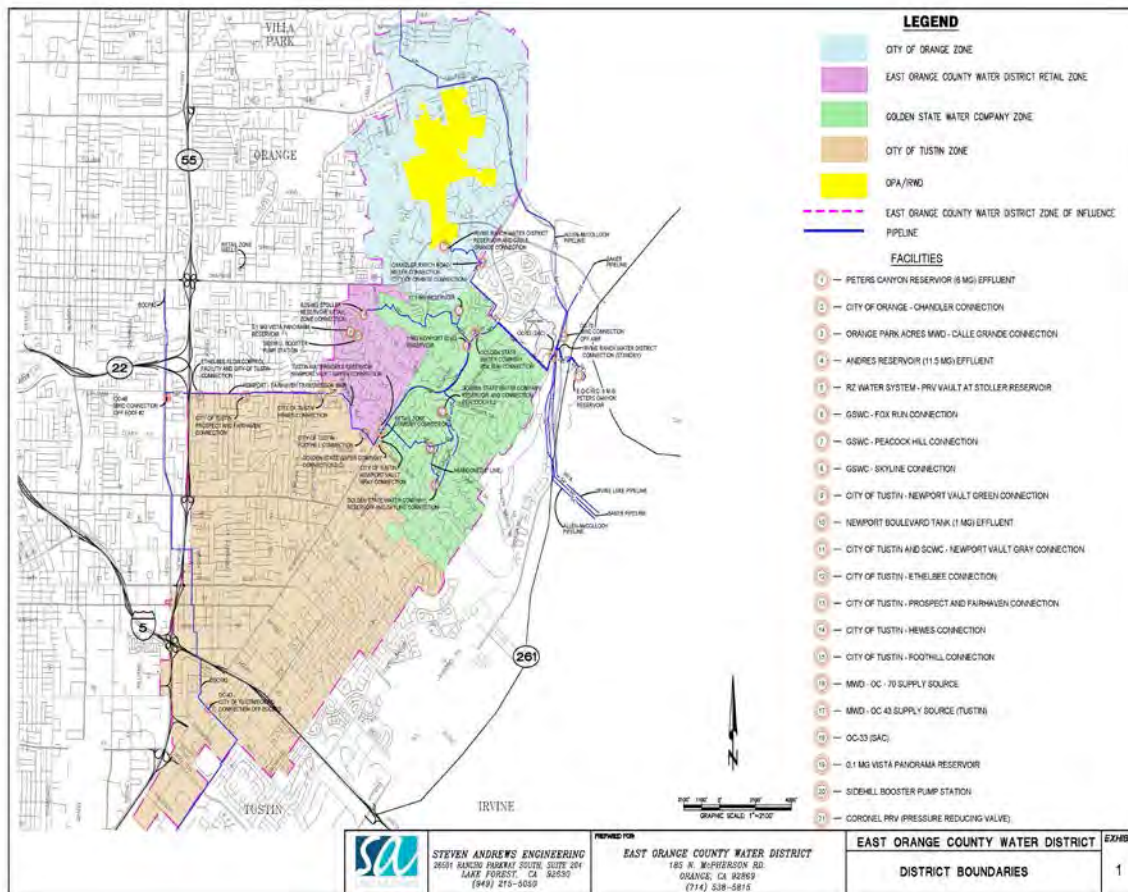
PROPOSED ACQUISITION OF LOCAL SEWERS

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

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

PLAN OF SERVICE

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



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

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

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

PLAN OF SERVICE

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

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

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

GOVERNANCE

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

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

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

STAFF

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

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

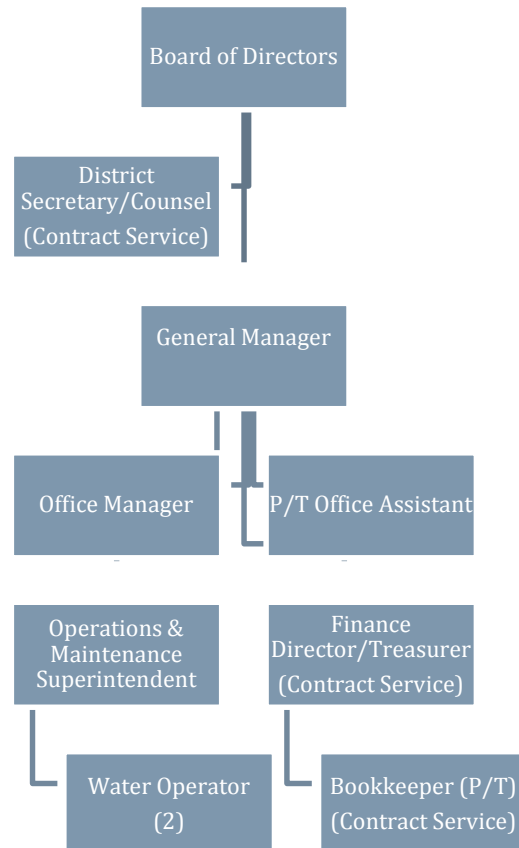
Other key positions are staffed via contract:

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

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Figure 2 depicts the current organizational chart.

FIGURE 2. CURRENT ORGANIZATIONAL CHART



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

WATER DISTRICT FACILITIES

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

Wholesale Zone

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

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Retail Zone

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

Sewer Area #7 facilities are summarized in Section 2.0.

CURRENT FINANCIAL STATUS

The District is operated in a fiscally prudent manner, consistently generating operating revenues in excess of operating expenses year over year; for FY 2012/13, the District's Change in Net Position was \$835,565², an increase of \$502,523 or 150% over FY 2011/12. It has been the District's objective that all revenue generated from District customers, inclusive of property taxes, support all District expenses including capital project funding; during periods when this has not been achieved, the District has used reserve funds (for one-time expenses) and/or increased user fees to provide sustaining financial resources.

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

The District's commitment to financial prudence is long-standing. The District has used long-term debt sparingly; currently it has no long-term debt. Additionally, the District has no "Other Post-Employment Benefits" (retirement medical benefits) and thus has no unfunded OPEB liabilities. The District also never increased its retirement benefit from the California Public Employees Retirement System (CalPERS) 2%@60 formula it offered since the District's inception; currently the District's Plan is Market Value³ funded at 82%, one of only 2% of California public agencies whose retirement plan is funded above 75%⁴.

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

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

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

⁴ CalPERS Facts At A Glance; pg 3. December 2013

2.0 Sewer Area #7 Background

HISTORY

The Orange County Sanitation District was formed in 1954 to provide regional wastewater collection, treatment and disposal⁵. OCSD's 471 square mile service area comprises all of north Orange County and they provide services for over 87 percent of the population of Orange County (2.5 million as of 2007). They operate and maintain 580 miles of trunk and local sewers and are the third largest wastewater discharger in the western United States.

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

In 2007, the OCSD Board of Directors adopted a Strategic Plan that recommended the transfer of local sewers to local agencies; this position was affirmed by OCLAFCO in their 2007 Municipal Service Review for OCSD with the specific mention of the transfer of Sewer Area #7.⁶ The transfer of these sewers is a priority to OCSD; the 2013 Strategic Plan anticipates the transfer of the Sewer Area #7 sewers by December 31, 2013.

SEWER AREA #7 STATISTICS AND CURRENT CONDITION

Sewer Area #7 is comprised of 174 miles of primarily 8" clay pipe⁷ and 3,586 manholes serving 18,000 parcels. The majority of the pipelines (118 miles) are within the unincorporated portion of Sewer Area #7, while 52 miles are within the City of Tustin and 4 miles are within the City of Orange. There are no pump stations or other mechanical appurtenances or facilities associated with Sewer Area #7. Between 2003 and 2009 the entire service area was CCTV'd and repairs were made as problems were discovered; there is no backlog of repairs needed, nor are there any

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

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

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

PLAN OF SERVICE

major construction projects, planned developments or freeway projects that would cause any relocation or expansion of the system within the near future that staff was aware of⁸. The entire service area has been entered into GIS and a computerized maintenance management system tracks problems and repairs.

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

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

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

CURRENT OPERATIONS

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

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

⁸ Richard Brady & Associates, Assessment of OCSD Service Area #7

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

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

Additionally, OCSD also maintains small diameter pipeline cleaning/vacuuming equipment at their Fountain Valley site for their regional collection crew to respond to emergencies in Sewer Area #7, and to perform “Trouble Spot⁹” cleanings.

CURRENT ENGINEERING & CAPITAL IMPROVEMENT PROGRAM

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

2008 – 2013 FINANCIAL SUMMARY AND CUMMULATIVE RESERVES

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

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

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

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

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

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

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

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

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

PLAN OF SERVICE

3.0 Transition Plan

GENERAL PLAN

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

TABLE 2. OCLAFCO PROJECTED TIMELINE FOR SEWER TRANSFER

TASK	RESPONSIBLE PARTY	COMPLETION DATE
Submit LAFCO Application - District resolutions (EOCWD and OCSD) - Application and filing fees - Plan of Services - CEQA: timeline assumes a NOE; if ND or Mitigated ND used, timeline may be extended	Applicant	1/22/2013
Application Status Letter, AB 8 Letter and Preliminary Staff Report (PSR) issued	LAFCO	2/11/2014
EOCWD submits Map and Legal Description to LAFCO (includes review and approval by County Surveyor)	Applicant	Mid-March 2014
Assessor issues report to Auditor identifying TRAs and AV	Assessor	3/30/2014
Auditor issues report identifying amount of negotiable property tax	Auditor	Mid-May 2014
County adopts property tax resolution on behalf of both EOCWD and OCSD	County	6/17/2014
If application complete, EO issues Certificate of Filing and sets a hearing date	LAFCO	6/30/2014
Preparation of staff report, resolution	LAFCO	June 2014
Public hearing notice	LAFCO	June 6, 2014
LAFCO hearing	LAFCO	July 9, 2014
Request for reconsideration	LAFCO	July 10, 2014 – August 11, 2014
Period of protest (assumes 45-day protest period)	LAFCO	August 14, 2014 – September 29, 2014
Protest hearing date	LAFCO	September 29, 2014
Tabulate protest (if any)	LAFCO	September 29 – October 3, 2014
Recordation*	LAFCO	October 6, 2014

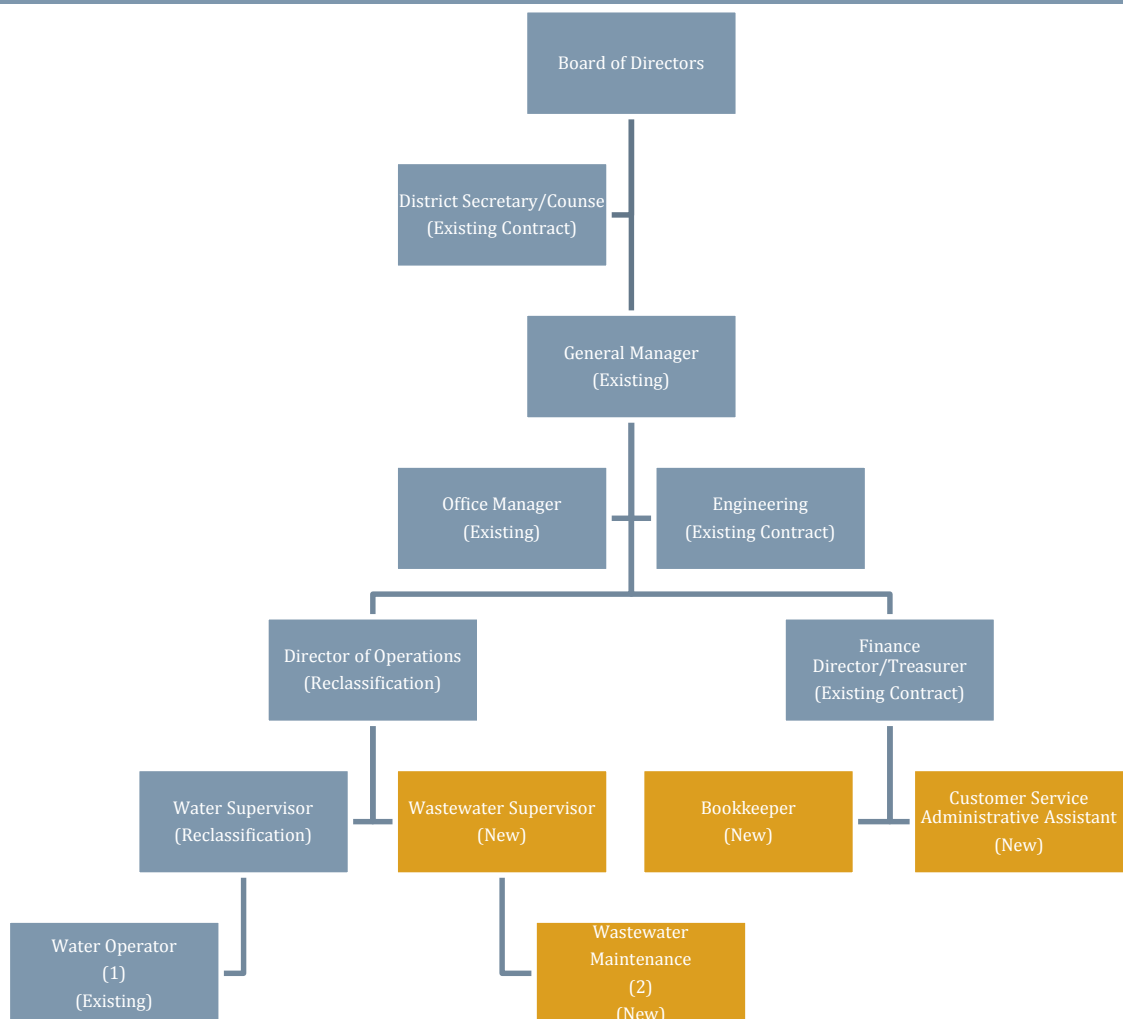
PLAN OF SERVICE

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

STAFFING AND TRAINING

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

FIGURE 3. PROPOSED ORGANIZATIONAL CHART



PLAN OF SERVICE

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

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

TABLE 3. PROPOSED HIRING SCHEDULE FOR F/T EMPLOYEES

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

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

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

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

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

FINANCIAL

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

PLAN OF SERVICE

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

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

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

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

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

REGULATORY

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

PLAN OF SERVICE

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

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

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

The required elements of the SSMP include:

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

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

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

¹⁰ The SSMP will be based upon the existing OCSD SSMP.

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

PLAN OF SERVICE

SSMP AUDIT TEAM

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

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

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

DATA MANAGEMENT

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

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

4.0 Long-Term Operations

GENERAL PLAN

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

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

TRANSITION PERIOD ASSESSMENT AND STAFFING PLAN ANALYSIS

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

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

CONDUCT FINANCIAL AND RATE ASSESSMENT STUDY

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

CONDUCT SSMP AUDIT

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

PLAN OF SERVICE

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

UPDATE SEWER ASSESSMENT STUDY/CAPITAL IMPROVEMENT PROGRAM

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

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

DEVELOP 5-YEAR STRATEGIC PLAN

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

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

Exhibit A
to
Plan of Service
2013 EOCWD Audited
Financials



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



Our Mission Statement

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

East Orange County Water District

Board of Directors as of June 30, 2013

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

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

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

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

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Introductory Section



October 31, 2013

Board of Directors
East Orange County Water District
Orange, California

Introduction

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

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

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

District Background

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

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

Industry Outlook

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

Internal Control Structure

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

Budgetary Control

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

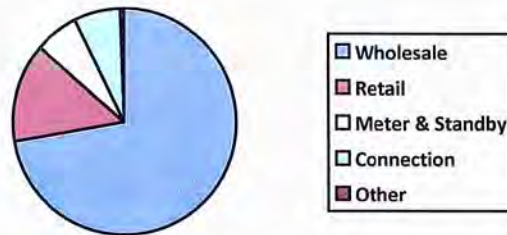
Financial Plan

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

Water Rates and District Revenues

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

District Operating Revenues



Investment Policy

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

Audit and Financial Reporting

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

Risk Management

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

Water Conservation Programs

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

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

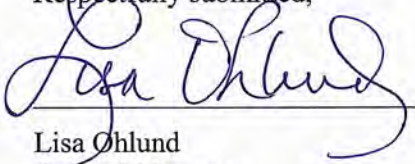
Transparency

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

Other References

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

Respectfully submitted,

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

Lisa Ohlund
General Manager

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Financial Section

Independent Auditor's Report

Board of Directors
East Orange County Water District
Orange, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Independent Auditor's Report, continued

Required Supplementary Information

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

Other Matters

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

Other Reporting Required by Government Auditing Standards

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

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

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

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

Financial Highlights

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

Required Financial Statements

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

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

Notes to the Basic Financial Statements

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

Financial Analysis of the District

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

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

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

Condensed Statement of Net Position

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

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

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

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

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

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

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

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

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

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

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

Capital Asset Administration

Changes in capital assets for 2013, were as follows:

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

Changes in capital assets for 2012, were as follows:

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

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

Capital Asset Administration, continued

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

Conditions Affecting Current Financial Position

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

Requests for Information

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

Basic Financial Statements

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

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

See accompanying notes to the basic financial statements

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

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

See accompanying notes to the basic financial statements

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

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

See accompanying notes to the basic financial statements

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

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

See accompanying notes to the basic financial statements

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

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

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

B. Basis of Accounting and Measurement Focus

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

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

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

C. Financial Reporting

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

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

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

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

D. Assets, Liabilities and Net Position, continued

1. Use of Estimates

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

2. Cash and Cash Equivalents

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

3. Investments and Investment Policy

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

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

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

4. Accounts Receivable

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

5. Property Taxes

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

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

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

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

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

D. Assets, Liabilities and Net Position

6. Prepaid Expenses

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

7. Water-In-Storage Inventory

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

8. Materials and Supplies Inventory

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

9. Capital Assets

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

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

10. Construction-in-Process

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

11. Compensated Absences

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

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

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

D. Assets, Liabilities and Net Position

12. Net Position

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

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

13. Water Sales – Wholesale and Retail

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

14. Capital Contributions

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

15. Budgetary Policies

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

E. Implementation of New Accounting Pronouncements

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

Governmental Accounting Standards Board Statement No. 63

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

Governmental Accounting Standards Board Statement No. 65

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

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

(2) Cash and Investments

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

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

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

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

Custodial Credit Risk

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

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

Investment in State Investment Pool

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

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

(2) Cash and Investments, continued

Interest Rate Risk

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

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

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

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

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

Credit Risk

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

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

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

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

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

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

(3) Note Receivable – Allen-McColloch Pipeline

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

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

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

MWDOC Certificates of Participation (COPs):

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

Note receivable from the AMP, consists of the following:

	2013	2012
Note receivable – current – AMP	\$ 38,402	35,598
Note receivable – non-current – AMP	134,195	172,597
Total	\$ 172,597	208,195

(4) Capital Assets

Changes in capital assets for 2013, were as follows:

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

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

(4) Capital Assets, continued

Changes in capital assets for 2012, were as follows:

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

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

Construction-In-Process

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

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

(5) Allen-McColloch Pipeline Lease

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

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

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

(6) Deferred Compensation Savings Plan

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

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

(7) Defined Benefit Pension Plan

Plan Description

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

Funding Policy

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

California Public Employees Pension Reform Act of 2013

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

Key components of the legislation are as follows:

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

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

(7) Defined Benefit Pension Plan, continued

Second-Tier – Beginning January 1, 2013

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

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

Three Year Funding Information

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

See Page 27 for the Schedule of Funding Status.

Actuarial Methods and Assumptions

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

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

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

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

(8) Risk Management

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

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

There have been no losses or claims in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2013 and 2012. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2013 and 2012.

(9) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2013, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 68

In June 2012, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

East Orange County Water District
Notes to the Basic Financial Statements, continued
June 30, 2013 and 2012

(9) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 69

In January 2013, the GASB issued Statement No. 69 – *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to provide new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The impact of the implementation of this Statement to District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 70

In April 2013, the GASB issued Statement No. 70 – *Accounting and Financial Reporting for Non-exchange Guarantees*. Provisions of this Statement require that governments that extend non-exchange financial guarantees to recognize a liability when qualitative factors and historic data, if any, indicate that it is more likely than not that the government will be required to make a payments on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. The impact of the implementation of this Statement to District's financial statements has not been assessed at this time.

(10) Commitments and Contingencies

Joint Facilities Agreement

The District is a party to a joint facilities agreement, dated February 13, 1964, with the Irvine Ranch Water District (IRWD) for the original purpose of constructing, operating and maintaining a water treatment plant, reservoir and pipelines. The construction was completed in 1964 and the District has capitalized the reservoir and pipelines as part of its utility plant assets. IRWD entered into this agreement with the District to gain capacity rights in the water treatment plant, reservoir and pipelines. The District and IRWD continue to proportionally share in the costs of maintenance and operations of the reservoir and pipelines; however, the treatment plant has been abandoned.

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and advances for construction.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes that there are no legal matters that will materially affect its financial condition.

(11) Subsequent Events

Events occurring after June 30, 2013, have been evaluated for possible adjustment to the financial statements or disclosure as of October 31, 2013, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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Required Supplementary Information

East Orange County Water District
Schedule of Funding Status
For the Fiscal Years Ended June 30, 2013 and 2012

(1) Defined Benefit Pension Plan

Development of the Actuarial Value of Assets Calculation in a Risk Pool			
The District is part of the CalPERS Miscellaneous 2.0% at 60 yrs. Risk Pool	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>
1. Plan's accrued liability	\$ 1,783,868	-	-
2. Plan's side fund	(29,074)	-	-
3. Pool's accrued liability	682,375,804	-	-
4. Pool's side fund	1,499,824	-	-
5. Pool's actuarial value of assets (AVA) including receivables	639,237,247	-	-
6. Plan's actuarial value of assets (AVA) including receivables $[(1+2) / (3+4) \times 5]$	1,640,254	-	-
7. Pool's market value of assets (MVA) including receivables	572,006,330	-	-
8. Plan's market value of assets (MVA) including receivables $[(1+2) / (3+4) \times 7]$	1,467,742	-	-

Funding History

The Funding History below shows the actuarial accrued liability, the actuarial value of assets, the market value of assets, funded ratios and the annual covered payroll. The actuarial value of assets is used to establish funding requirements and the funded ratio on this basis represents the progress toward fully funding future benefits for current plan participants. The funded ratio based on the market value of assets is an indicator of the short-term solvency of the plan in the risk pool.

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability (a)</u>	<u>Actuarial Value of Assets (AVA) (b)</u>	<u>Market Value of Assets (MVA) (c)</u>	<u>Funded Ratio AVA (b/a)</u>	<u>MVA (c/a)</u>	<u>Annual Covered Payroll</u>
June 30, 2011	\$ 1,783,868	1,640,254	1,467,742	92.0%	82.3%	\$ 338,962
June 30, 2012	* -	-	-	0.00%	0.00%	-
June 30, 2013	* -	-	-	0.00%	0.00%	-

* CalPERS has not provided the information for these periods as of the date of the audit report.

Supplemental Information

East Orange County Water District
Combining Schedule of Net Position
June 30, 2013

<i>Assets</i>	<i>Wholesale</i>	<i>Retail</i>	<i>Total</i>
Current assets:			
Cash and cash equivalents	\$ 5,834,487	814,322	6,648,809
Accrued interest receivable	2,632	51	2,683
Accounts receivable – water sales and services:			
Wholesale	1,312,753	-	1,312,753
Retail	-	362,898	362,898
Other	2,183	-	2,183
Property taxes receivable	14,244	8,077	22,321
Accrued interest receivable – AMP	5,037	-	5,037
Note receivable – current portion – AMP	38,402	-	38,402
Prepaid expenses and other assets	114,924	10,446	125,370
Water-in-storage inventory	30,997	3,850	34,847
Materials and supplies inventory	49,604	49,604	99,208
Total current assets	<u>7,405,263</u>	<u>1,249,248</u>	<u>8,654,511</u>
Non-current assets:			
Note receivable – AMP	134,195	-	134,195
Capital assets, net	<u>5,700,270</u>	<u>5,000,133</u>	<u>10,700,403</u>
Total non-current assets	<u>5,834,465</u>	<u>5,000,133</u>	<u>10,834,598</u>
Total assets	\$ <u>13,239,728</u>	<u>6,249,381</u>	<u>19,489,109</u>
<i>Liabilities and Net Position</i>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,358,121	144,122	1,502,243
Accrued wages and compensated absences	15,287	28,895	44,182
Deposits and deferred revenue	<u>24,734</u>	<u>19,737</u>	<u>44,471</u>
Total current liabilities	<u>1,398,142</u>	<u>192,754</u>	<u>1,590,896</u>
Total liabilities	<u>1,398,142</u>	<u>192,754</u>	<u>1,590,896</u>
Net position:			
Net investment in capital assets	5,700,270	5,000,133	10,700,403
Unrestricted	<u>6,141,316</u>	<u>1,056,494</u>	<u>7,197,810</u>
Total net position	<u>11,841,586</u>	<u>6,056,627</u>	<u>17,898,213</u>
Total liabilities and net position	\$ <u>13,239,728</u>	<u>6,249,381</u>	<u>19,489,109</u>

East Orange County Water District
Combining Schedule of Net Position
June 30, 2012

<i>Assets</i>	Wholesale	Retail	Total
Current assets:			
Cash and cash equivalents	\$ 5,564,436	343,012	5,907,448
Accrued interest receivable	3,886	138	4,024
Accounts receivable – water sales and services:			
Wholesale	1,180,870	-	1,180,870
Retail	-	236,938	236,938
Other	1,373	-	1,373
Property taxes receivable	17,804	10,112	27,916
Accrued interest receivable – AMP	6,043	-	6,043
Note receivable – current portion – AMP	35,598	-	35,598
Prepaid expenses and other assets	124,615	3,820	128,435
Water-in-storage inventory	20,081	2,494	22,575
Materials and supplies inventory	49,604	49,604	99,208
Total current assets	7,004,310	646,118	7,650,428
Non-current assets:			
Note receivable – AMP	172,597	-	172,597
Capital assets, net	5,717,882	4,963,640	10,681,522
Total non-current assets	5,890,479	4,963,640	10,854,119
Total assets	\$ 12,894,789	5,609,758	18,504,547
<i>Liabilities and Net Position</i>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,208,646	143,281	1,351,927
Accrued wages and compensated absences	17,463	33,249	50,712
Deposits and deferred revenue	24,239	15,021	39,260
Total current liabilities	1,250,348	191,551	1,441,899
Net position:			
Net investment in capital assets	5,717,882	4,963,640	10,681,522
Unrestricted	5,926,559	454,567	6,381,126
Total net position	11,644,441	5,418,207	17,062,648
Total liabilities and net position	\$ 12,894,789	5,609,758	18,504,547

East Orange County Water District
Combining Schedule of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2013

	<u>Wholesale</u>	<u>Retail</u>	<u>Internal Balances</u>	<u>Total</u>
Operating revenues:				
Water sales:				
Wholesale	\$ 5,994,399	-	(370,494)	5,623,905
Retail	-	1,035,133	-	1,035,133
Meter and standby service charges	181,399	314,437	(26,655)	469,181
Capacity and connection fees	261,423	246,773	(18,708)	489,488
Other connection fees	59,567	-	-	59,567
Other service charges	34,395	14,353	-	48,748
Total operating revenues	<u>6,531,183</u>	<u>1,610,696</u>	<u>(415,857)</u>	<u>7,726,022</u>
Operating expenses:				
Source of supply – water purchases	5,974,883	370,494	(370,494)	5,974,883
Source of supply – in-lieu purchases credit	-	(22,431)	-	(22,431)
Source of supply – standby service charges	181,399	26,655	(26,655)	181,399
Source of supply – capacity and connection fees	261,423	18,708	(18,708)	261,423
Source of supply – replenishment assessment	-	165,370	-	165,370
Total source of supply	<u>6,417,705</u>	<u>558,796</u>	<u>(415,857)</u>	<u>6,560,644</u>
Pipeline capacity lease	14,000	-	-	14,000
Pumping	2,144	64,266	-	66,410
Treatment, transmission and distribution	326,401	428,779	-	755,180
General and administrative	176,236	139,549	-	315,785
Total operating expenses	<u>6,936,486</u>	<u>1,191,390</u>	<u>(415,857)</u>	<u>7,712,019</u>
Operating income(loss) before depreciation	(405,303)	419,306	-	14,003
Depreciation	(297,544)	(192,186)	-	(489,730)
Operating income(loss)	<u>(702,847)</u>	<u>227,120</u>	<u>-</u>	<u>(475,727)</u>
Non-operating revenues(expenses):				
Property taxes	669,704	357,263	-	1,026,967
Rental income – cellular antennas	98,478	-	-	98,478
Interest and investment earnings	18,784	697	-	19,481
Change in fair-value of cash equivalents and investments	(16,837)	(166)	-	(17,003)
Interest income – note receivable – AMP	10,108	-	-	10,108
Interest expense – note payable – DWR	-	-	-	-
Other, net	119,755	53,506	-	173,261
Total non-operating revenues, net	<u>899,992</u>	<u>411,300</u>	<u>-</u>	<u>1,311,292</u>
Change in net position	<u>197,145</u>	<u>638,420</u>	<u>-</u>	<u>835,565</u>
Net position, beginning of year	<u>11,644,441</u>	<u>5,418,207</u>	<u>-</u>	<u>17,062,648</u>
Net position, end of year	<u>\$ 11,841,586</u>	<u>6,056,627</u>	<u>-</u>	<u>17,898,213</u>

East Orange County Water District
Combining Schedule of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2012

	<u>Wholesale</u>	<u>Retail</u>	<u>Internal Balances</u>	<u>Total</u>
Operating revenues:				
Water sales:				
Wholesale	\$ 5,342,059	-	(779,857)	4,562,202
Retail	-	876,819	-	876,819
Meter and standby service charges	158,065	288,935	(21,328)	425,672
Capacity and connection fees	247,947	213,535	(16,761)	444,721
Other connection fees	9,202	-	-	9,202
Other service charges	19,433	10,732	-	30,165
Total operating revenues	<u>5,776,706</u>	<u>1,390,021</u>	<u>(817,946)</u>	<u>6,348,781</u>
Operating expenses:				
Source of supply – water purchases	5,349,145	779,857	(779,857)	5,349,145
Source of supply – in-lieu purchases credit	-	(355,234)	-	(355,234)
Source of supply – standby service charges	158,065	21,328	(21,328)	158,065
Source of supply – capacity and connection fees	247,947	16,761	(16,761)	247,947
Source of supply – replenishment assessment	-	48,769	-	48,769
Total source of supply	<u>5,755,157</u>	<u>511,481</u>	<u>(817,946)</u>	<u>5,448,692</u>
Pipeline capacity lease	13,000	-	-	13,000
Pumping	1,928	41,300	-	43,228
Treatment, transmission and distribution	345,447	416,135	-	761,582
General and administrative	90,416	180,567	-	270,983
Total operating expenses	<u>6,205,948</u>	<u>1,149,483</u>	<u>(817,946)</u>	<u>6,537,485</u>
Operating income (loss) before depreciation	<u>(429,242)</u>	<u>240,538</u>	<u>-</u>	<u>(188,704)</u>
Depreciation	<u>(308,994)</u>	<u>(196,408)</u>	<u>-</u>	<u>(505,402)</u>
Operating income (loss)	<u>(738,236)</u>	<u>44,130</u>	<u>-</u>	<u>(694,106)</u>
Non-operating revenues(expenses):				
Property taxes	586,412	333,240	-	919,652
Rental income – cellular antennas	70,201	-	-	70,201
Interest and investment earnings	18,297	720	-	19,017
Change in fair-value of cash equivalents and investments	(1,664)	(81)	-	(1,745)
Interest income – note receivable – AMP	12,157	-	-	12,157
Interest expense – note payable – DWR	-	(1,244)	-	(1,244)
Other, net	4,625	4,485	-	9,110
Total non-operating revenues, net	<u>690,028</u>	<u>337,120</u>	<u>-</u>	<u>1,027,148</u>
Change in net position	<u>(48,208)</u>	<u>381,250</u>	<u>-</u>	<u>333,042</u>
Net position, beginning of year	<u>11,692,649</u>	<u>5,036,957</u>	<u>-</u>	<u>16,729,606</u>
Net position, end of year	\$ <u>11,644,441</u>	<u>5,418,207</u>	<u>-</u>	<u>17,062,648</u>

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Report on Compliance and Internal Controls

**Independent Auditor's Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
East Orange County Water District
Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the East Orange County Water District (District) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated October 31, 2013.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Controls Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*, (continued)**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles Z. Fedak & Company, CPAs - An Accountancy Corporation
Cypress, California
October 31, 2013

LOCAL SEWER FACILITIES TRANSFER AGREEMENT

THIS LOCAL SEWER FACILITIES TRANSFER AGREEMENT ("Agreement") is made this ____ day of _____, 2014 ("Effective Date") by and between the ORANGE COUNTY SANITATION DISTRICT ("OCSD"), a duly organized County Sanitation District existing pursuant to California Health and Safety Code section 47000 *et seq.*, and the EAST ORANGE COUNTY WATER DISTRICT ("EOCWD"), a duly organized County Water District existing pursuant to California Water Code section 30000 *et seq.* OCSD and EOCWD are sometimes hereinafter individually referred to as "Party" and hereinafter collectively referred to as "Parties".

RECITALS

WHEREAS, OCSD owns and operates regional wastewater collection, conveyance, treatment, and disposal facilities within its 471 square mile service area;

WHEREAS, OCSD owns and operates the local wastewater collection and conveyance system, encompassing approximately 174 linear miles of sewer lines and serving more than 18,000 connections, within the area known as Service Area 7, which area is more particularly identified in Exhibit "A" attached hereto and incorporated herein by reference;

WHEREAS, OCSD desires to transfer to EOCWD: (a) its ownership of certain local sanitary sewer lines and appurtenant facilities located in Service Area 7 ("Local Sewer Facilities"), which are more particularly described and delineated in attachments 1 and 2 of Exhibit "B" attached hereto and incorporated herein by reference, and (b) the responsibility for providing local sewer service to Service Area 7;

WHEREAS, EOCWD desires to acquire ownership and assume responsibility for the Local Sewer Facilities and to accept responsibility for providing local sewer service to Service Area 7;

WHEREAS, the transfer of ownership in and the assumption of responsibility for the Local Sewer Facilities to EOCWD will require the approval of the Orange County Local Agency Formation Commission ("LAFCO"); and

WHEREAS, following the transfer to EOCWD of the Local Sewer Facilities, OCSD shall retain its power to provide regional sewer service within the entirety of Service Area 7.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises set forth herein, the Parties agree as follows:

1. Recitals. The recitals set forth above are true and correct and are incorporated into this Agreement.

2. Cooperation.

a. OCSD and EOCWD shall work cooperatively to complete the successful transfer from OCSD to EOCWD of the Local Sewer Facilities and the assumption of responsibility for ongoing operation and maintenance of the Local Sewer Facilities by EOCWD by no later than December 1, 2014. Both Parties shall execute any further documents consistent with the terms of this Agreement, including documents in recordable form, necessary or appropriate to fulfill the obligations imposed by this Agreement.

3. LAFCO Proposal.

a. *Initiation of Proceedings*. EOCWD shall, within one month (30 days) from the Effective Date, initiate proceedings under the Cortese-Knox-Herzberg Local Government Reorganization Act of 2000, as amended, Government Code section 56000, *et seq.*, requesting LAFCO approval of a reorganization proposal (the "Proposal"). The resolution of application enacted by EOCWD and submitted to LAFCO shall propose that LAFCO's approval of the Proposal shall be subject to the terms and conditions of this Agreement. EOCWD shall be solely responsible for the direct costs incurred in connection with the initiation and processing of the Proposal, and LAFCO approval thereof, including without limitation any LAFCO deposits, application or processing fees, and the cost of preparing any legal descriptions, boundary surveys or maps. The Proposal shall consist of the following:

i. The annexation of certain territory within Service Area 7 that is not within the current boundaries of EOCWD; and

ii. A proposal by EOCWD to provide a new or different service – "local" sewer service – within the entirety of Service Area 7.

b. *Public Outreach*. EOCWD desires to proactively inform the ratepayers within Service Area 7, and the general public, of the Proposal and the process for implementing it, including opportunities for public involvement. In furtherance of that desire, OCSD agrees to provide EOCWD with a mailing list of the property owners in Service Area 7 (consistent with the format used for Proposition 218 notifications) in an Excel spreadsheet or an Access compatible (SQL) database format within 30 days of EOCWD's submittal of an application to LAFCO. In the written materials, EOCWD shall accurately and fairly describe the

proposal and may indicate that the Proposal is jointly proposed and supported by EOCWD and OCSD. EOCWD shall provide OCSD an opportunity to review and approve the written material it intends to mail to the property owners in Service Area 7 prior to such mailing. OCSD shall approve, or request changes to, the written materials within ten days of receipt. If OCSD fails to approve or request revisions within 10 days, it shall be deemed to have approved the materials. OCSD shall approve, or request changes to, revised written materials that incorporate or respond to OCSD's requests for changes within 5 days of receipt, or the materials shall be deemed approved. All costs of producing such material and mailing it will be paid by EOCWD.

c. *Letter of Support.* OCSD shall cooperate with EOCWD and use its best efforts to support the Proposal in accordance with the terms of this Agreement. OCSD shall, within 45 days of EOCWD's filing of the Proposal with LAFCO, file with LAFCO a formal Letter of Support in favor of the Proposal executed by the General Manager ("Letter of Support"). The Letter of Support shall propose that LAFCO's approval of the Proposal shall be subject to the terms and conditions of this Agreement. OCSD shall execute such documents and take such other actions to support and facilitate the processing of the Proposal as may be reasonably requested by EOCWD, provided such actions shall not result in any cost or expense to OCSD (other than overhead and employee staff time).

d. *Continuing Support for Proposal.* The Parties agree to support and not oppose the Proposal before and after it is initiated. Specifically, OCSD and EOCWD will cooperate and consult with one another in responding to questions and inquiries from LAFCO, the public and the press, appear in support of the Proposal at LAFCO hearings, and cooperate on a joint response in the event that LAFCO or LAFCO staff propose to alter the Proposal. Furthermore, OCSD agrees that, prior to December 1, 2014, or such earlier time as the LAFCO proceedings have been completed or disapproved, it will not engage in negotiations with other entities regarding the transfer of the Local Sewer Facilities. Both Parties shall support the conditioning of LAFCO's approval of the Proposal on the performance of the terms and conditions of this Agreement. If LAFCO or LAFCO staff propose an alteration to the Proposal that materially diverges from the terms and conditions of this Agreement, either Party may, after consultation with the other Party, oppose the alteration, and if necessary, withdraw its support, and actively oppose LAFCO's approval of the Proposal.

e. *Tax Exchange Negotiations and Consultations.* The Parties shall cooperate in seeking to have the Board of Supervisors adopt a property tax exchange resolution pursuant to Revenue and Taxation Code section 99 exchanging property tax from OCSD to EOCWD. The Parties agree that in the tax exchange negotiation and consultation process they will jointly support and advocate for having all of the property tax associated with the Local Sewer Facilities be exchanged from OCSD to EOCWD. In Fiscal Year 2012-2013, the

estimated property tax collected for the local sewers was \$287,000.00 (two hundred eighty seven thousand dollars).

f. *Local Sewer Service User Fee.*

i. OCSD's Annual Local Sewer Service User Fee ("the Fee") shall be continued and following the effective date, to the extent feasible, shall be collected by EOCWD rather than by OCSD. OCSD collects the Fee by reporting it to the County of Orange, which collects it on the property tax roll, and EOCWD intends to do the same. Should it not be feasible, due to statutory or County requirements, for responsibility for collection of the Fee for the 2014-2015 Fiscal Year to be transferred to EOCWD, OCSD shall account for and transmit, within 5 business days of receipt, any such revenues it receives from the County that are attributable to the Fee imposed in Service Area 7. OCSD shall rescind the Fee, as it pertains to the Local Sewer Facilities, by no later than July 1, 2015, or at such earlier time as EOCWD may enact its own local sewer service user fees.

ii. EOCWD shall indemnify, defend and hold harmless, OCSD, its officers, directors, employees and agents from and against any and all claims, actions, damages, liabilities, and expenses (including attorney's fees and reasonable expenses for litigation or settlement) in connection with or arising out of OCSD's assessment, distribution, and collection of the Fee, including without limitation any such claims asserting that the collection by OCSD and transfer of the Fee to EOCWD violates Proposition 218.

4. Transfer of Local Sewer Facilities.

a. Upon the effective date of LAFCO's approval of the Proposal and the requested reorganization ("Date of Reorganization"), EOCWD shall accept ownership of the Local Sewer Facilities and all maintenance responsibilities, as well as the responsibility for all sewer spill notification, reporting, and related regulatory activities. Furthermore, EOCWD shall negotiate, execute and maintain its own contracts with third-party contractors for line-cleaning, CCTV, rehabilitation, repairs and replacement, engineering consultants, and similar services, and directly pay all costs for such contracts.

b. Prior to the Date of Reorganization, EOCWD shall fully execute and deliver to OCSD the Quitclaim Deed, attached hereto as Exhibit "B", transferring ownership of the Local Sewer Facilities from OCSD to EOCWD.

c. Within five (5) business days following the Date of Reorganization, OCSD shall submit the Quitclaim Deed for recordation in the Official Records, Orange County California. Upon recordation, OCSD shall transmit a conformed copy of the Quitclaim Deed to EOCWD.

d. Within five (5) business days following the Date of Reorganization, OCSD shall transfer to EOCWD \$10,000,000.00 (ten million

dollars) via wire transfer of the Annual Sewer Service User Fee reserves attributable to the Local Sewer Facilities.

e. On July 1, 2018, OCSD shall transfer to EOCWD \$15,000,000.00 (fifteen million dollars) via wire transfer of the Annual Sewer Service User Fee reserves attributable to the Local Sewer Facilities.

f. If, prior to July 1, 2018, a natural catastrophe occurs resulting in substantial damage to the Local Sewer Facilities, OCSD shall release to EOCWD a mutually agreed upon portion of the \$15,000,000.00 (fifteen million dollars) transfer of Annual Sewer Service User Fee reserves contemplated by section 4(e) above. Any such release will result in a proportionate reduction of reserves transferred from OCSD to EOCWD on July 1, 2018.

g. After closing its books for the 2017-2018 Fiscal Year, and by no later than November 1, 2018, OCSD shall transfer to EOCWD the remainder of the Annual Sewer Service User Fee reserves, if any, attributable to the Local Sewer Facilities.

h. Upon the Date of Reorganization, OCSD shall transfer ownership of the following vehicles to EOCWD: (a) a 2000 Sterling Vactor (OCSD vehicle 470, California license number 1067492, vehicle identification number (VIN) 2FZ6BJBB81AH61833), and (b) a 1995 FE42 Volvo Hydroflusher truck (OCSD vehicle 396, California license number 356619, vehicle identification number (VIN) 4V52AFHD0SR474402). These vehicles shall be provided to EOCWD "as is" and with no warranties or representations whatsoever as to the condition of the vehicle, or the suitability of the vehicle for any purpose. EOCWD hereby acknowledges that it has/will be granted the opportunity to inspect the vehicles and their maintenance records and has/will do so prior to the Date of Reorganization.

i. On or prior to the Date of Reorganization, OCSD shall allow EOCWD to review, reference and utilize OCSD established specifications for line-cleaning, CCTV, rehabilitation, repairs and replacement, and similar services, as mutually agreed by the Parties.

5. Environmental Review. EOCWD shall act as lead agency for purposes of the Proposal, and shall be solely responsible for the preparation of all environmental documentation required pursuant to the California Environmental Quality Act ("CEQA").

6. Term. This Agreement shall commence on the Effective Date and continue in full force and effect through December 1, 2014. The Parties may mutually agree in writing to extend the term of this Agreement. The Agreement shall automatically terminate if LAFCO disapproves the Proposal.

7. Notices. All notices or other communications required or permitted hereunder shall be in writing and shall be personally delivered, sent by registered or certified mail, postage prepaid, return receipt requested, or delivered or sent by electronic transmission, and shall be deemed received upon the earlier of: (i) the date of delivery to the address of the person to receive such notice if delivered personally or by messenger or overnight courier; (ii) three (3) business days after the date of posting by the United States Post Office if by mail; or (iii) when sent if given by electronic transmission. Any notice, request, demand, direction, or other communication sent by electronic transmission must be confirmed within forty-eight (48) hours by letter mailed or delivered. Notices or other communications shall be addressed as follows:

To OCSD: Orange County Sanitation District
10844 Ellis Avenue
Post Office Box 8127
Fountain Valley, CA 92708-7018
Attn: General Manager

To EOCWD: East Orange County Water District
185 North McPherson Road
Orange, CA 92869-3720
Attn: General Manager

Either Party may from time to time, by written notice to the other, designate a different address and/or person which shall be substituted for the one above specified, and/or specify additional parties to be notified.

8. Jurisdiction. In the event of a dispute regarding performance or interpretation of this Agreement, the venue for any action to enforce or interpret this Agreement shall lie in the Superior Court of California for Orange County.

9. Governing Law. This Agreement shall be governed by the laws of the State of California.

10. Entire Agreement. This Agreement constitutes the entire understanding and agreement between the Parties and supersedes all previous negotiations between the Parties pertaining to the subject matter thereof.

11. Waiver. A waiver of a breach of the covenants, conditions or obligations under this Agreement by either Party shall not be construed as a waiver of any succeeding breach of the same or other covenants, conditions or obligations of this Agreement.

12. Modification. Alteration, change or modification of this Agreement shall be in the form of a written amendment, which shall be signed by each Party.

13. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be invalid under the applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of that provision, or the remaining provisions of this Agreement.

14. No Obligation to Third Parties. Execution and delivery of this Agreement shall not be deemed to confer any rights upon others, directly, indirectly or by way of subrogation, and shall not obligate either of the Parties hereto to any person or entity other than each other and their respective affiliates.

15. Successors. This Agreement and the provisions contained herein shall be binding upon and inure to the benefit of OCSD, EOCWD, and their respective heirs, executors, administrators, personal representatives, successors and assigns.

16. Indemnification.

a. EOCWD shall indemnify, defend and hold harmless OCSD, its officers, directors, employees and agents from and against any and all claims, actions, damages, liabilities and expenses (including attorney's fees and reasonable expenses for litigation or settlement) for any loss or damage, including death, bodily injury or damage to or loss of use of property, caused by negligent acts or omissions or willful misconduct by the EOCWD, its officers, directors, employees and agents in connection with or arising out of the performance of this Agreement.

b. OCSD shall indemnify, defend and hold harmless EOCWD, its officers, directors, employees and agents from and against any and all claims, actions, damages, liabilities and expenses (including attorney's fees and reasonable expenses for litigation or settlement) for any loss or damage, including death, bodily injury or damage to or loss of use of property, caused by negligent acts or omissions or willful misconduct by OCSD, its officers, directors, employees and agents in connection with or arising out of the performance of this Agreement.

c. The Parties acknowledge that LAFCO policy requires applicants to defend, indemnify, hold harmless, and release LAFCO, its agents, officers, attorneys, and employees from any claim, action, or proceeding brought against any of them, the purpose of which is to attack, set aside, void, or annul the approval of the application or the environmental document that accompanies it. The parties further acknowledge that this indemnification obligation will include, but not be limited to, damages, costs, expenses, attorney fees, or expert witness fees that may be asserted by any person or entity, including the applicant, arising out of or in connection with the approval of the application. As the applicant, EOCWD will be required to execute such an indemnification

agreement with LAFCO, and, as a result, EOCWD may incur substantial costs paying for LAFCO's defense and indemnifying any liability. Notwithstanding anything to the contrary in the foregoing, If LAFCO does not approve the EOCWD Proposal, OCSD agrees to pay one-half of EOCWD's actual costs, associated with indemnifying LAFCO pursuant to the indemnification agreement it will be obligated to sign, as those costs are incurred; however, OCSD's payment hereunder shall not exceed \$100,000.00 (one hundred thousand dollars) in total. Furthermore, if LAFCO approves the EOCWD Proposal, OCSD shall have no obligation to pay any of EOCWD's actual costs associated with indemnifying LAFCO. EOCWD shall promptly advise OCSD if the indemnification agreement it is obligated to sign as the applicant is materially different than described in this paragraph, and it shall notify OCSD if LAFCO notifies EOCWD of a legal challenge covered by the indemnification agreement.

17. OCSD Board of Directors. The Parties acknowledge that nothing contained herein shall entitle EOCWD to a seat on the OCSD Board of Directors, and that any such change would require an amendment to Health and Safety Code section 4730.65, which governs the composition of the OCSD Board of Directors.

18. No Warranty of Title or Condition. OCSD makes not warranty or representation of any kind regarding its title to the Local Sewer Facilities, the condition of the Local Sewer Facilities, or the suitability of the Local Sewer Facilities for any purpose. EOCWD has been granted an opportunity to fully inspect the Local Sewer Facilities and has done so as of the Effective Date. EOCWD accepts the Local Sewer Facilities "as is".

19. Authorization. Each of the undersigned represents and warrants that he or she is duly authorized to execute and deliver this Agreement and that such execution is binding upon the entity for which he or she is executing this document.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the dates set forth below.

ORANGE COUNTY SANITATION DISTRICT

By _____
Troy Edgar,
Chairman of the Board

Date _____

ATTEST:

Maria Ayala
Clerk of the Board

APPROVED AS TO FORM:

Brad Hogin
General Counsel

EAST ORANGE COUNTY WATER DISTRICT

By _____
William VanderWerff
President of the Board of Directors

Date _____

ATTEST:

APPROVED AS TO FORM:

Joan Arneson
General Counsel

EXHIBIT "A"

SERVICE AREA 7

EXHIBIT "B"

QUITCLAIM DEED

Attachment 1 of Exhibit B

Attachment 2 of Exhibit

**LOCAL SEWER FACILITIES
TRANSITIONAL SERVICES AGREEMENT**

THIS LOCAL SEWER FACILITIES TRANSITIONAL SERVICES AGREEMENT ("Agreement") is made this ____ day of _____, 2014 ("Effective Date") by and between the ORANGE COUNTY SANITATION DISTRICT ("OCSD"), a duly organized County Sanitation District existing pursuant to California Health and Safety Code section 47000 *et seq.*, and the EAST ORANGE COUNTY WATER DISTRICT ("EOCWD"), a duly organized County Water District existing pursuant to California Water Code section 30000 *et seq.* OCSD and EOCWD are sometimes hereinafter individually referred to as "Party" and hereinafter collectively referred to as "Parties".

RECITALS

WHEREAS, Pursuant to the Local Sewer Facilities Transfer Agreement by and between the Parties dated ____ __ 2014, OCSD agreed to transfer to EOCWD its ownership of certain local sanitary sewer lines and appurtenant facilities located in Service Area 7 ("Local Sewer Facilities"), which are more particularly described and delineated in Exhibit "A" attached hereto and incorporated herein by reference;

WHEREAS, EOCWD has agreed to acquire ownership and assume responsibility for the ongoing operation and maintenance of the Local Sewer Facilities;

WHEREAS, Orange County Local Agency Formation Commission approval of a reorganization proposal is necessary to perfect the transfer of the Local Sewer Facilities ("LAFCO Approval");

WHEREAS, upon transfer of the Local Sewer Facilities to EOCWD, OCSD is willing to provide EOCWD, on a fee for service basis, technical assistance and other staff resources to assist EOCWD assume responsibility for the ongoing operation and maintenance of the Local Sewer Facilities ("Transitional Services"); and

WHEREAS, EOCWD is willing to reimburse OCSD, on a fee for service basis, for the provision of such Transitional Services.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises set forth herein, the Parties agree as follows:

1. Recitals. The recitals set forth above are true and correct and are incorporated into this Agreement.

2. Provision of Transitional Services by OCSD. Upon the effective date of the LAFCO Approval, and the successful transfer of the Local Sewer Facilities, OCSD shall provide Transitional Services to EOCWD as follows:

a. As may be requested by EOCWD, OCSD shall assist EOCWD in developing a maintenance schedule for the Local Sewer Facilities or relinquish OCSD's current schedule.

b. As may be requested by EOCWD, OCSD shall provide its expertise and training for the EOCWD's evaluation of current "trouble spots" in the sanitary sewer collection system and clean them until ____, 20__, or until such earlier time as the EOCWD will have established its own crew.

c. OCSD shall provide emergency "call-out" response services and training, as needed, to EOCWD employees for first response during a possible SSO until January 1, 2015, or until such earlier time as the EOCWD will have established its own crew.

d. OCSD shall provide Fats, Oils and Grease (FOG) program oversight and enforcement until ____, 20__, or until such earlier time as the EOCWD can acquisition staff for the program.

3. EOCWD's Specific Obligations.

a. EOCWD shall assign no less than one EOCWD employee to respond to call-outs and join in first response with OCSD during a possible SSO for training purposes.

b. EOCWD shall assign no less than one EOCWD employee to accompany OCSD during cleaning of sanitary sewer collection "trouble spots."

c. EOCWD shall reimburse OCSD per the Fee Schedule, as may be amended annually by OCSD, attached hereto at Exhibit "A", and incorporated herein, for the provision of any Transitional Services provided by OCSD to EOCWD pursuant to this Agreement.

4. Timing of Reimbursement. OCSD shall perform quarterly accountings to determine the amount owed by EOCWD pursuant to this Agreement on the 15th of July and October 20__, and January ____. Upon completion of each accounting, an invoice, along with the accounting or a summary thereof, shall be submitted to EOCWD for the amount due, which amount shall be paid within forty-five (45) days of receipt of billing. All such amounts are delinquent if unpaid sixty (60) days after the date of invoice. Any charge that becomes delinquent shall have added to it a penalty in accordance with the following:

a) Sixty-one (61) days after date of invoice, a basic penalty of ten percent (10%) of the base invoice amount, not to exceed a maximum of \$1,000.00; and

b) A penalty of one and one-half percent (1.5%) per month of the base invoice amount and basic penalty shall accrue from and after the sixty-first (61st) day after date of invoice.

Notwithstanding the foregoing, in the event EOCWD disputes any of the charges upon inspection of the quarterly OCSD invoice, EOCWD shall promptly notify OCSD in writing and shall pay the undisputed charges in accordance with this Section 5. No penalty shall be imposed on the disputed amounts until the Parties have resolved the dispute.

5. Independent Contractors. The Parties' relationship to each other in the performance of this Agreement is that of independent contractors. OCSD's personnel performing services under this Agreement shall at all times be under OCSD's exclusive direction and control and shall be employees of OCSD and not employees of EOCWD. EOCWD's personnel performing services under this Agreement shall at all times be under EOCWD's exclusive direction and control and shall be employees of EOCWD and not employees of OCSD.

6. Agents. Any contractor or subcontractor performing work in connection with the work described herein on behalf of either Party shall be conclusively deemed to be the servant and agent of each respective Party for whom the work is being performed.

7. Notices. All notices or other communications required or permitted hereunder shall be in writing and shall be personally delivered, sent by registered or certified mail, postage prepaid, return receipt requested, or delivered or sent by electronic transmission, and shall be deemed received upon the earlier of: (i) the date of delivery to the address of the person to receive such notice if delivered personally or by messenger or overnight courier; (ii) three (3) business days after the date of posting by the United States Post Office if by mail; or (iii) when sent if given by electronic transmission. Any notice, request, demand, direction, or other communication sent by electronic transmission must be confirmed within forty-eight (48) hours by letter mailed or delivered. Notices or other communications shall be addressed as follows:

To OCSD: Orange County Sanitation District
10844 Ellis Avenue
Post Office Box 8127
Fountain Valley, CA 92708-7018
Attn: General Manager

To EOCWD: East Orange County Water District
185 North McPherson Road
Orange, CA 92869-3720
Attn: General Manager

Either Party may from time to time, by written notice to the other, designate a different address and/or person which shall be substituted for the one above specified, and/or specify additional parties to be notified.

8. Jurisdiction. In the event of a dispute regarding performance or interpretation of this Agreement, the venue for any action to enforce or interpret this Agreement shall lie in the Superior Court of California for Orange County.

9. Term and Termination. This Agreement shall expire _____, 20__ unless earlier terminated. The Parties may mutually agree in writing to extend the term of this Agreement. Either Party may terminate this agreement for any reason by providing thirty (30) days written notice to the other Party.

10. Governing Law. This Agreement shall be governed by the laws of the State of California.

11. Entire Agreement. This Agreement constitutes the entire understanding and agreement between the Parties and supersedes all previous negotiations between the Parties pertaining to the subject matter thereof.

12. Waiver. A waiver of a breach of the covenants, conditions or obligations under this Agreement by either Party shall not be construed as a waiver of any succeeding breach of the same or other covenants, conditions or obligations of this Agreement.

13. Modification. Alteration, change or modification of this Agreement shall be in the form of a written amendment, which shall be signed by each Party.

14. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be invalid under the applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of that provision, or the remaining provisions of this Agreement.

15. No Obligation to Third Parties. Execution and delivery of this Agreement shall not be deemed to confer any rights upon others, directly, indirectly or by way of

subrogation, and shall not obligate either of the Parties hereto to any person or entity other than each other and their respective affiliates.

16. Successors. This Agreement and the provisions contained herein shall be binding upon and inure to the benefit of OCSD, EOCWD, and their respective heirs, executors, administrators, personal representatives, successors and assigns.

17. Indemnification.

a. EOCWD shall indemnify, defend and hold harmless OCSD, its officers, directors, employees and agents from and against any and all claims, actions, damages, liabilities and expenses (including attorney's fees and reasonable expenses for litigation or settlement) for any loss or damage, including death, bodily injury or damage to or loss of use of property, caused by negligent acts or omissions or willful misconduct by the EOCWD, its officers, directors, employees and agents in connection with or arising out of the performance of this Agreement.

b. OCSD shall indemnify, defend and hold harmless EOCWD, its officers, directors, employees and agents from and against any and all claims, actions, damages, liabilities and expenses (including attorney's fees and reasonable expenses for litigation or settlement) for any loss or damage, including death, bodily injury or damage to or loss of use of property, caused by negligent acts or omissions or willful misconduct by OCSD, its officers, directors, employees and agents in connection with or arising out of the performance of this Agreement.

18. Authorization. Each of the undersigned represents and warrants that he or she is duly authorized to execute and deliver this Agreement and that such execution is binding upon the entity for which he or she is executing this document.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the dates set forth below.

ORANGE COUNTY SANITATION DISTRICT

By _____
James D. Herberg,
General Manager

Date _____

ATTEST:

Maria Ayala
Clerk of the Board

APPROVED AS TO FORM:

Brad Hogin
General Counsel

EAST ORANGE COUNTY WATER DISTRICT

By _____
William VanderWerff
President of the Board of Directors

Date _____

ATTEST:

APPROVED AS TO FORM:

Joan Arneson
General Counsel

EXHIBIT "A"

FEE SCHEDULE

OCSD Employee Title or Functional Unit*	Billing Rate
Monthly FOG Program Costs	\$9,350/month
Hourly Sewer Line/"Trouble Spot" Cleaning Crew Cost – Regular Time	\$200/hr.
Hourly Emergency Call-Out* 2-Man Crew Cost – Overtime	\$300/hr.

*OCSD shall be under no obligation to provide the above-referenced services to EOCWD beyond _____, 20__.

**Emergency Call-Out requires a minimum of three Overtime Hours per Emergency Response to Sanitary Sewer Overflows or other Emergency Responses (3 X \$300 = \$900).

[On OCSD Letterhead]

[Date]

Ms. Susan Wilson, Chair
Orange County LAFCO
12 Civic Center Plaza Room 235
Santa Ana, CA. 92701

**RE: Letter in Support of East Orange County Water District
Reorganization Application**

Dear Chair Wilson,

On behalf of the Orange County Sanitation District ("OCSD"), I am sending this letter to you, with copies to the OC LAFCO commissioners, to express OCSD's support of the East Orange County Water District ("EOCWD") Reorganization Application.

The OCSD Five-Year Strategic establishes as a goal the transfer back to cities and sanitary districts local sewer assets that are not serving a true regional purpose. In furtherance of this goal, OCSD has negotiated an agreement to transfer its ownership of local sewer lines and appurtenant facilities located in OCSD Service Area 7 to EOCWD. The terms and conditions applicable to the proposed transfer are memorialized in the Local Sewer Facilities Transfer Agreement ("Transfer Agreement") entered into between OCSD and EOCWD on _____, 2014.

Again, on behalf of OCSD, I urge OC LAFCO to approve the EOCWD Reorganization Application, and ask that such approval incorporate the Transfer Agreement terms and conditions.

Very truly yours,

James D. Herberg, General Manager

cc: OC LAFCO Commissioners

NO FEE DOCUMENT
Government Code § 6103

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

ORANGE COUNTY SANITATION DISTRICT
P. O. Box 8127
Fountain Valley, California 92728
Attn: Clerk of the Board

The Space Above This Line Reserved For Recorder's Use Only

QUITCLAIM DEED

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which is hereby acknowledged, the ORANGE COUNTY SANITATION DISTRICT, a County Sanitation District organized under the laws of the State of California ("GRANTOR"), does hereby release, remise, and quitclaim to the EAST ORANGE COUNTY WATER DISTRICT, a County Water District organized under the laws of the State of California ("GRANTEE"), all its right, title and interest in the real property, sewer lines and appurtenant sewer facilities described and depicted in Attachment "1" and shown visually in Attachment "2", appended hereto and made a part hereof (collectively, "Local Sewer Facilities") SUBJECT TO THE FOLLOWING DISCLAIMER:

No Warranty of Title or Condition

Grantor makes no warranty or representation of any kind regarding its title to the Local Sewer Facilities, the condition of the Local Sewer Facilities or the suitability of the Local Sewer Facilities for any purpose. Grantee has been granted an opportunity to fully inspect the Local Sewer Facilities and has done so. Grantee accepts the Facilities "as is".

IN WITNESS WHEREOF, this Quitclaim Deed has been executed by the Parties hereto.

[Signatures on the following page.]

EAST ORANGE COUNTY WATER DISTRICT

By:_____

Printed Name: William VanderWerff

Title: President of the Board of Directors

Date: _____

EAST ORANGE COUNTY WATER DISTRICT

By:_____

Printed Name: Joan Arneson

Title: Secretary

Date: _____

ORANGE COUNTY SANITATION DISTRICT

By:_____

Printed Name: Troy Edgar

Title: Chair of the Board of Directors

Date: _____

ORANGE COUNTY SANITATION DISTRICT

By:_____

Printed Name: Maria Ayala

Title: Clerk of the Board

Date: _____

ATTACHMENT "1"

Description of Local Sewer Facilities

ATTACHMENT "2"

Visual Depiction of Local Sewer Facilities

EXHIBIT "A"

INDEMNIFICATION AGREEMENT

As part of this application, applicant and real party in interest, if different, agree to defend, indemnify, hold harmless, and release the Orange County Local Agency Formation Commission, its agents, officers, attorneys, and employees from any claim, action, or proceeding brought against any of them, the purpose of which is to attack, set aside, void, or annul the approval of this application or adoption of the environmental document which accompanies it. This indemnification obligation shall include, but not be limited to, damages, costs, expenses, attorney fees, or expert witness fees that may be asserted by any person or entity, including the applicant, arising out of or in connection with the approval of this application, whether or not there is concurrent passive or active negligence on the part of the Orange County Local Agency Formation Commission, its agents, officers, attorneys, or employees.

Executed at _____, California on __ day of _____, 2008.

APPLICANT

By: _____

Title: _____

Mailing Address: _____

REAL PARTY IN INTEREST (If different from Applicant)

By: _____

Title: _____

Mailing Address: _____

Original Adoption Date: 2/10/1999
Date of Last Review: 2/13/2013
Date of Last Revision: N/A



APPROVED
November 20, 2013

5 year strategic plan

NOVEMBER 2013

ORANGE COUNTY SANITATION DISTRICT

ORANGE COUNTY SANITATION DISTRICT

five year strategic plan

NOVEMBER 2013





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board of directors

The strategic planning effort starts with the Board of Directors setting overall policy and priorities for the Sanitation District. Based on that policy direction, staff develops the annual operational plan and budget.

Anaheim
Lucille Kring

Brea
Brett Murdock

Buena Park
Fred Smith

Costa Mesa Sanitary District
James M. Ferryman

Cypress
Prakash Narain

Fountain Valley
Steve Nagel

Fullerton
Gregory Sebourn

Garden Grove
Steve Jones

Huntington Beach
Joe Shaw

Irvine
Steven Choi

Irvine Ranch Water District
John Withers

La Habra
Tom Beamish

La Palma
Peter Kim

Los Alamitos
Troy Edgar
(Board Chair)

Midway City Sanitary District
Tyler Diep

Newport Beach
Keith Curry

Orange
Teresa Smith

**Orange County
Board of Supervisors**
Janet Nguyen

Placentia
Scott Nelson

Santa Ana
David Benavides

Seal Beach
Michael Levitt

Stanton
David Shawver

Tustin
John Nielsen

Villa Park
Brad Reese

Yorba Linda
John Anderson
(Vice Chair)

message from the general manager



In 2014, the Orange County Sanitation District will celebrate 60 years of protecting the public's health and the environment. Over those years, OCSD in partnership with our member cities and agencies has provided reliable and cost effective service to our ratepayers. OCSD's level of service has evolved from the 30 million gallons per day of primary wastewater treatment in 1954 to the 210 million gallons of secondary treated wastewater that we produce today.

In 2007, the Board of Directors and staff charted a course for the future through the development of the agency's first Five-Year Strategic Plan. We committed to the execution of that plan and implementation of the goals necessary to achieve success. This year, I am pleased to report that over the past six years, we completed thirty-eight strategic goals and made strides to improve technical operations, biosolids management, odor control, and regulatory compliance. Building on this success, the District's Board of Directors and staff are charting the future through the development and execution of this 2014 Strategic Plan.

This Strategic Plan envisions an organizational culture that adheres to our core values and makes efficient and effective use of all available resources. Through a newly developed Vision Statement, I am committed to focusing our efforts on customer service, protecting public health and the environment, fiscal responsibility, communications, partnering with others and creating the best possible workforce. This focus will be achieved through the goals laid out in this plan which focuses our collective efforts and provides alignment from the Board of Directors to our management staff.

OCSD is a world-renowned organization, and our team is regarded as leaders in our industry with significant achievements over the years. In the past 10 years alone, we partnered with the Orange County Water District to develop the Groundwater Replenishment System, completed full Secondary Treatment, had fewer sewer spills than in the past, significantly improved our safety record, and received numerous wastewater industry awards in every part of our organization. This success is truly a testament to our Board of Directors' leadership and our workforce.

Under the direction of the Board of Directors, I am honored to be leading an agency with a track record of innovation, robust planning, and sound financial management. I look forward to working together to accomplish all of our goals in the years ahead and continuing our successes.

Respectfully submitted,

A handwritten signature in black ink that reads "James Herberg". The signature is fluid and cursive, with the first name "James" being more prominent.

James D. Herberg, General Manager

executive summary

Strategic Planning is as much about the process as it is about the outcome. In working together towards achieving the newly developed vision and developing a path forward OCSD staff, senior management, and Board of Directors and Alternates came together in a spirit of partnership. They gained a better understanding of the Agency's opportunities, challenges, and the expertise and commitment of its staff. We are proud of the inclusiveness of our process and the consensus that we achieved. The culture of teamwork and consensus will provide a strong foundation for us to continue to work together, in partnership with our stakeholders, toward realizing our vision and delivering on priorities.

This year marks the beginning of a new Five-Year Strategic Plan for 2014 through 2019 supported through a newly crafted Vision Statement. Each year, the plan will be reassessed, updated, and submitted for approval by the Board of Directors.

As a result of two Strategic Planning workshops, individual Board interviews, employee and management focus groups, eight new strategic goals were identified and modifications to six of OCSD's service levels are contained in this Plan.

Strategic Goals:

1. Odor Control – Completion of the Odor Control Master Plan.
2. Future Biosolids Management Options – Study biosolids management options including 3rd party contracts and onsite capital facilities.
3. Energy Efficiency – Continue to research new energy efficiency and energy conversion technologies.
4. Disinfection of Ocean Discharge – Develop an implementation plan including the technical, financial and societal factors associated with cessation of disinfection of the ocean discharge.
5. Local Sewer Transfers – Complete the transfer of 174 miles of local sewers serving parts of Tustin and unincorporated areas north of Tustin and local sewer transfers in the City of Santa Ana.
6. Legislative Advocacy and Public Outreach – Develop a unified legislative advocacy and public outreach program.
7. Future Water Recycling – Determine partnerships, needs, strategies, benefits and costs associated with recycling of Plant No. 2 effluent water.
8. Workforce Planning and Workforce Development – This initiative is ongoing and part of a comprehensive workforce planning and development effort to ensure we have the right people with the right skills and abilities, in the right place, at the right time.

executive summary

Modifications to Levels of Service:

- Urban Runoff – Establish a new level of service target of up to 10 million gallons per day.
- Maximum offsite odor impacts – Treatment Plant No. 1 – Deletion of the dilution to threshold level of service until the scheduled Odor Control Master Plan has been updated.
- Maximum offsite odor impacts – Treatment Plant No. 2 - Deletion of the dilution to threshold level of service until the scheduled Odor Control Master Plan has been updated.
- Number of odor incidents/events: Collection System – Establish new level of service from 34 to 12 based on historical data.
- GWRS – Reword the existing level of service from a specific number of million gallons to, provide 100 percent of the specification effluent available to the Groundwater Replenishment System to maximize full production of purified water.
- Biosolids – modifications to the following levels of service:
 - o Delete - Maintain National Biosolids Partnership Certification of Biosolids Environmental Management System. This is an operational standard and will continue to take place.
 - o Delete - Percent of biosolids recycled and percent of biosolids to landfill. This performance measure will be replaced with: Tons of biosolids to landfill through 2017 Peak Production period.



Wastewater is transported through the 570 miles of sewers throughout a service area of close to 500 square miles and enters into the headworks at either Plant No. 1 in Fountain Valley or Plant No. 2 in Huntington Beach.

strategic planning framework

The planning framework illustrated below shows how OCSD staff and the Board of Directors play a critical role in strategic planning and resource allocation.



our mission statement

The Mission Statement is the basic foundation that defines why we exist.

***“We protect public health
and the environment
by providing effective
wastewater collection,
treatment, and recycling.”***



vision statement

The Vision Statement supports the Mission Statement by expressing a broad philosophy of what the Orange County Sanitation District strives to achieve in the delivery of services to our customers, vendors, other agencies, the general public, and each other.

ORANGE COUNTY SANITATION DISTRICT WILL BE A LEADER IN:

- Providing reliable, responsive and affordable services in line with **customer** needs and expectations.
- **Protecting** public health and the environment utilizing all practical and effective means for wastewater, energy, and solids resource recovery.
- Continually seeking **efficiencies** to ensure that the public's money is wisely spent.
- **Communicating** our mission and strategies with those we serve and all other stakeholders.
- **Partnering** with others to benefit our customers, this region, and our industry.
- Creating the best possible **workforce** in terms of safety, productivity, customer service, and training.

core values

The Core Values support the Mission and Vision Statements by expressing the values, beliefs, and philosophy that guides our daily actions. They help form the framework of our organization and reinforce our professional work ethic.

Honesty, Trust and Respect

We aspire to the highest degree of integrity, honesty, trust, and respect in our interaction with each other, our suppliers, our customers, and our community.

Teamwork and Problem Solving

We strive to reach OCSD goals through cooperative efforts and collaboration with each other and our constituencies. We work to solve problems in a creative, cost-effective and safe manner, and we acknowledge team and individual efforts.

Leadership and Commitment

We lead by example, acknowledging the value of our resources and using them wisely and safely to achieve our objectives and goals. We are committed to act in the best interest of our employees, our organization, and our community.

Learning/Teaching

We continuously develop ourselves, enhancing our talents, skills, and abilities, knowing that only through personal growth and development will we continue to progress as an agency and as individuals.

Recognition/Rewards

We seek to recognize, acknowledge, and reward contributions to OCSD by our many talented employees.

risk register 2013

The Risk Register is an annual compilation of the various risks, opportunities and continuity challenges facing the Orange County Sanitation District determined by our management team. As the world dealt with a variety of crises last year (building collapses, Hurricane Sandy, drought and wildfires) OCSD management identified a larger number of risks directly related to our infrastructure and ongoing services. However, management did agree on our single biggest risk, earthquake and its associated impacts.

The 2013 Risk Register Update identified these as the top risks:

- **Seismic event damages infrastructure** – reflecting the concern that an earthquake, of the sort anticipated to strike Southern California eventually, may have an impact on OCSD facilities.
- **Interruption of chemical supply in event of disaster** – pointing to the need OCSD has for a reliable, continuing supply of chemicals to treat wastewater even in the aftermath of a disaster which might interrupt highways or other modes of transportation.
- **Electric failures or fire (including after a disaster) interrupt power** – underlining the concern that a disaster or event may cause electrical problems which impact the District's ability to treat wastewater continuously.

The top opportunities for the 2013 update are:

- **As employees leave, restructure staffing to become more efficient** – referring to the many employees who are eligible for retirement, and the opportunity to look at staffing needs thereafter.
- **Focus on main mission without other endeavors leading to higher rates** – an opportunity to stick to the core purpose so that costs are kept in line.

The major underrated continuity challenges include:

- **Pipelines damaged or severed after earthquake** – focusing on the many hundreds of miles of pipelines that the District has underground in the county, and the challenge of continuing to serve customers after an earthquake has shaken the pipelines.
- **Insufficient disaster preparedness** – expressing the sense that exercises, although held in the past, should be more frequent and responsive to OCSD's risk and continuity challenges.

Staff is developing plans to mitigate the risks and continuity challenges, and to take advantage of the opportunities. OCSD's Risk Management division released a schedule of "table top exercises" designed to respond to the top risks and challenges, and held an exercise focused on the possible interruption of electrical power after a disaster. An exercise is also planned to consider how to respond to the potential disjunction and relocation of pipelines in an earthquake. As for opportunities, OCSD's General Manager has directed, as part of this Strategic Plan, that comprehensive workforce planning activities be designed and implemented.

strategic goals and levels of service

The Orange County Sanitation District developed eight strategic goals to support the new vision of the 2014 OCSD Board of Directors and Executive Management Team. The levels of service are key performance indicators in achieving the overall vision.

Providing Exceptional Customer Service

- Providing reliable, responsive and affordable services in line with **customer** needs and expectations.
1. **Odor Control** - Completion of the Odor Control Master Plan to make sure the District's investment is current and, if needed, future process systems will produce the benefits intended.
Target completion in FY 15-16.

Levels of Service to support Customer Service:

- Odor complaint response: Treatment Plants within 1 hour
- Odor complaint response: Collections System within 1 working day
- Number of odor incidents/events: Reclamation Plant No. 1 – Zero (0) under normal operating conditions
- Number of odor incidents/events: Treatment Plant No. 2 – Zero (0) under normal operating conditions
- Number of odor incidents/events: Collection System (12)
- Respond to public complaints or inquiries regarding construction projects within 1 working day
- New connection permits processed within 1 working day
- Respond to all biosolids contractor violations within a week of violation notice

Protecting Public Health

- Protecting public health and the environment utilizing all practical and effective means for wastewater, energy, and solids resource recovery.
2. **Future Biosolids Management Options** - Study biosolids management options including 3rd party contracts and onsite capital facilities for mid-term and long-term approaches beginning in 2016-2017.
Target for completion in FY 15-16.
 3. **Energy Efficiency** - The District will research new energy efficiency and energy conversion technologies to maximize energy efficiency, reduce operating costs, minimize environmental impact, and replace assets that are at the end of their useful lives. *Target for completion in FY 17-18.*



OCSD owns and operates \$6.2 billion in infrastructure assets. Through these assets OCSD collects, treats, and either reuses or safely discharges 210 million gallons per day of wastewater.

strategic goals and levels of service

Levels of Service in support of Protecting Public Health:

- Receive and treat, free of fees, up to 10 MGD of dry weather urban runoff diversion flows
- Air emissions health risk to community and employees, per one million people (for each treatment plant). Target: <10
- No Notices of Violation (NOVs) with air, land, and water permits
- Respond to collection system spills within 1 hour
- Sanitary sewer spills per 100 miles, less than 2.1 as the industry average
- Contain sanitary sewer spills within 5 hours
- Meet secondary treatment standards: 25 BOD-C (mg/L)
- Meet secondary treatment standards: 30 TSS (mg/L)
- Frequency of unplanned use of emergency one-mile (78-inch diameter) outfall (per year during dry weather). Target: 0 times
- Tons of biosolids to landfill through 2017 Peak Production period (less than 100 tons)
- Thirty-day geometric mean of total coliform bacteria in effluent after initial dilution of 250:1 (mpn)
- Compliance with core industrial pretreatment requirements

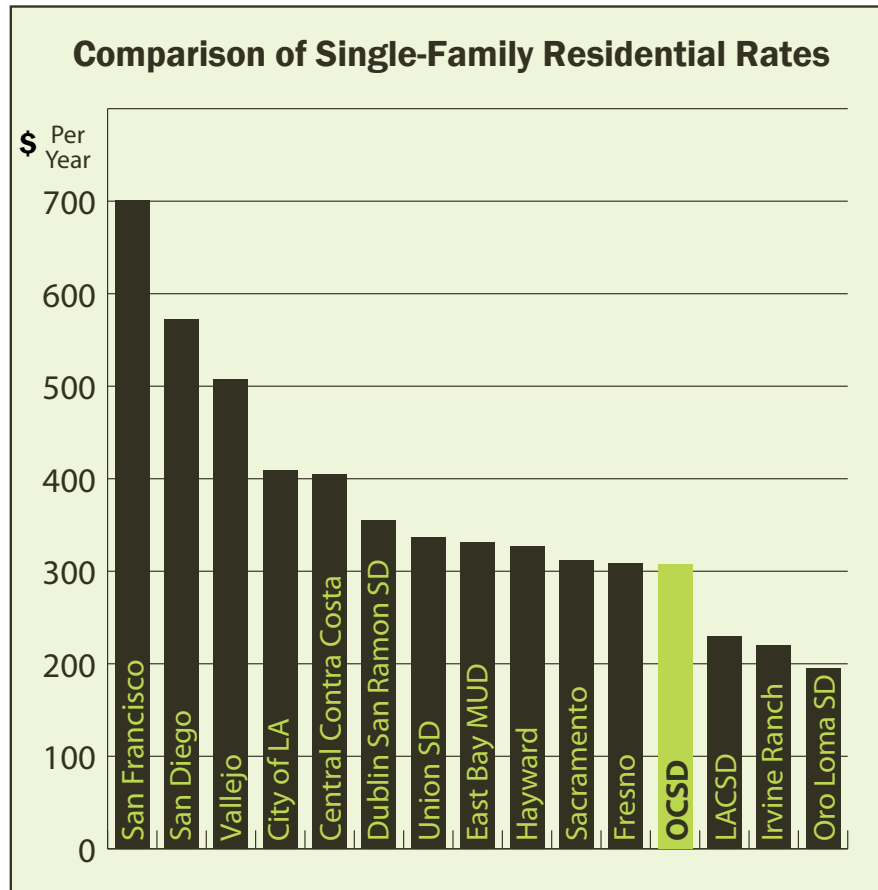
Managing and Protecting the Public's funds

- Continually seeking efficiencies to ensure that the public's money is wisely spent.
- 4. **Disinfection of Ocean Discharge** – Continue discussions with the regulatory agencies and the environmental groups to gauge the response and stance related to the cessation of disinfection of the ocean discharge. Bring forward to the Board of Directors an implementation plan including the technical, financial, and societal factors associated with this decision.
Target for completion in FY 13-14.
- 5. **Local Sewer Transfers** – Complete transfer of 174 miles of local sewers serving parts of Tustin and unincorporated areas north of Tustin and local sewer transfers in the City of Santa Ana to be concluded by December 31, 2013. Following those, no further local sewers to be transferred at the initiation of OCSD. If a local jurisdiction is interested in OCSD transferring sewers, each request will be considered on an individual basis assuming the sewers meet the requirements identified.
Target for completion in FY 13-14.

Levels of Service to support Managing and Protecting the Public's funds:

- Annual user fees sufficient to cover all O&M requirements
- Actual collection, treatment, and disposal costs per million gallons in comparison with budget
- Maintain AAA Bond Rating

strategic goals and levels of service



Stakeholder Understanding and Support

- Communicating our mission and strategies with those we serve and all other stakeholders.
- 6. **Legislative Advocacy and Public Outreach** – Develop a unified legislative advocacy and public outreach program to deliver our messages and positioning as a leader in the wastewater industry. *Target for completion in FY 13-14.*
- Partnering with others to benefit our customers, this region and our industry.
- 7. **Future Water Recycling Options** – Determine partnerships, needs, strategies, benefits and costs associated with recycling of Plant No. 2 effluent water. *Target for completion in FY 18-19.*

Levels of Service to support Stakeholder Understanding and Support:

- Meet GWRS specification of less than 5 NTU required for Plant 1 secondary effluent (NTU)
- Provide 100 percent of specification effluent available to the Groundwater Replenishment System to maximize full production of purified water.

strategic goals and levels of service

Organizational Effectiveness

- Creating the best possible workforce in terms of safety, productivity, customer service, and training.
8. **Workforce Planning and Workforce Development** – This initiative is ongoing and part of a comprehensive workforce planning and development effort to ensure we have the right people with the right skills and abilities, in the right place, at the right time. Target for completion, ongoing.

Levels of Service to support Organizational Effectiveness:

- Employee injury incident rate – per 100 employees (≤ 4.6)
- Meet mandatory OSHA training requirements
- Hours worked since last lost work day ($\leq 1,000,000$)
- Achieve annual agency target of days away from work, days of restricted work activity, or job transferred as a result of a work-related injury or illness (≤ 2.5)
- Training hours per employee (45 per year)



From March 2010 to date, 110 employees left OCSD taking 1,985 years of knowledge and experience with them. Through workforce planning and workforce development OCSD is working to ensure we have the right people with the right skills and abilities in the right place, at the right time.

Pictured above Dickie Fernandez, Associate Engineer; Randa AbuShaban, Associate Engineer; and Aharon Rosenhamer, Senior Mechanic.

appendix A: issue papers

In preparation for the October 2, 2013 Board of Director Strategic Planning Workshop to discuss the proposed goals for 2014, staff prepared eight issue papers related to the new goals. The appendix includes issue papers on the following topics:

1. Odor Control
2. Future Biosolids Management Options
3. Energy Efficiency
4. Disinfection of OCSD's Ocean Discharge
5. Local Sewer Transfers
6. Legislative Advocacy and Public Outreach
7. Future Water Recycling Options
8. Workforce Planning and Workforce Development



The activated sludge secondary treatment facility was the final project to meet the EPA Secondary Treatment Consent Decree. This facility increased secondary treatment capacity at Plant No.1 by 60 million gallons per day.

odor control

Should OCSD update its Odor Control Master Plan to validate the District standards for levels of service, scope and priority for facilities improvements?

Why is this issue important to the District?

Although odors are inherent to wastewater, OCSD maintains a good neighbor policy and not be a odor nuisance to its neighbors. Controlling nuisance odor represents a significant operational and capital expense to OCSD. In 2007, the Levels of Service (LOS) for Odor Control were adopted by the Board as part of the Five-Year Strategic Plan. The District adopted a dilution to threshold (D/T) measurement system for a level of service goal. The standard was set for 14 D/T at Plant No. 1 by 2016 and 17 D/T at Plant No. 2 by 2018. This means that no odors leave the plant boundaries and affect surrounding communities.

Staff believes that offsite odor impacts have been significantly reduced since the adoption of the 2007 LOS Standards. The District is continuing with its collection system chemical dosing program on four of eleven trunklines. This continuous dosing approach helps reduce corrosion and odors in the collection system and headworks of both treatment plants. Additionally, a significant number of projects have been completed, some including new odor control technologies. Projects completed since the 2007 LOS adoption that reduce offsite odor impacts include:

- Steve Anderson Lift Station at Plant No. 1
- Trickling Filters at Plant No. 2
- Headworks Replacement at Plant No. 2
- Solids Thickening and Processing Upgrades at Plant No. 2
- Conversion of the Plant No. 1 Headworks Scrubbers from hydrogen peroxide to bleach.
- Conversion of the Plant No. 2 Primary Scrubbers from hydrogen peroxide to bleach.

The following projects are in the design or construction phases that will further reduce offsite odor impacts:

- Sludge Thickening/Dewatering and Odor Control at Plant No. 1
- Trunk Line Odor Control Improvements at Plant No. 1 Headworks
- Sludge Dewatering and Odor Control at Plant No. 2

Much of the basis for the work originally planned while adopting the current odor control standard was based on engineering studies and assumed process performance for new or altered process technologies. Recent testing of a portion of the installed odor control systems shows their performance differing from planning expectations. Thus, before moving ahead on new odor control projects, further performance assessment of the installed odor systems, including the secondary treatment facilities at both Plants and the new Headworks at Plant No. 2, is appropriate. Also, new odor measurement technologies have been developed since 2007, which may provide a better odor-impact measurement than the current D/T based LOS standard. Staff is proposing to invest the time and effort to conduct a performance assessment of the existing odor systems and potentially develop alternatives for the existing D/T based LOS standards.

Goals

- The performance of completed odor control projects should be thoroughly evaluated to assess the actual performance versus original performance assumptions. (This will be done through an update of the Odor Control Master Plan Project SP-166.)
- Future planned odor control projects involving the following Plant 1 processes - Headworks, Trickling Filter and Primary Basins, and Plant 2 Primary Basins should be combined with Asset Management scopes of work to implement comprehensive refurbishment plans that limit offsite odor impacts on a priority basis.
- Reassess whether dilution to threshold is the most appropriate measurement system. This may include investigating odorant based measurement systems, or shifting the dilution to threshold system to the Engineering Design Guidelines for future comprehensive Asset Management based project designs, or develop a new level of service recommendation as part of the odor control Master Plan (SP-166).
- Assess retaining the odor complaint level of service measurement and reporting system, modifying our goal to achieve no offsite odor complaints during normal process operations.

Desired Outcome

- The District remains committed to being a good neighbor and limiting offsite odor impacts in a comprehensive and cost effective manner. Completion of the Odor Control Master Plan is necessary to make sure the District's investment is current and, if needed, future process systems will produce the benefits intended.



OCSD is committed to being a good neighbor. We are committed to a service level of no more than 12 odor complaints in the collection system and zero complaints under normal operating conditions, for the plant facilities.

future biosolids management options

Should OCSD study potential biosolids management options ahead of the 2016 request for proposals?

Why is this issue important to the District?

OCSD's biosolids management contract with Synagro expires in December 2016. OCSD has sent up to half of its daily biosolids production to Synagro composting facilities in Kern County, California and La Paz County, Arizona since 2002. The last full-scale biosolids management study was completed in 2003. Since that time, new biosolids management options have been developed; the markets for and regulations impacting biosolids management have changed; and the economy has weakened. All of these events have resulted in more biosolids management markets with more competitive pricing.

Although there is an option to renew the Synagro contract, staff recommends studying biosolids management options to ensure that OCSD obtains the most cost effective and efficient process for its future biosolids management. Studying the current market for available biosolids management options prior to selecting a new management option or renewing the contract would ensure that OCSD has the necessary information to implement the best strategy, as well as providing OCSD staff with the knowledge on how to improve the purchasing process or develop a capital project. Due to the large costs involved in biosolids management contracts, staff seeks to develop the fairest process with the most beneficial outcome.

The 2003 Long-Range Biosolids Management Plan resulted in guidelines for the diversification of biosolids products, contractors, and markets to create a sustainable biosolids program. The updated biosolids policy (2013 Board Resolution No. OCSD 2013-03) commits OCSD to a diverse portfolio of biosolids options and to recycle biosolids, among other requirements. A study of current and available biosolids recycling options will assist OCSD in selecting the right option to ensure conformance with the biosolids policy regarding diversity of management options and other criteria.

Ahead of the selection of the next biosolids management option, staff recommends studying mid-term (4-10 years) and long-term (10+ years) strategies for biosolids management available after 2016-17 when the Synagro contract expires, IRWD stops sending solids to OCSD, and centrifuges come online thereby reducing our biosolids production by one-third. The study of biosolids management options will include off-site and on-site facilities, new and established technologies, and biosolids markets, as well as ensuring onsite strategies are aligned with any new recommendations and research.

Goals

- Study available biosolids management options and costs relevant and applicable to OCSD's daily biosolids production;
- Verify available biosolids management options align with new capital facilities and meet established levels of service;
- Identify practical and reasonable biosolids management options considering OCSD's Biosolids Policy and relevant research information;
- Develop a mechanism to allow for short-term demonstrations of viable biosolids management options;
- Develop a strategy to select a management contractor or capital project for biosolids management options in the mid-term and long-term timeframe.

Desired Outcome

- OCSD will have a clear mid-term and long-term strategy for biosolids management options (beginning after fiscal year 2016-2017) when the existing composting contract expires, centrifuges begin operation, and daily biosolids production is reduced by one-third. Consider on-site options.
- Maintain a sustainable biosolids management program in accordance to OCSD's Biosolids Policy that includes diversification of products, markets, and contractors.



OCSD takes pride in our strict oversight of our Biosolids contractors. Biosolids Inspector, Leyla Perez, interviewing South Kern Compost Manufacturing Facility staff during regular inspection. About one-third of our biosolids are turned to compost here.

energy efficiency

Should OCSD continue to expand the creation and utilization of renewable energy in wastewater management?

Why is this issue important to the District?

OCSD and its contractors are a significant consumer of energy. Energy is procured in the forms of electricity, natural gas, diesel fuel and gasoline. In addition, the organic sludge recovered in the wastewater treatment process is an energy rich resource which OCSD has been converting into electricity and heat for many years.

OCSD seeks to minimize its overall energy usage and maximize the conversion of sludge to energy. Minimizing energy usage is designed into every project constructed by the OCSD. Capital dollars are expended when a lifecycle payback is calculated for energy efficiency. Variable speed pumping systems, ultra efficient electrical motors, and efficient aeration systems for our Activated Sludge Plants are examples of component selection for long term energy efficiency. Energy utilization is a significant factor in process technology selection when unit processes are added or replaced. Examples of this include using Trickling Filters rather than Activated Sludge Plants, and creative designs to replace collection system pump stations with gravity lines. Transportation fuels are also optimized by selection of advanced technology options. OCSD is investing in biosolids dewatering technology to reduce diesel costs and emissions for hauling biosolids.

OCSD is also a leader in the conversion of organic sludge to energy. OCSD has operated anaerobic digestion which uses bacteria to convert sludge to methane gas. The methane has been used to fire boilers and generators. The reduction of sludge volume and the use of heat to pasteurize the sludge creates a useful fertilizer product with lower volume and corresponding diesel fuel input to haul the product to farms.

Goals

- Complete the fuel cell research evaluation and make a recommendation to the Board of Directors.
- Continue to design energy efficiency into every project.
- Search for new research opportunities to improve conversion of organic sludge to energy.
- Search for new research opportunities to optimize processes energy and to minimize hauling energy.

Desired Outcome

- Reaffirm the OCSD commitment to leadership in energy efficiency and energy conversion from organic sludge to electricity, gas, and useful heat.

disinfection of OCSD's ocean discharge

Should OCSD stop the disinfection of effluent?

Why is this issue important to the District?

During the summer of 1999, stretches of Orange County beaches were closed due to elevated levels of fecal indicator bacteria. In response, Orange County Sanitation District (OCSD) and numerous other organizations conducted extensive studies to determine the source(s) of this contamination. The outcome of these studies recognized several potential sources, including birds, Talbert Marsh and the Santa Ana River discharge, and groundwater contamination. A trunk line near the coast and the effluent plume discharging from the OCSD's 5 mile outfall were also investigated, but were not found to be contributing sources of bacterial contamination. However, in an effort to be proactive and insure protection of public health, in 2002 OCSD began disinfection of its final effluent using chlorine at both treatment plants as a temporary measure to eliminate any uncertainty.

In 2006, OCSD observed degradation of marine life near the ocean outfall. Staff conducted 10 individual studies targeting potential causes for these observed effects. Results showed that the OCSD's use of chlorine for ocean outfall disinfection was highly correlated with the observed effects and is therefore the likely cause of the decline in biological communities near the outfall.

In addition, staff performed a historical analysis using the most recent 14-years of bacterial data from beaches monitored by OCSD in order to assess if public health protection improved since the initiation of OCSD's disinfection of its ocean discharge. The results from this assessment showed that disinfection of OCSD wastewater at an average annual cost of \$4.18 million dollars over the 14 year period had no measurable public health benefit. Regardless of disinfection, bacteria concentrations did not change significantly, either temporally or spatially, at Orange County beaches.

A 2008 review of OCSD's disinfection practices by a 9 member independent panel of experts organized by the National Water Research Institute produced a recommendation to re-evaluate the need for disinfection once full-secondary treatment was achieved. With full secondary treatment now in place, these studies indicate no public health benefit has been gained; there are negative impacts to the biological community near OCSD's ocean outfall and going forward disinfection costs OCSD's rate payers approximately \$500,000 annually.

Goal

- Cessation of disinfection of OCSD's effluent.

Desired Outcome

- Requirement to disinfect long outfall removed from our ocean discharge permit.
- Full recovery of marine life around the ocean outfall.

local sewer transfers

Should the Sanitation District continue its efforts to transfer local sewers to member cities and sewerage agencies?

Why is this issue important to the District?

The Strategic Plan of November 2007 recommended transferring back to cities local assets that are not serving a true regional purpose. Successor Strategic Plans reaffirmed this initiative. This allows OCSD to focus staff's full attention on the medium and larger diameter regional sewer pipes and pumping facilities that we own and operate, i.e., our core business.

Background

Since 1984, we have successfully transferred 61 miles of our sewers and 2 pumping facilities to member cities and sewerage agencies. Most recently we transferred 3 miles of local sewers to the City of Anaheim. We anticipate completing the transfer of an additional 174 miles of local sewers serving parts of Tustin and unincorporated areas north of Tustin by December 31, 2013.

OCSD Resolution No. 11-11 provides the criteria for classifying a local facility as compared to a regional facility. Regional facilities transport combined flows from two or more jurisdictions. Local facilities are directly connected to the properties they serve and allow the local utility to assess and collect local fees for service including reserves for future replacement. Local facilities also transport flows within the boundaries of the city or sewerage agency to the point of connection at the downstream OCSD regional sewer.

Discussions are underway with staff in Newport Beach, Huntington Beach, Santa Ana, Orange and Costa Mesa Sanitary District to transfer about 72 miles of sewers and 6 pumping facilities serving only local purposes.

All cities and sewerage agencies must establish appropriate local fees for services as mandated by state regulations. The GM's FY 13/14 Proposed Work Plan recommends that we seek the Board's input on whether to continue to pursue transfers of local sewers and pumping facilities to local sewer agencies.

Desired Outcome

- Gain Board support for the current direction as is or,
- Seek Board input and support for desired changes in the current Resolution or program.

legislative advocacy and public outreach

Should OCSD expand its legislative advocacy and public outreach efforts?

Why is this issue important to the District?

As a special district, we owe it to our ratepayers to keep them apprised of our efforts to accomplish our mission of protecting public health and the environment. A mandated Proposition 218 notice is among the only points of communication that we have with our customers. It is far more effective for OCSD to reach out to the communities we serve throughout the year to describe our cost-management efforts, our budget process, audits, findings, and capital improvement projects.

As the largest regional wastewater utility in Orange County, and the third largest west of the Mississippi River, OCSD recognizes the need for an active state and federal legislative advocacy program to ensure that the interests of the ratepayers and board of directors are protected. Towards that end, staff monitors activities in Sacramento and Washington, D.C., and, with the assistance of our legislative advocates, takes appropriate action to support or oppose legislative initiatives.

A unified legislative advocacy and public outreach program is essential in delivering our messages and positioning the District as a leader in our field.

Goals

- Establish a special committee of the Board of Directors to oversee and guide development of the legislative and public outreach program.
- Develop a legislative advocacy strategic plan to set priorities for state and federal elected official outreach.
- Track bills and legislative activities.
- Identify and pursue grant funding opportunities.
- Analyze and lobby on behalf of proposed legislation that may impact the District.
- Carry out public outreach and legislative advocacy activities in support of the policy guidance contained in the strategic plan.
- Promote What 2 Flush outreach program that educates the public about the importance of infrastructure investment and supports the District's mission to protect the public's health and the environment.

Desired Outcome

- Position OCSD as a leader in innovative solutions to infrastructure issues.
- Secure additional funding for OCSD programs.
- Educate the public about OCSD's purpose, mission, and the services we provide.

future water recycling options

Should OCSD study the possibility of expanding water recycling to Treatment Plant No. 2 in Huntington Beach?

Why is this issue important to the District?

Water demands are forecasted to increase in north and central Orange County, emphasizing the importance of water recycling to boost local water resources and reduce dependence on imported water. Estimated water demands in the OCSD and Orange County Water District service area are projected to increase from approximately 480,000 acre-feet per year up to 558,000 acre-feet per year in 2035 (OCWD, “Long Term Facilities Plan”, 2009). Presently, about one-third of the area’s water demands are supplied with imported water. To bolster local supplies, OCSD and OCWD have jointly sponsored renowned water recycling projects such as the Groundwater Replenishment System and the Green Acres Project. Yet, about half of OCSD’s treated wastewater is lost to ocean disposal. Treated wastewater from OCSD’s Plant No. 2 could be used as source water for water recycling, via groundwater recharge, a purple pipe irrigation system, and/or wetlands restoration. This Project will help OCSD, along with its partner OCWD, determine if Plant No. 2 effluent could be used as feedwater to support expansion of the Groundwater Replenishment System or for a new reclamation facility. More water recycling will help serve Orange County’s escalating water demands, maximizing local water independence, enhancing supply reliability, restoring and protecting wetlands, and shielding against droughts.

Goals

- Develop alternative treatment and utilization alternatives for Plant No. 2 effluent including potential technologies and partnerships;
- Create an evaluation methodology to weigh the benefits, costs, and risks of each alternative;
- Compare alternatives and make recommendations for the best apparent project(s) and partner(s) to be implemented.

Desired Outcome

- OCSD will begin to plan for the highest and best utilization of effluent water at Treatment Plant No. 2.

workforce planning and workforce development

Should OCSD advance the workforce planning and workforce development initiative as a means to ensure workforce capabilities match the work required to meet the mission and levels of service?

Why is this issue important to the District?

OCSD continues to face staffing challenges. Since March 2010 to date, 110 employees have left OCSD taking 1,985 years of knowledge and experience with them. Based on retirement eligibility today, analysis of OCSD core wastewater occupations and management positions indicates potential job replacement rates of over 38% and 57%, respectively. Robust technical skills training and leadership development efforts are in place to deal with the challenges. It is essential that OCSD continues to act on preparing for future staffing needs and ensuring access to qualified applicants while developing the existing workforce.

The workforce planning and workforce development (WFPD) programs position organizations for improved performance by ensuring that workforce capabilities match the work required to meet their mission and levels of service. To that end, it is important to have a diverse, competitive group competing for a position instead of simply hiring the next person in line based on time on the job. This Initiative will continue to help OCSD get the right people with the right skills in the right positions at the right time.

Ongoing efforts aimed at District-wide WFPD activities are necessary to ensure the ongoing delivery of efficient and effective levels of service to meet our mission. Workforce planning reinforces authorized staffing levels while addressing future needs and changing work requirements. Workforce development strengthens the workforce by preparing employees for future opportunities and focusing efforts on growth of technical skills to ensure staff is well-trained.

It is important that WFPD remains an OCSD Strategic Plan Goal for the Board of Directors to emphasize to District management that this issue requires organization-wide attention and resource allocation.

Goals

- Develop and implement workforce plans that ensure critical work is performed, identify new ways to perform work, and meet future workforce needs.
- Enhance OCSD's ability to recruit highly qualified, diverse staff.
- Develop employees to meet workforce demands.
- Actively manage employee performance to ensure OCSD goals are met.
- Create an environment that encourages retention of employees.

Desired Outcome

- Integrate WFPD efforts to ensure workforce capabilities match work required to meet the mission and levels of service.

appendix B summary of accomplishments

Goal	Completed						
	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14
SARI Line Relocation - Work in conjunction with the County of Orange and the Federal Government to relocate the SARI Line by December 31, 2013.							●
Management System for Environmental Compliance - Implement a management control system for environmental compliance information that incorporates a dashboard-style report.	●						
Contaminants of Potential Concern (CPC) - Complete three phase testing and analysis of 550+ CPC, prepare report on findings and recommendations, develop initial source control strategy if they are CPCs identified that require control.	●						
Climate Change/Greenhouse Gases							
Develop an overall strategy for responding to climate change regulations and proactively adapting to the effects of climate change including identification and mitigation of greenhouse gases and adapting to any impacts to our facilities and operations.		●					
Develop models to estimate greenhouse gas and traditional pollutant emissions for determination of our environmental footprint. (Functional predictive greenhouse gas model completed)				●			
Engine Emission Compliance							
Complete study to evaluate alternatives for complying with lower emission limits in the South Coast Air Quality Management's Rule 1110.2. Initiate planning and design of demonstration testing of most promising technology(s) identified in the study.	●						
Implement capital improvements or operational modifications in order to achieve compliance..							●
Providing Ongoing Leadership Development - Maximize the development of a pool of dedicated and talented employees ready to lead OCSD into the future.				●			

summary of accomplishments

Goal	Completed						
	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14
Fuel Cell Evaluation							
Start up 300kW demonstration unit. .				●			
Evaluate cost feasibility of replacing or supplementing CGS engines with fuel cell.							●
Reclaiming Santa Ana River Interceptor Line (SARI) Flows - Meet with stakeholders, develop a list of obstacles that need to be overcome to reclaim the SARI Line and develop a strategy to obtain regulatory approval to reclaim SARI Line flows. This goal was canceled due to inability to obtain regulatory approval.		●					
Sewer Rate for Green Development - Submit for Board approval an amendment to sewer rate ordinance with incentives for green developments.	●						
Complete Facilities Master Plan Update - Complete a comprehensive update of the Facilities Master Plan and obtain Board approval	●						
Enterprise Information Technology Strategic Plan - Complete a District-wide Information Technology Strategic Plan.			●				
Updating OCSD's Risk Register - Review and update OCSD's risk register to include an assessment of technical, regulatory, financial, and political risks (among others) and possible mitigation strategies	●						
Annex Unincorporated Areas - With Board concurrence, annex unincorporated areas onto OCSD's service area.	●						
Review Interagency Agreements - Conduct a comprehensive review of agreements with the Santa Ana Watershed Project Authority and Irvine Ranch Water District, and, if appropriate, reopen for discussion.			●				
Strategic Business Plan - With Board concurrence, annually update and implement the Strategic Plan and Business Plan.				●			

summary of accomplishments

Goal	Completed						
	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14
Business Accountability Charters – Create Business Accountability Charters for each department consistent with those developed by managers and supervisors.				●			
Chemical Supplies – Develop a Chemical Sustainability Plan that provides OCSD with options for obtaining wastewater treatment chemicals during chemical shortages, emergencies or complete stoppages.				●			
Chemical Sustainability - Ensure a reliable and sustainable chemical supply using multiple vendor contracts to reduce the risk of supply disruption while benefiting from competitive pricing.						●	
Full-Cost Recovery 2010-11 - Conduct a comprehensive review of the Sanitation District's Urban Runoff Program to ensure a fair share recovery of costs for services.				●			
Full-Cost Recovery 2012-13 - Implement a direct charging mechanism to recover the full cost of urban runoff treatment starting July 1, 2013 when the new rate structure is in place. This goal was canceled in FY 12-13 to allow additional urban runoff at no cost to the local jurisdiction.						●	
Groundwater Replenishment System - Maximize the production of GWR System product water to augment and protect the Orange County groundwater basin with a goal of 70 mgd.		●					
Sustainable Biosolids Program							
Complete new in-county Compost Take-Back Program Plan Strategy.	●						
Evaluate the feasibility of deep injection/methane recovery including commissioning a study of the geological formations below Plants 1 and 2, and availability and acceptability of any existing wells		●					
Evaluate option of processing some biosolids at the City of Los Angeles Terminal Island demonstration well.		●					
Implement Energy Master Plan – After the completion of the plan, assess final recommendations to ensure adequate power resources and energy management.			●				

summary of accomplishments

Goal	Completed						
	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14
Disinfection of Final Effluent - Develop a cost effective program to sustain protection of public health associated with bacteria in the effluent and incorporate program elements into our NPDES Permit.				●			
Ocean Protection – Undertake studies to determine the cause of benthic community changes near the ocean outfall and take corrective action to return affected areas to reference conditions.					●		
Space Planning Study Recommendations – Complete relocation of staff housed in Information Technology Trailers, Administration Building, Control Center and Building 6.	●						
Improve the Sanitation District Security - Provide long-term security enhancements at both treatment plants and within OCSD's Collection System.	●						
Safety and Health Strategic Plan – Develop and implement a Safety and Health Strategic Plan for all OCSD activities.		●					
Human Resources Strategic Plan - Design, develop and implement human resources policies, practices, systems and tools to ensure OCSD has a workforce that meets future needs of OCSD and the public it serves.		●					
Succession Plan - Implement the Succession Management Plan including management training and the creation of a Leadership Academy.		●					
North County Yard – Open the North County Maintenance Yard and complete the relocation of selected staff and equipment to the facility. Implement flex space for added agency-wide needs as appropriate. This goal was canceled in FY 10-11 and the facility is currently being leased.				●			
Five-Year Rate Plan – Prepare an updated 5-year rate schedule for Board consideration to go into effect July 1, 2013						●	
Sustainable Biosolids Program - Conduct research to reduce the amount of biosolids produced and increase digester gas production						●	

appendix C: glossary

Activated-sludge process—A secondary biological wastewater treatment process where bacteria reproduce at a high rate with the introduction of excess air or oxygen, and consume dissolved nutrients in the wastewater.

Biochemical Oxygen Demand (BOD)—The amount of oxygen used when organic matter undergoes decomposition by microorganisms. Testing for BOD is done to assess the amount of organic matter in water.

Biosolids—Biosolids are nutrient rich organic and highly treated solid materials produced by the wastewater treatment process. This high-quality product can be recycled as a soil amendment on farm land or further processed as an earth-like product for commercial and home gardens to improve and maintain fertile soil and stimulate plant growth.

Business Accountability Charters—A business unit strategic plan.

Capital Improvement Program (CIP)—Projects for repair, rehabilitation, and replacement of assets. Also includes treatment improvements, additional capacity, and projects for the support facilities.

Coliform bacteria—A group of bacteria found in the intestines of humans and other animals, but also occasionally found elsewhere used as indicators of sewage pollution. E. coli are the most common bacteria in wastewater.

Collections system—In wastewater, it is the system of typically underground pipes that receive and convey sanitary wastewater or storm water.

Certificate of Participation (COP)—A type of financing where an investor purchases a share of the lease revenues of a program rather than the bond being secured by those revenues.

Contaminants of Potential Concern (CPC)—Pharmaceuticals, hormones, and other organic wastewater contaminants.

Dashboard—A computer based business tool used to visually track performance.

Dilution to Threshold (D/T)— the dilution at which the majority of the people detect the odor becomes the D/T for that air sample.

1,4-Dioxane—A chemical used in solvents for manufacturing, fumigants and automotive coolant. Like NDMA, it occurs in the Groundwater Replenishment System water and is eliminated with hydrogen peroxide and additional ultra-violet treatment.

Greenhouse gases—In the order of relative abundance water vapor, carbon dioxide, methane, nitrous oxide, and ozone gases that are considered the cause of global warming (“greenhouse effect”).

Groundwater Replenishment (GWR) System—A joint water reclamation project that proactively responds to Southern California’s current and future water needs. This joint project between the Orange County Water District and the Orange County Sanitation District will provide 70 million gallons a day of drinking quality water to replenish the local groundwater supply.

Levels of Service (LOS)—Goals to support environmental and public expectations for performance.

Million gallons per day (mgd)—A measure of flow used in the water industry.

Most Probable Number (MPN)—Number of organisms per 100 ml that would yield a test result or the observed test result with the greatest frequency. Commonly used for coliform bacteria.

NDMA—N-Nitrosodimethylamine is an N-nitrosoamine suspected cancer-causing agent. It has been found in the Groundwater Replenishment System process and is eliminated using hydrogen peroxide with extra ultra-violet treatment.

appendix C: glossary

National Biosolids Partnership (NBP)—An alliance of the National Association of Clean Water Agencies (NACWA) and Water Environment Federation (WEF), with advisory support from the U.S. Environmental Protection Agency (EPA). NBP is committed to developing and advancing environmentally sound and sustainable biosolids management practices that go beyond regulatory compliance and promote public participation in order to enhance the credibility of local agency biosolids programs and improved communications that lead to public acceptance.

O&M—Operations and maintenance of the treatment plants facilities and collections system.

Publicly-owned Treatment Works (POTW)—Municipal wastewater treatment plant.

Recycling—The conversion of solid and liquid waste into usable materials or energy.

Risk Register—An internal document that describes vulnerabilities of the Sanitation District.

Santa Ana River Interceptor (SARI) Line—A regional brine line designed to convey 30 million gallons per day (MGD) of non-reclaimable wastewater from the upper Santa Ana River basin to the ocean for disposal, after treatment.

Sanitary sewer—Separate sewer systems specifically for the carrying of domestic and industrial wastewater. Combined sewers carry both wastewater and urban run-off.

South Coast Air Quality Management District (SCAQMD)—Regional regulatory agency that develops plans and regulations designed to achieve public health standards by reducing emissions from business and industry.

Secondary treatment—Biological wastewater treatment, particularly the activated-sludge process, where bacteria and other microorganisms consume dissolved nutrients in wastewater.

Sludge—Untreated solid material created by the treatment of wastewater.

Total suspended solids (TSS)—The amount of solids floating and in suspension in wastewater.

Trickling filter—A biological secondary treatment process in which bacteria and other microorganisms, growing as slime on the surface of rocks or plastic media, consume nutrients in wastewater as it trickles over them.

Urban runoff—Water from city streets and domestic properties that carry pollutants into the storm drains, rivers, lakes, and oceans.

Wastewater—Any water that enters the sanitary sewer.

Watershed—A land area from which water drains to a particular water body. OCSD's service area is in the Santa Ana River Watershed.



***Strategic Planning
Project Team***

Jennifer Cabral

Principal Staff Analyst

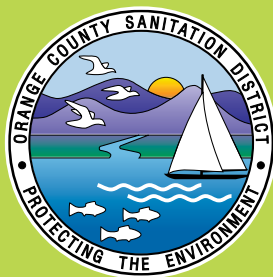
Barbara Collins

Principal Financial Analyst

Gregg Deterding

Graphics Coordinator

Thank you to the entire
management team, staff analysts,
and support staff for your time
and effort on this project.



Reclamation Plant No. 1 (Administration Offices)
10844 Ellis Avenue • Fountain Valley, California 92708 • 714.962.2411

Treatment Plant No. 2
22212 Brookhurst Street • Huntington Beach, California 92646

www.ocsewers.com



Accomplishments

Local Sewer Transfers Completed as of 9-24-13:

<u>Date</u>	<u>City/Agency</u>	<u>Linear Miles</u>	<u>Pump Stations</u>
April 1984	City of Santa Ana	0.25	
July 2003	Irvine Ranch Water District (IBC)	44.0	
July 2003	IRWD—McGaw Pump Station		1
July 2003	IRWD—Michelson Pump Station		1
December 2010	Costa Mesa Sanitary District	3.0	
July 2010	Irvine Ranch Water District	0.1	
August 2010	Tract 3709 near La Mirada	0.8	
September 2010	City of Orange (Phase I)	4.4	
December 2010	City of Anaheim (Euclid)	0.5	
October 2011	CMSD/32 nd Ag (OC Fairgrounds)	5.1	
June 2012	City of Newport Beach (Back Bay)	0.28	
November 2012	City of Huntington Beach (Newland)	0.02	
June 2013	City of Anaheim	<u>3.02</u>	<u>2</u>
Total		61.47	

NJA note:

Local cities and agencies establish local fees consistent with the ir studies and requirements of the state's WDR Order for Sewers issued statewide in 2006.

If needed:

Completing the transfer of the local sewers serving parts of Tustin and adjacent unincorporated areas is expected to be completed by December 31, 2013.



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: LOCAL SEWER TRANSFER – STATUS UPDATE
DATE: MAY 15, 2014

BACKGROUND

As noted last month, OCLAFCO transmitted an April 10th letter outlining six items that will be required to be completed prior to consideration of the application by the OCLAFCO Board, as well as the other studies that OCLAFCO proposes to conduct as a part of their review of the District's proposed Plan of Service. At the time of the production of this memo, District staff was set to discuss some of these items with OCLAFCO staff at a May 13th meeting; a meeting is also scheduled with the Ad-Hoc Consolidation Committee on May 13th to review these discussions.

Attached to this memo is a copy of the letter that the Orange County Sanitation District's General Manager, Jim Herberg, sent to OCLAFCO Commissioners and staff, in support of EOCWD's acquisition of Local Sewer Area #7.

RECOMMENDATION

Information only; no action required.

Orange County Sanitation District

10844 Ellis Avenue, Fountain Valley, CA 92708
(714) 962-2411 www.ocsewers.com

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County of Orange
Costa Mesa
Sanitary District
Midway City
Sanitary District
Irvine Ranch
Water District



March 31, 2014

Mr. Joe Carchio, Chair
Orange County LAFCO
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701-4057

RE: Letter in Support of East Orange County Water District
Reorganization Application

Dear Chair Carchio,

On behalf of the Orange County Sanitation District (OCSD), I am sending this letter to you, with copies to the OC LAFCO commissioners, to express OCSD's support of the East Orange County Water District (EOCWD) Reorganization Application.

The OCSD Five-Year Strategic Plan, approved by our Board, establishes a goal that transfers back to cities and sanitary districts local sewer assets that are not serving a true regional purpose. In furtherance of this goal, OCSD has negotiated an agreement to transfer its ownership of local sewer lines and appurtenant facilities located in OCSD Service Area 7 to EOCWD. The terms and conditions applicable to the proposed transfer are memorialized in the Local Sewer Facilities Transfer Agreement (Transfer Agreement) entered into between OCSD and EOCWD on February 27, 2014.

Again, on behalf of OCSD, I urge OC LAFCO to approve the EOCWD Reorganization Application, and ask that such approval incorporate the Transfer Agreement terms and conditions.

Very truly yours,

James D. Herberg
General Manager

JDH:pe

H:\dept\fss\310\Staff\crafton\My RAS files\Local Sewer Transfer EOCWD\AGREEMENTS\Letter of Support

cc: OC LAFCO Commissioners
C. Emery, OC LAFCO
L. Ohlund, EOCWD



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: WHOLESALE AND RETAIL ZONE WATER DEMANDS – APRIL, 2014
DATE: MAY 15, 2014

Wholesale Zone Water Demands

Attached is a graphical representation of the Wholesale Zone water demand through April 30, 2014. Water sales for the month of April totaled 472.9 AF; total year-to-date sales are 5,798.5 AF. This is a 22 AF or 5% increase in demand from April, 2013.

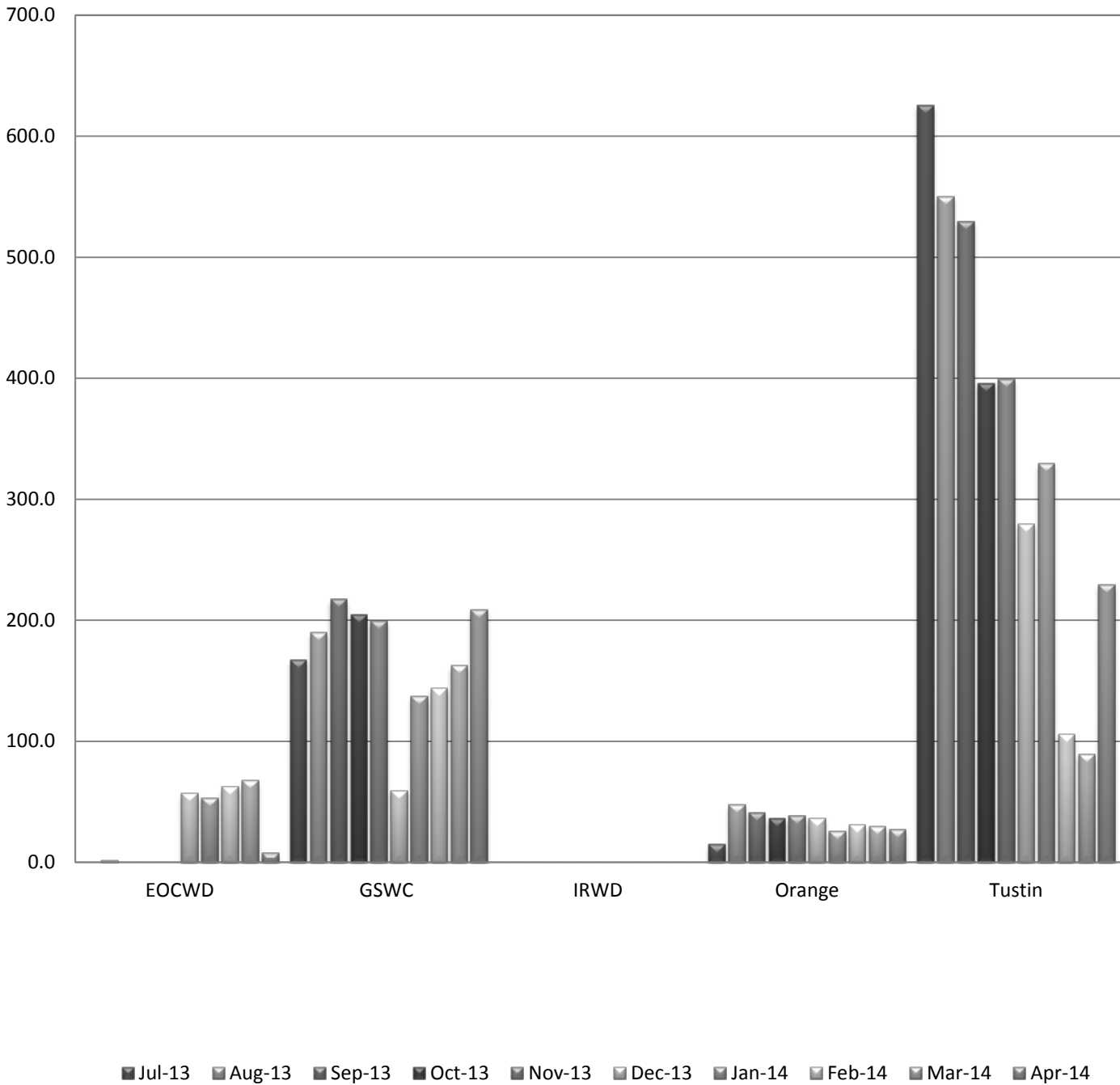
Retail Zone Water Demands

Information pertaining to RZ water demands was unavailable at the time of agenda production; this information will be included in next month's agenda.

Wholesale Zone Water Demand

Total Monthly Sales for April, 2014 = 472.9AF

Total YTD Sales for July - April, 2014 = 5,798.5 AF)



EAST ORANGE COUNTY WATER DISTRICT

**DISBURSEMENT SUMMARY
MAY 15, 2014**

WHOLESALE AND RETAIL BILLS	\$482,894.56
DIRECTOR'S PAYROLL	\$1,866.07
EMPLOYEE'S PAYROLL	\$51,171.48
DISBURSEMENT TOTAL	<u>\$535,932.11</u>

**TRANSFER SUMMARY
MAY 15, 2014**

TRANSFERS	\$ 210,000.00
TRANSFER TOTAL	<u>\$210,000.00</u>

NOTE: THE EXPLANATION OF FUNDS TRANSFERRED IS SHOWN ON THE FUNDS TRANSFERRED SHEET ATTACHED.

Check History Report
Sorted By Check Number
Activity From: 4/11/2014 to 5/7/2014

EAST ORANGE COUNTY WATER DIST (EOC)

Bank Code: A CHECKING- CA BANK & TRUST

Check Number	Check Date	Vendor Number	Name	Check Amount	Check Type
008728	4/14/2014	D176030	DEPT OF PUBLIC HEALTH	1,664.00	Auto
008729	4/15/2014	A464500	AMERICAN WATER WORKS ASSOC	413.00	Auto
008730	4/15/2014	A724082	AT&T	492.61	Auto
008731	4/15/2014	B647368	BRADY	9,071.58	Auto
008732	4/15/2014	D170237	DELTA MOTOR CO, INC	5,992.32	Auto
008733	4/15/2014	H004494	HACH COMPANY	250.09	Auto
008734	4/15/2014	J763147	JUBJUB	1,103.00	Auto
008735	4/15/2014	M179395	MESA WATER DISTRICT	12,660.00	Auto
008736	4/15/2014	M188342	MEYERS NAVE	3,857.63	Auto
008737	4/15/2014	S563332	SOUTHERN CALIFORNIA EDISON	281.13	Auto
008738	4/15/2014	T764656	TRUESDAIL LABORATORIES, INC	119.00	Auto
008739	4/28/2014	A001000	AARK ENGINEERING, INC	875.00	Auto
008740	4/28/2014	B565648	BOWIE ARNESON WILES & GIANNONE	5,434.43	Auto
008741	4/28/2014	CUST RZ	MARTA MAKI	351.92	Auto
008742	4/28/2014	CUSTRZ2	LINH HAI BUI	170.42	Auto
008743	4/28/2014	G017805	GALLADE CHEMICAL	159.41	Auto
008744	4/28/2014	G172337	GENERATOR SERVICES CO, INC	2,205.00	Auto
008745	4/28/2014	G543900	GOLDEN METERS SERVICE	522.59	Auto
008746	4/28/2014	H004494	HACH COMPANY	271.28	Auto
008747	4/28/2014	H147215	HD SUPPLY WATERWORKS, LTD	583.42	Auto
008748	4/28/2014	H781147	HUNT RESOURCES LLC	1,120.00	Auto
008749	4/28/2014	I678193	IRVINE PIPE SUPPLY	108.39	Auto
008750	4/28/2014	K026049	MAIN GRAPHICS	602.95	Auto
008751	4/28/2014	K749340	KTS NETWORK SOLUTIONS, INC	114.50	Auto
008752	4/28/2014	M028769	MATRIX COMPUTER SERVICE	180.00	Auto
008753	4/28/2014	P308710	PCI, LLC	274.76	Auto
008754	4/28/2014	P706224	PSOMAS	1,097.85	Auto
008755	4/28/2014	T002605	TAB ANSWER NETWORK	27.56	Auto
008756	4/28/2014	T764656	TRUESDAIL LABORATORIES, INC	535.00	Auto
008757	4/28/2014	W325309	WINWATER	172.80	Auto
008758	4/28/2014	Y533326	YO FIRE	126.10	Auto
008759	5/7/2014	A435319	ALLCOM	195.00	Auto
008760	5/7/2014	A724082	AT&T	483.62	Auto
008761	5/7/2014	A724083	AT&T	158.10	Auto
008762	5/7/2014	C002110	CA BANK & TRUST	3,473.92	Auto
008763	5/7/2014	C647974	CR&R INC.	49.46	Auto
008764	5/7/2014	CUST RZ	ABDULLAH NASSERZIAYEE	124.57	Auto
008765	5/7/2014	E028422	EAST ORANGE COUNTY WATER DIST.	67,021.40	Auto
008766	5/7/2014	H147215	HD SUPPLY WATERWORKS, LTD	432.26	Auto
008767	5/7/2014	H550882	HOME DEPOT CREDIT SERVICES	1,075.36	Auto
008768	5/7/2014	L56882	LOYOLA MARYMOUNT UNIVERSITY	2,000.00	Auto
008769	5/7/2014	M842327	MWDOC	295,063.01	Auto
008770	5/7/2014	O38146	ORANGE COUNTY LAFCO	300.00	Auto
008771	5/7/2014	P025940	PARADISE DRINKING WATERS	48.90	Auto
008772	5/7/2014	S077326	SC FUELS	788.01	Auto
008773	5/7/2014	S088147	SCHOONOVER ACCOUNTANCY CORP	792.50	Auto
008774	5/7/2014	S178859	SERRANO WATER DISTRICT	4,818.72	Auto
008775	5/7/2014	S563332	SOUTHERN CALIFORNIA EDISON	3,202.69	Auto
008776	5/7/2014	U499787	UNDERGROUND SERVICE ALERT	88.50	Auto
008777	5/7/2014	X178697	XEROX CORPORATION	43.12	Auto
008778	5/7/2014	M842327	MWDOC	51,567.00	Auto
008779	5/7/2014	V178373	VERIZON WIRELESS	330.68	Auto
Bank A Total:				482,894.56	

Check History Report
Sorted By Check Number
Activity From: 4/11/2014 to 5/7/2014

EAST ORANGE COUNTY WATER DIST (EOC)

Bank Code: A CHECKING- CA BANK & TRUST

Check Number	Check Date	Vendor Number	Name	Check Amount	Check Type
Report Total:				482,894.56	

EAST ORANGE COUNTY WATER DISTRICT
CALIFORNIA BANK & TRUST
Prior Month's Checks To Ratify
DIRECTORS' PAYROLL*
MAY 15, 2014

**PAYMENT FOR BOARD AND COMMITTEE MEETINGS IN THE MONTH OF
MARCH 2014**

DATE	CHECK NO	AMOUNT	PAYABLE TO
04/17/14	634	\$388.23	BOARD DIRECTOR
04/17/14	635	\$159.86	BOARD DIRECTOR
04/17/14	636	\$159.86	BOARD DIRECTOR
04/17/14	637	\$673.13	BOARD DIRECTOR - PRESIDENT

<u>\$1,381.08</u>	TOTAL PAYROLL CHECKS

PAYROLL TAXES, ADP CHARGE, AND PERS EFT
(PERS TRANSFERRED WITH EMPLOYEE PAYROLL)

4/17/2014	\$279.86	ADP TAXES
4/17/2014	\$103.55	ADP CHARGE
4/17/2014	\$101.58	PERS ELECTRONIC FUNDS TRANSFER

<u>\$484.99</u>	TOTAL CHARGES & TRANSFER

<u>\$1,866.07</u>	GRAND TOTAL PAYROLL

*** NOTE: DOUG DAVERT DECLINED PAYMENT FOR ALL MEETINGS

*Note: Payroll is processed by ADP (Automatic Data Processing)

EAST ORANGE COUNTY WATER DISTRICT
CALIFORNIA BANK & TRUST
Prior Month's Checks To Ratify
EMPLOYEES' PAYROLL*
MAY 15, 2014

	CHECK DATE	CHECK AMOUNT	PAYABLE TO
AUTO DEPOSIT	4/2/2014	\$ 943.48	WATER DISTRIBUTION I
AUTO DEPOSIT	4/2/2014	\$ 1,869.60	OFFICE MANAGER
AUTO DEPOSIT	4/2/2014	\$ 560.70	OFFICE ASSISTANT
AUTO DEPOSIT	4/2/2014	\$ 1,814.78	MAINTENANCE AND OPERATIONS SUPERINTENDENT
AUTO DEPOSIT	4/2/2014	\$ 1,359.42	GENERAL MANAGER
AUTO DEPOSIT	4/2/2014	\$ 1,464.88	WATER DISTRIBUTION II
AUTO DEPOSIT	4/16/2014	\$ 943.48	WATER DISTRIBUTION I
AUTO DEPOSIT	4/16/2014	\$ 1,794.60	OFFICE MANAGER
AUTO DEPOSIT	4/16/2014	\$ 643.44	OFFICE ASSISTANT
AUTO DEPOSIT	4/16/2014	\$ 1,814.51	MAINTENANCE AND OPERATIONS SUPERINTENDENT
AUTO DEPOSIT	4/16/2014	\$ 1,345.76	GENERAL MANAGER
AUTO DEPOSIT	4/16/2014	\$ 1,464.60	WATER DISTRIBUTION II
AUTO DEPOSIT	4/30/2014	\$ 1,163.00	WATER DISTRIBUTION I
AUTO DEPOSIT	4/30/2014	\$ 1,794.60	OFFICE MANAGER
AUTO DEPOSIT	4/30/2014	\$ 565.87	OFFICE ASSISTANT
AUTO DEPOSIT	4/30/2014	\$ 2,126.78	MAINTENANCE AND OPERATIONS SUPERINTENDENT
AUTO DEPOSIT	4/30/2014	\$ 1,745.12	GENERAL MANAGER
AUTO DEPOSIT	4/30/2014	\$ 1,316.80	WATER DISTRIBUTION II
AUTO DEPOSIT	4/30/2014	\$ 779.78	WATER DISTRIBUTION III
<u>\$ 25,511.20</u>			TOTAL PAYROLL CHECKS

PAYROLL TAXES, ADP CHARGES, AND PERS EFT

4/2/2014	\$4,790.19	ADP TAXES
4/2/2014	\$1,534.56	PERS ELECTRONIC FUNDS TRANSFER
4/2/2014	\$195.80	PERS PEPRA MEMBER
4/2/2014	\$1,325.00	CAL PERS 457 - ING BANK
4/2/2014	\$101.96	ADP CHARGE
4/16/2014	\$4,854.65	ADP TAXES
4/16/2014	\$1,811.27	PERS ELECTRONIC FUNDS TRANSFER
4/16/2014	\$195.80	PERS PEPRA MEMBER
4/16/2014	\$1,400.00	CAL PERS 457 - ING BANK
4/16/2014	\$91.46	ADP CHARGE & ADJUSTMENT
4/30/2014	\$5,579.49	ADP TAXES
4/30/2014	\$2,046.70	PERS ELECTRONIC FUNDS TRANSFER
4/30/2014	\$239.91	PERS PEPRA MEMBER
4/30/2014	\$1,400.00	CAL PERS 457 - ING BANK
4/30/2014	\$93.49	ADP CHARGE & ADJUSTMENT
<u>\$25,660.28</u>		TOTAL TRANSFERS
<u>\$51,171.48</u>		GRAND TOTAL PAYROLL

PAYROLL 4/2/2014	PAYROLL 4/16/2014
\$8,012.86	\$8,006.39
\$7,947.51	\$8,353.18
\$15,960.37	\$16,359.57

PAYROLL 4/30/2014
\$9,491.95
\$9,359.59
\$18,851.54

*Note: Payroll is processed by ADP (Automatic Data Processing)

EAST ORANGE COUNTY WATER DISTRICT
FUNDS TRANSFERRED BETWEEN ACCOUNTS
MAY 15, 2014

<u>DATE</u>	<u>TRANSFER NO</u>	<u>AMOUNT</u>	<u>FROM</u>	<u>TO</u>	<u>REASON FOR FUND TRANSFER</u>
4/17/2014	T33	\$ 210,000.00	CB&T MONEY MARKET	CB&T CHECKING	MOVED EXCESS INTO CHECKING SO TRANSFER TO LAIF DATED 04/10/2014 COULD BE COMPLETED NOTE: LAIF TRANSFER WAS COMPLETED ON 04/18/2014
<u><u>\$ 210,000.00</u></u>					GRAND TOTAL



Treasurer's Report

May 11, 2014

Board of Directors
East Orange County Water District

DIRECTORS

Richard B. Bell
Douglass S. Davert
John Dulebohn
Seymour (Sy) Everett
William Vanderwerff

Lisa Ohlund
General Manager

The accompanying information contained in Schedule 1, Distribution of Investment Activity for the month April 2014, and Schedule 2, Investment Portfolio, as of April 30, 2014 (which are presented only for supplementary analysis purposes) have been prepared by management who is responsible for their integrity and objectivity. These schedules have not been compiled, reviewed or audited by outside accountants.

East Orange County Water District maintains a system of internal accounting control designed to provide reasonable assurance that assets are safeguarded and that transactions are properly executed, recorded and summarized to produce reliable records and reports.

To the best of management's knowledge and belief, the schedules and related information were prepared in conformity with generally accepted accounting principles, and are based on recorded transactions and management's best estimates and judgments.

Carl R. Schoonover

Carl R. Schoonover
Treasurer

185 N Mc Pherson Road
Orange, CA 92869-3720

www.eocwd.com

Ph: (714) 538-5815
Fax: (714) 538-0334

**EAST ORANGE COUNTY WATER DISTRICT
SCHEDULE 1 - INVESTMENT ACTIVITY
MONTH OF APRIL 2014**

	SECURITY TYPE	BOOK VALUE
BEGINNING BALANCES APRIL 1, 2014		
LOCAL AGENCY INVESTMENT FUND	DEMAND LAIF	5,345,020
RAYMOND JAMES-CDs	DEMAND BROKERAGE	1,518,669
DUE TO FROM OTHER FUNDS	DUE TO/FROM	0
US TREASURY OBLIGATIONS	US TREASURY	0
Total		6,863,689
ACTIVITY		
ADDITIONS		
DEPOSIT TO MORGAN STANLEY SMITH BARNEY	DEMAND MM	0
DEPOSIT TO LAIF-FROM CHECKING	DEMAND LAIF	210,000
DEPOSIT TO LAIF-INTEREST	DEMAND LAIF	3,116
DEPOSIT TO RAYMOND JAMES-FROM CHECKING	DEMAND BROKERAGE	2,294
DEPOSIT TO RAYMOND JAMES-INTEREST	DEMAND BROKERAGE	0
SOLD MS LS US TREAS	MUTUAL FUND	0
TRANSFERS BETWEEN FUNDS	DUE TO/FROM	0
REDUCTIONS		
TRANSFER FROM LAIF TO CHECKING	DEMAND LAIF	0
TRANSFERS BETWEEN FUNDS	DUE TO/FROM	0
TRANSFERS TO CHECKING	DEMAND MM	0
TRANSFER TO RAYMOND JAMES	DEMAND MM	0
SOLD US TREASURY BOND	US TREASURY BOND/NOTE	0
MATURITY OF US TREASURY NOTE	US TREASURY NOTE	0
PURCHASE US TREASURY BOND FED STRIP	TREASURY BOND	0
ENDING BALANCES APRIL 30, 2014		
LOCAL AGENCY INVESTMENT FUND	DEMAND LAIF	5,558,136
RAYMOND JAMES-CDs and CASH	CERTIFICATES OF DEPOSIT	1,520,964
DUE TO FROM OTHER FUNDS	DUE TO/FROM	0
US TREASURY OBLIGATIONS	US TREASURY	0
TOTAL		7,079,099

**EAST ORANGE COUNTY WATER DISTRICT
SCHEDULE 2 - INVESTMENT PORTFOLIO
APRIL 30, 2014**

NAME	SECURITY TYPE AND NUMBER	PURCHASE DATE	MATURITY DATE	INTEREST		MARKET VALUE	PURCHASE PRICE	PREMIUM OR (DISCOUNT)	ACCRUED INTEREST	FACE VALUE	% TO PORTFOLIO
				STATED	YIELD						
LAIF	DEMAND	N/A	N/A	0.233%	0.233%	5,558,136	5,558,136	0	0	5,558,136	78.56%
RJ-CD	ALLY BANK	12/05/12	12/05/14	0.750%	0.750%	200,532	200,000	0	0	200,000	2.83%
RJ-CD	AMERICAN EXPRESS	10/25/12	01/26/15	0.850%	0.850%	100,286	100,000	0	0	100,000	1.41%
RJ-CD	AMERICAN EXPRESS	10/25/12	07/27/15	1.000%	1.000%	100,479	100,000	0	0	100,000	1.41%
RJ-CD	BMW BANK OF N AMERICA	11/19/12	11/12/15	2.000%	2.000%	102,256	102,937	2,898	38	100,000	1.41%
RJ-CD	CIT BANK	03/06/13	03/06/18	1.100%	1.100%	143,972	145,000	0	0	145,000	2.05%
RJ-CD	DISCOVER BANK	10/17/12	10/17/16	1.200%	1.200%	100,722	100,000	0	0	100,000	1.41%
RJ-CD	DISCOVER BANK	02/20/13	02/20/18	1.100%	1.100%	149,034	150,000	0	0	150,000	2.12%
RJ-CD	GE MONEY BANK	10/25/12	08/31/17	1.650%	1.650%	100,695	100,998	754	244	100,000	1.41%
RJ-CD	GE CAPITAL RETAIL BANK	11/19/12	11/09/16	1.350%	1.350%	100,635	100,536	499	37	100,000	1.41%
RJ-CD	GE CAPITAL RETAIL BANK	02/22/13	02/22/18	1.100%	1.100%	147,273	150,000	0	0	150,000	2.12%
RJ-CD	GOLDMAN SACHS BANK	02/13/13	02/13/18	1.200%	1.200%	148,814	150,000	0	0	150,000	2.12%
RJ-CD	GOLDMAN SACHS BANK	10/11/12	10/03/17	1.550%	1.550%	100,428	99,977	-11	34	100,000	1.41%
RJ	CASH	N/A	N/A	0.000%	0.020%	21,515	21,515			21,515	0.30%
					0.387%	\$7,074,776	\$7,079,099	\$4,142	\$354	\$7,074,652	100.00%

* Monthly adjustments to interest income should be made to amortize accrued interest and premiums/discounts to face value at maturity.

LAIF=LOCAL AGENCY INVESTMENT FUND
RJ=RAYMOND JAMES

CERTIFICATION

CERTIFY THAT (1) ALL INVESTMENT ACTIONS EXECUTED SINCE THE LAST REPORT HAVE BEEN MADE IN FULL COMPLIANCE WITH THE DISTRICT'S INVESTMENT POLICY AND, (2) THE DISTRICT WILL MEET ITS EXPENDITURE OBLIGATIONS FOR THE NEXT SIX MONTHS AS REQUIRED BY CALIFORNIA GOVERNMENT CODE SECTIONS 53646(b)(2) AND (3), RESPECTIVELY.

Carl R. Schoonover

CARL R. SCHOONOVER, TREASURER

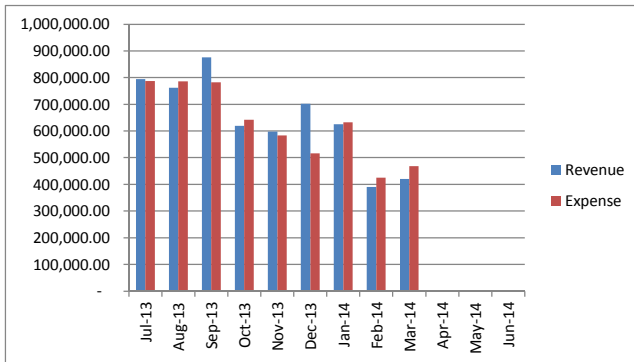
Wholesale Zone Financial Summary

For Period Ending March 31, 2014

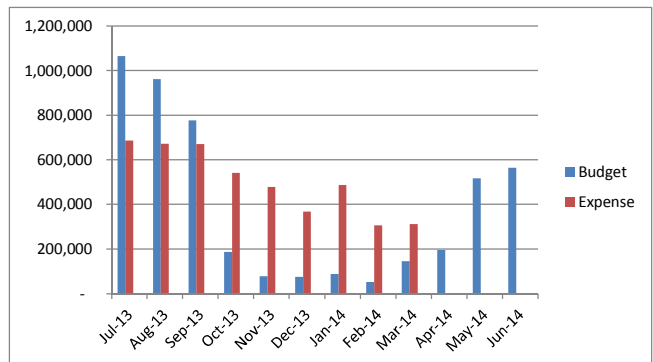
YTD Operating Income \$ 5,785,279

YTD Operating Expense \$ 5,621,586

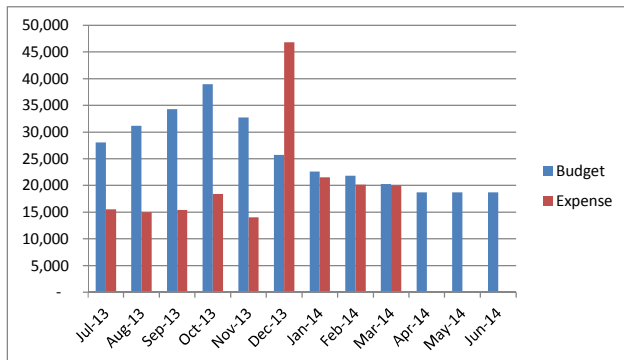
Revenue vs. Expenses



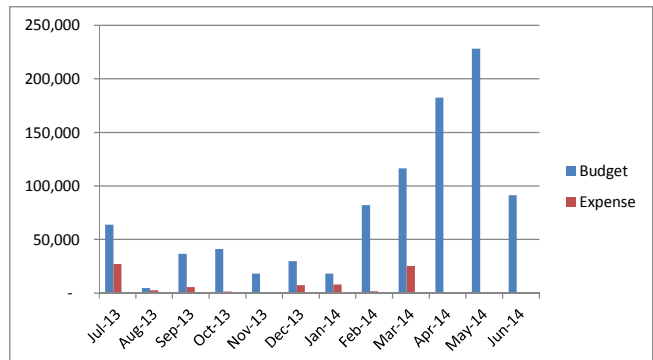
Water Purchased Budget vs. Actual



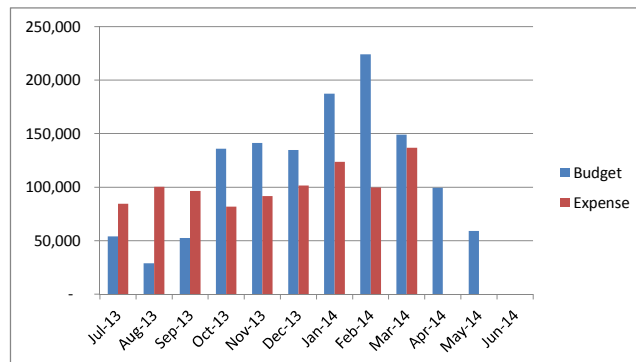
Salaries & Benefits Budget vs. Actual



CIP Budget & Actual



O&M Budget vs. Actual



WHOLESALE ZONE

EAST ORANGE COUNTY WATER DISTRICT
2013-2014 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
MONTH: MARCH 2014

REVENUE		MONTHLY	YTD	ANNUAL	BUDGET \$	PERCENT
DESCRIPTION		ACTUAL	ACTUAL	2013-14	OVER	OF BUDGET
		REVENUE	REVENUE	BUDGET	(UNDER)	EXPENDED
1	OPERATING REVENUE:					
2	WATER SALES	311,270	4,518,963	4,705,463	(186,500)	96.04%
3	FIXED CHARGES	44,129	354,906	480,255	(125,349)	73.90%
4	EOCWD FIXED CHARGES	21,772	195,948	250,000	(54,052)	78.38%
5	REIMBURSED EXP-IRWD	1,728	15,905	19,516	(3,611)	81.50%
6	OTHER CHARGES	152	3,010	30	2,980	10033.13%
7	TOTAL OPERATING REVENUE:	379,051	5,088,732	5,455,264	(366,532)	
8	NON-OPERATING REVENUES (EXPENSES):					
9	PROPERTY TAXES	31,859	426,067	659,500	(233,433)	64.60%
10	RENTAL INCOME - CELLULAR ANTENNAS	8,616	81,412	100,000	(18,588)	81.41%
11	INTEREST & INVESTMENT EARNINGS	791	15,047	14,640	407	102.78%
12	NOTE RECEIVABLE - AMP	-	173,573	47,355	126,218	366.53%
13	MISCELLANEOUS INCOME	50	450	500	(50)	90.00%
14	TOTAL NON-OPERATING REVENUES, NET	41,316	696,548	821,995	(125,447)	
15	NET OPERATING INCOME	420,367	5,785,279	6,277,259	(491,979)	

EXPENSES		MONTHLY	YTD	ANNUAL	BUDGET \$	PERCENT
DESCRIPTION		ACTUAL	ACTUAL	2013-14	OVER	OF BUDGET
		EXPENSES	EXPENSES	BUDGET	(UNDER)	EXPENDED
16	OPERATING EXPENSE:					
17	SOURCE OF SUPPLY	311,208	4,517,632	4,705,463	(187,830)	96.01%
18	MET/MWDOC FIXED CHARGE	30,755	235,131	328,607	(93,476)	71.55%
19	EOCWD FIXED CHARGE	14,624	132,388	166,648	(34,260)	79.44%
20	ENERGY	104	1,391	2,600	(1,209)	53.51%
21	OPERATIONS & MAINTENANCE	32,022	305,183	536,100	(230,917)	56.93%
22	GENERAL & ADMINISTRATIVE	59,867	250,200	304,351	(54,151)	82.21%
23	TRANSFER TO CAPITAL PROJECTS EXPENSE & RESERVES	20,778	187,000	239,990	(52,990)	77.92%
24	DEPRECIATION & AMORTIZATION	-	-	-	-	0.00%
25	MARKET VALUE ADJUSTMENT ON INVESTMENTS	(1,278)	(7,341)	-	(7,341)	0.00%
26	TOTAL OPERATING EXPENSE	468,080	5,621,586	6,283,759	(662,173)	
27	NET INCOME FROM OPERATIONS	(47,713)	163,694	(6,500)	170,194	
28	PRIOR YEARS INCOME (EXPENSES)	-	(4,030)	(500)	(4,530)	
29	NET INCOME (LOSS)	(47,713)	159,663	(7,000)	174,724	

Wholesale Zone

March 2014 Variance Report - 75% of Budget Year Expended

Account Number	Account Name	Income(I) Expense (E)	YTD Amount	Percent Received/ Spent	Comments
Jan-14					
<u>New</u>					
5647-0001-1	ENGINEERING-WS	E	31,986	106.62%	Unplanned water quality model calibration and emergency operations analyses
5648-0001-1	LAFCO	E	22,644	125.80%	Unplanned sewer LAFCO fess
<u>Ongoing</u>					
4110-0001-1	WATER SALES	I	4,518,963	96.04%	Water sales are higher than anticipated
4917-0001-1	INTEREST- LAIF- OP	I	1,894	1847.79%	More interest received than expected
4924-0001-1	INTEREST EARNED - RAYMOND JAMES	I	13,094	100.72%	Interest earned is higher than expected
4975-0001-1	RENT INCOME- AT&T	I	44,115	88.23%	Budget based on prior year contract
4980-0001-1	AMP SALE INSTALLMENTS	I	173,573	366.53%	MWDOC paid the full portion of their loan outstanding
5130-0048-1	EOCF #2 NONINTERR OC 48	E	1,226,270	130.30%	Increased sales causing increased supply costs
5130-0070-1	WATER PURCHASED AMP	E	2,133,496	90.68%	Increased sales causing increased supply costs
5313-0001-1	SMALL TOOLS	E	2,620	109.19%	Unplanned purchase of a gas detector
5339-0001-1	OPERATIONS REPORTING SOFTWARE	E	10,831	240.68%	Purchase of I-Pads in November
5345-0001-1	PRESSURE REGULATORS R&M	E	4,455	148.49%	Overage due to pressure regulator maintenance
5350-0041-1	SERVICE CONNECTIONS R&M	E	992	99.15%	Replace sampling valve
5359-0001-1	SAC LINE R&M	E	2,666	133.31%	R&M is higher than expected
5365-0001-1	EQUIPMENT RENTAL	E	15,121	378.03%	Unplanned generator rental
5610-0009-1	MCPHERSON FAX	E	216	108.24%	Underbudgeted based on current billings
5610-0015-1	MCPHERSON OFFICE PHONES	E	1,625	101.57%	Underbudgeted based on current billings
5618-0037-1	DUES- ISDOC/URBAN WTR	E	981	109.05%	Dues were higher than expected
5639-0001-1	OUTSIDE SERVICES	E	4,092	170.52%	Unplanned pest control services
5644-0003-1	ACCOUNTING- SERRANO	E	22,849	103.86%	Unplanned consulting expenses
5645-0001-1	LEGAL	E	116,932	146.16%	Legal fees associated with sewer
9510-0001-1	PRIOR YEARS INCOME (EXPENSES)	E	(4,030)	806.10%	Prior year Department of Health invoice

Capital Projects

<u>New</u>					
<u>Ongoing</u>					
107	BACKUP GENERATOR AT OC70 PUMP STATION	E	25,240	70.11%	Costs are higher than anticipated due to MET design review of proposed generator.

EAST ORANGE COUNTY WATER DISTRICT

FOR WHOLESALE
MONTH: MARCH 2014

ACCOUNT DESCRIPTION	MONTHLY ACTUAL	YTD ACTUAL	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
REVENUE					
1 4110-0001-1 WATER SALES	311,270	4,518,963	4,705,463	(186,500)	96.04%
2 4111-0001-1 STANDBY	152	1,854	-	1,854	0.00%
3 4112-0001-1 LATE CHARGE	-	15	30	(15)	50.00%
4 4114-0001-1 EOCWD RESERVE FUND CHARGE-WS	17,445	157,008	200,000	(42,992)	78.50%
5 4115-0001-1 READINESS TO SERVE - EOCWD	4,327	38,940	50,000	(11,060)	77.88%
6 4130-0001-1 RETAIL SERVICE CONNECTIONS	14,624	131,024	166,648	(35,624)	78.62%
7 4131-0001-1 READINESS TO SERVE - MWDOC	19,350	145,874	203,564	(57,690)	71.66%
8 4133-0001-1 MET-MWDOC CAPACITY CHARGE	10,154	78,007	110,043	(32,036)	70.89%
9 4134-0001-1 MET-MWDOC CHOICE-WS	-	1,141	-	1,141	0.00%
10 4160-0060-1 REIMBURSED EXP- IRWD	1,728	15,905	19,516	(3,611)	81.50%
11 4160-0065-1 REFUNDS	-	-	-	-	0.00%
12 Total OPERATING REVENUE:	379,051	5,088,732	5,455,264	(366,532)	
NON OPERATING INCOME					
13 4915-0001-1 INTEREST INCOME-WS	-	-	51	(51)	0.00%
15 4916-0001-1 INTEREST-MORGAN STANLEY-OP	-	-	-	-	0.00%
16 4916-0957-1 INTEREST-MORGAN STANLEY- CONT	-	-	-	-	0.00%
17 4917-0001-1 INTEREST- LAIF- OP	-	1,894	103	1,791	1847.79%
18 4917-0957-1 INTEREST-LAIF-CONT.	-	59	-	59	0.00%
19 4918-0001-1 INTEREST-US TREASURY BOND	-	-	-	-	0.00%
20 4918-0957-1 INTEREST US TREASURY BOND	-	-	-	-	0.00%
21 4922-0001-1 INTEREST INCOME-CTY OF ORANGE	-	-	51	(51)	0.00%
22 4923-0001-1 INTEREST INCOME-ACWA	-	-	1,435	(1,435)	0.00%
23 4924-0001-1 INTEREST EARNED - RAYMOND JAMES	791	13,094	13,000	94	100.72%
24 4930-0030-1 TAXES SECURED	31,218	358,392	585,000	(226,608)	61.26%
25 4930-0031-1 TAXES UNSECURED	-	17,696	15,000	2,696	117.98%
26 4930-0032-1 TAXES SUPPLEMENTAL ROLL	315	6,612	5,000	1,612	132.25%
27 4930-0040-1 TAXES PRIOR YEARS	327	6,275	15,000	(8,725)	41.83%
28 4930-0052-1 TAXES HOMEOWNER'S SUBVENTION	-	-	4,000	(4,000)	0.00%
29 4930-0054-1 TAXES PUBLIC UTILITY	-	-	10,000	(10,000)	0.00%
30 4930-0055-1 TAXES TUSTIN RDA	-	37,091	40,000	(2,909)	92.73%
31 4930-0056-1 TAXES MISC	-	-	500	(500)	0.00%
32 4930-0057-1 TAXES ACCRUED	-	-	(15,000)	15,000	0.00%
33 4930-0058-1 STATE TAXES CONFISCATED	-	-	-	-	0.00%
34 4930-0059-1 PROCEEDS IN-LIEU TAXES	-	-	-	-	0.00%
35 4975-0001-1 RENT INCOME- AT&T	4,416	44,115	50,000	(5,886)	88.23%
36 4977-0001-1 RENT INCOME- CROWN CASTLE	4,200	37,297	50,000	(12,703)	74.59%
37 4980-0001-1 AMP SALE INSTALLMENTS	-	173,573	47,355	126,218	366.53%
38 4990-0001-1 MISCELLANEOUS INCOME	50	450	500	(50)	90.00%
39 Total NON OPERATING INCOME:	41,316	696,548	821,995	(125,447)	
40 Total OPERATING REVENUE	420,367	5,785,279	6,277,259	(491,979)	
41 NET OPERATING INCOME:	420,367	5,785,279	6,277,259	(491,979)	

EAST ORANGE COUNTY WATER DISTRICT

FOR WHOLESALE
MONTH: MARCH 2014

ACCOUNT	DESCRIPTION	MONTHLY ACTUAL	YTD ACTUAL	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
EXPENSES						
42	5130-0043-1 EOCF #2 NONINTERR OC 43	2,054	1,157,866	1,411,639	(253,773)	82.02%
43	5130-0048-1 EOCF #2 NONINTERR OC 48	48,503	1,226,270	941,093	285,178	130.30%
44	5130-0070-1 WATER PURCHASED AMP	260,650	2,133,496	2,352,731	(219,235)	90.68%
45	5138-0001-1 WATER PURCHASED	-	-	-	-	0.00%
46	5139-0001-1 WATER PURCHASED IN-LIEU	-	-	-	-	0.00%
47	5141-0001-1 WATER PURCHASED-IN LIEU CREDIT	-	-	-	-	0.00%
48	5149-0001-1 AMP_FAP LEASE EXPENSE	1,250	11,250	15,000	(3,750)	75.00%
49	5161-0001-1 MET-MWDOC READINESS TO SERVE	19,350	145,874	203,564	(57,690)	71.66%
50	5163-0001-1 MET-MWDOC CAPACITY FEES	10,154	78,007	110,043	(32,036)	70.89%
51	5164-0001-1 MWDOC RETAIL SERVICE CONNECT	14,624	132,388	166,648	(34,260)	79.44%
52	5219-0001-1 UTILITY- SCADA RTU	104	1,391	2,600	(1,209)	53.51%
53	5313-0001-1 SMALL TOOLS	122	2,620	2,400	220	109.19%
54	5320-0001-1 GASOLINE, OIL & DIES-WS	-	-	-	-	0.00%
55	5320-0022-1 GASOLINE, OIL & DIESEL FUEL	301	2,621	8,800	(6,179)	29.79%
56	5324-0001-1 REGULATORY PERMITS	417	3,876	5,000	(1,124)	77.53%
57	5326-0001-1 NPDS PERMIT	-	-	-	-	0.00%
58	5327-0001-1 PROF SERV WATER QUAL. CONTROL	2,092	10,641	25,000	(14,359)	42.56%
59	5338-0001-1 SCADA REPAIR/UPGRADE	-	5,266	12,500	(7,234)	42.13%
60	5339-0001-1 OPERATIONS REPORTING SOFTWARE	785	10,831	4,500	6,331	240.68%
61	5343-0001-1 METER PURCHASE/REPAIR	-	8,905	15,000	(6,095)	59.37%
62	5345-0001-1 PRESSURE REGULATORS R&M	-	4,455	3,000	1,455	148.49%
63	5350-0035-1 R/M- MAINS	-	812	25,000	(24,188)	3.25%
64	5350-0039-1 DAMAGE REPAIR- CAL EMA	-	-	-	-	0.00%
65	5350-0041-1 SERVICE CONNECTIONS R&M	-	992	1,000	(8)	99.15%
66	5350-0051-1 RESERVOIRS R&M	884	8,297	20,000	(11,703)	41.49%
67	5350-0052-1 R/M- VAULTS	-	319	10,000	(9,681)	3.19%
68	5350-0402-1 R/M- CATHODIC PROTECTION	211	1,533	20,500	(18,967)	7.48%
69	5357-0001-1 MAINTAIN & OPERATE EOCF#2	3,833	34,500	46,000	(11,500)	75.00%
70	5358-0001-1 METER TESTING	-	-	3,000	(3,000)	0.00%
71	5359-0001-1 SAC LINE R&M	296	2,666	2,000	666	133.31%
72	5365-0001-1 EQUIPMENT RENTAL	1,260	15,121	4,000	11,121	378.03%
73	5370-0070-1 BACKHOE R&M	-	63	3,000	(2,937)	20.37%
74	5370-0071-1 VEHICLES R&M	253	2,037	10,000	(7,963)	20.37%
75	5370-0080-1 BUILDING/GROUNDS R&M	1,547	2,740	3,500	(760)	78.30%
76	5467-0001-1 WAGES	13,348	128,478	175,000	(46,522)	73.42%
77	5469-0069-1 PAYROLL TAXES- FICA & MEDICARE	1,138	10,492	18,000	(7,508)	58.29%
78	5469-0083-1 RETIREMENT- PERS	1,784	16,406	42,000	(25,594)	39.06%
79	5480-0070-1 PAYROLL TAXES- SUI & ETT	75	813	2,000	(1,187)	40.65%
80	5480-0072-1 HEALTH & ACCIDENT INSURANCE	3,057	25,466	55,000	(29,534)	46.30%
81	5480-0075-1 DENTAL INSURANCE	246	1,968	4,000	(2,032)	49.19%
82	5480-0076-1 VISION INSURANCE	47	376	1,000	(624)	37.58%
83	5480-0080-1 LIFE INSURANCE	31	287	900	(613)	31.93%
84	5480-0082-1 WORKER'S COMP INSURANCE	253	2,037	10,000	(7,963)	20.37%
85	5486-0001-1 UNIFORMS	41	565	4,000	(3,435)	14.13%

EAST ORANGE COUNTY WATER DISTRICT

FOR WHOLESALE
MONTH: MARCH 2014

	ACCOUNT	DESCRIPTION	MONTHLY ACTUAL	YTD ACTUAL	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
86	5607-0001-1	DISTRICT WEBSITE	-	460	1,500	(1,040)	30.64%
87	5610-0009-1	MCPHERSON FAX	27	216	200	16	108.24%
88	5610-0010-1	MCPHERSON INTERNET	53	447	1,000	(553)	44.70%
89	5610-0015-1	MCPHERSON OFFICE PHONES	250	1,625	1,600	25	101.57%
90	5610-0016-1	ANSWERING SERVICE	14	168	246	(78)	68.26%
91	5610-0017-1	PHONE CIRCUITS TO CTRL EQUIP	361	3,172	4,600	(1,428)	68.97%
92	5610-0019-1	CELLPHONES	330	1,346	1,650	(304)	81.60%
93	5610-0020-1	UNDERGROUND SERVICE ALERT	53	288	400	(112)	72.00%
94	5611-0001-1	TRAINING/SCHOOLS	83	346	2,500	(2,154)	13.83%
95	5613-0001-1	CONSERVATION EDUCATION	731	839	15,000	(14,161)	5.60%
96	5614-0001-1	TRAVEL- CONF/SEMINARS	43	1,814	5,000	(3,186)	36.29%
97	5616-0001-1	MILEAGE	51	281	300	(19)	93.60%
98	5618-0029-1	DUES & MEMBERSHIP- ACWA	-	1,535	2,800	(1,265)	54.81%
99	5618-0030-1	DUES & MEMBERSHIPS- OCWA	-	25	100	(75)	25.00%
100	5618-0031-1	DUES & MEMBERSHIPS- AWWA	-	207	300	(94)	68.83%
101	5618-0032-1	DUES & MEMBERSHIP- FCA	-	10	30	(20)	33.33%
102	5618-0033-1	DUES & MEMBERSHIP- CSDA	-	1,079	2,000	(921)	53.96%
103	5618-0037-1	DUES- ISDOC/URBAN WTR	-	981	900	81	109.05%
104	5619-0001-1	MISCELLANEOUS EXP	-	21	500	(479)	4.12%
105	5620-0021-1	DIRECTOR- R. BARRETT	450	1,150	2,500	(1,350)	46.00%
106	5620-0022-1	DIRECTOR- W. VANDERWERFF	638	4,088	5,000	(913)	81.75%
107	5620-0023-1	DIRECTOR- D. CHAPMAN	-	-	-	-	0.00%
108	5620-0024-1	DIRECTOR- J. DULEBOHN	-	1,075	3,600	(2,525)	29.86%
109	5620-0026-1	DIRECTOR- R. BELL	-	1,638	3,600	(1,963)	45.49%
110	5620-0027-1	DIRECTOR- D. DAVERT	325	325	-	325	0.00%
111	5621-0001-1	BOARD MEETING EXPENSE	53	804	2,000	(1,196)	40.21%
112	5632-0001-1	POSTAGE	21	182	800	(618)	22.80%
113	5633-0001-1	OFFICE SUPPLY/FURN/SMALL EQUIP	23	2,764	7,000	(4,236)	39.49%
114	5634-0001-1	PUBLICATIONS & LEGAL NOTICES	2,407	2,718	5,500	(2,782)	49.43%
115	5635-0001-1	COPIER CONTRACT	23	186	425	(239)	43.79%
116	5638-0001-1	BANK CHARGES	112	1,238	3,300	(2,062)	37.50%
117	5639-0001-1	OUTSIDE SERVICES	317	4,092	2,400	1,692	170.52%
118	5640-0001-1	AUDITING	-	3,763	8,800	(5,037)	42.76%
119	5641-0001-1	TAX COLLECTION FEES	79	1,003	2,000	(997)	50.13%
120	5644-0001-1	TREASURER	-	3,805	10,000	(6,195)	38.05%
121	5644-0003-1	ACCOUNTING- SERRANO	2,189	22,849	22,000	849	103.86%
122	5645-0001-1	LEGAL	17,851	116,932	80,000	36,932	146.16%
123	5646-0001-1	COMPUTER CONSULTING	-	1,105	4,000	(2,895)	27.63%
124	5647-0001-1	ENGINEERING-WS	20,468	31,986	30,000	1,986	106.62%
125	5648-0001-1	LAFCO	11,500	22,644	18,000	4,644	125.80%
126	5650-0050-1	INSURANCE-AUTO & GEN LIABILITY	879	7,688	15,000	(7,312)	51.25%
127	5650-0051-1	INSURANCE-PROPERTY	176	658	5,000	(4,342)	13.15%
128	5650-0052-1	INSURANCE-EMP. FIDELITY BOND	18	159	500	(341)	31.72%
129	5670-0072-1	OFFICE EQUIPMENT R&M	-	33	300	(267)	11.15%
130	5680-0083-1	UTILITIES-DUMPSTER	25	336	1,500	(1,164)	22.40%
131	5680-0084-1	UTILITIES- THE GAS CO.- OFFICE	-	-	-	-	0.00%
132	5680-0085-1	UTILITIES- OFFICE- ELECT & WTR	320	2,119	3,500	(1,381)	60.55%
133	5686-0001-1	SECURITY	-	-	2,000	(2,000)	0.00%
134	5689-0001-1	ELECTION EXPENSE	-	-	25,000	(25,000)	0.00%

EAST ORANGE COUNTY WATER DISTRICT

FOR WHOLESALE
MONTH: MARCH 2014

ACCOUNT	DESCRIPTION	MONTHLY ACTUAL	YTD ACTUAL	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
135 8910-0001-1	DEPRECIATION EXP.	-	-	-	-	0.00%
136 8955-0001-1	TRANS. TO WRCI-CAPITAL PROJECT	-	-	-	-	0.00%
137 8961-0001-1	TRANS TO CAPITAL PROJECTS	3,333	29,993	39,990	(9,998)	75.00%
138 8981-0001-1	TRANSFER TO (FROM) RESERVES	17,445	157,008	200,000	(42,992)	78.50%
139 9011-0001-1	MARKET VALUE ADJUST-INVESTMENT	-	-	-	-	0.00%
140 9011-0953-1	MARKET VALUE ADJUST-INVESTMENT	(1,278)	(7,341)	-	(7,341)	0.00%
141 9011-0957-1	MARKET VALUE ADJUST-INVESTMENT	-	-	-	-	0.00%
142	Total EXPENSES:	468,080	5,621,586	6,283,759	(662,173)	
143	NET INCOME FROM OPERATIONS:	(47,713)	163,694	(6,500)	170,194	
144	OTHER INCOME AND EXPENSE					
145 9510-0001-1	PRIOR YEARS INCOME (EXPENSES)	-	(4,030)	(500)	(4,530)	806.10%
146	Total OTHER INCOME AND EXPENSE	-	(4,030)	(500)	(4,530)	806.10%
147	NET INCOME (LOSS)	(47,713)	159,663	(7,000)	174,724	

WHOLESALE ZONE CAPITAL PROJECTS

EAST ORANGE COUNTY WATER DISTRICT

2013-2014 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

MONTH: MARCH 2014

REVENUE		MONTHLY	YTD	ANNUAL	BUDGET \$	PERCENT
DESCRIPTION		ACTUAL	ACTUAL	2013-14	OVER	OF BUDGET
		REVENUE	REVENUE	BUDGET	(UNDER)	EXPENDED
1	FUNDS PROVIDED BY RESERVE	-	-	819,010	(819,010)	0.00%
2	CAPITAL PROJECTS REVENUE					
3	CONNECTION FEES	-	10,245	10,000	245	102.45%
4	INTEREST EARNINGS	-	3,599	15,000	(11,401)	24.00%
5	INTEREST RECEIVABLE- AMP SALE	-	1	15,000	(14,999)	0.00%
6	TRANSFER FROM OPERATING EXPENSES	3,333	29,993	39,990	(9,998)	75.00%
7	REIMBURSEMENT FOR STORM DAMAGE REPAIRS	-	-	-	-	0.00%
8	REIMBURSEMENT FOR SECURITY UPGRADES	-	-	-	-	0.00%
9	NET OPERATING INCOME	3,333	43,838	899,000	(855,162)	

EXPENSES		MONTHLY	YTD	ANNUAL	BUDGET \$	PERCENT
DESCRIPTION		ACTUAL	ACTUAL	2013-14	OVER	OF BUDGET
		EXPENSES	EXPENSES	BUDGET	(UNDER)	EXPENDED
10	CAPITAL PROJECTS EXPENSES					
11	CAPITALIZED ACCOUNTING COSTS	-	-	5,000	(5,000)	0.00%
12	METAL FLASHING AT PETERS CANYON RESERVOIR	-	74	11,000	(10,926)	0.67%
13	SECURITY GATE AT 6 MG SITE-CONST	-	-	9,000	(9,000)	0.00%
14	SECURITY SYSTEM AT PETERS CANYON RESERVOIR	-	2,337	20,000	(17,663)	11.68%
15	BACKUP GENERATOR AT OC70 PUMP STATION	-	25,240	36,000	(10,760)	70.11%
16	PIPELINE INSPECTIONS-ENGINEERING	-	-	26,000	(26,000)	0.00%
17	BETTERMENT AND REPLACEMENT PLAN	-	1,000	75,000	(74,000)	1.33%
18	6 MG RESERVOIR ROOF REPAIRS	9,413	32,341	190,000	(157,659)	17.02%
19	6 MG RESERVOIR - LANDSCAPE/V-DITCH	-	-	50,000	(50,000)	0.00%
20	SLURRY SEAL ASPHALT AROUND ANDRES & NEWPORT RESERVOIRS	-	-	11,000	(11,000)	0.00%
21	CATHODIC PROTECTION - PIPELINES	-	-	26,000	(26,000)	0.00%
22	MCPHERSON OFFICE/YARD IMPROVEMENTS	-	347	13,000	(12,653)	2.67%
23	11.5 MG RESERVOIR CATHODIC PROTECTION SYSTEM	-	-	36,000	(36,000)	0.00%
24	USED VEHICLE TO SUPPLEMENT FLEET	-	-	15,000	(15,000)	0.00%
25	MOBILE ENGINE DRIVEN PUMP	-	1,638	-	1,638	0.00%
26	NEW PROJECT - 6 MG TREATMENT PLANT FEASIBILITY STUDY	16,006	16,006	255,000	(238,994)	6.28%
27	VULNERABILITY UPGRADES-ANDRES RESERVOIR	-	-	15,000	(15,000)	0.00%
28	VALVE REPLACEMENTS (12" - 27")	-	-	23,000	(23,000)	0.00%
29	REPLACE BACKHOE	-	-	25,000	(25,000)	0.00%
30	NEW PROJECT - NEWPORT RESERVOIR MIXING SYSTEM	-	-	31,000	(31,000)	0.00%
31	NEW PROJECT- ISOLATION VALVES - 11.5 & 1 MG	-	-	41,000	(41,000)	0.00%
32	TOTAL OPERATING EXPENSE	25,419	78,982	913,000	(834,018)	
33	NET INCOME FROM OPERATIONS	(22,087)	(35,144)	(14,000)	(21,144)	
34	PRIOR YEARS INCOME (EXPENSES)	-	-	-	-	
35	NET INCOME (LOSS)	(22,087)	(35,144)	(14,000)	(21,144)	

EAST ORANGE COUNTY WATER DISTRICT

FOR WHOLESALE

MONTH: MARCH 2014

ACCOUNT	DESCRIPTION	MONTHLY ACTUAL	YTD ACTUAL	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
REVENUE						
	FUNDED BY RESERVES	-	-	819,010	(819,010)	
1	4113-0001-1 CONNECTION FEES	-	10,245	10,000	245	102.45%
2	4914-0953-1 INTEREST- RAYMOND JAMES	-	-	15,000	(15,000)	0.00%
3	4916-0953-1 INTEREST-MORGAN STANLEY-CAP	-	-	-	-	0.00%
4	4917-0953-1 INTEREST-LAIF-CAP	-	3,599	-	3,599	0.00%
5	4918-0953-1 INTEREST-US TREASURY BOND	-	-	-	-	0.00%
6	4925-0001-1 INTEREST INCOME-AMP SALE	-	1	15,000	(14,999)	0.00%
7	4991-0010-1 REIMBURSEMENT- STORM DAMAGE	-	-	-	-	0.00%
8	4991-0011-1 REIMBURSEMENT-SECURITY UPGRAD	-	-	-	-	0.00%
9	4993-0953-1 TRANSFER FROM WZ OPERATIONS	3,333	29,993	39,990	(9,998)	75.00%
10	Total NON OPERATING INCOME:	3,333	43,838	899,000	(855,161)	
11	Total OPERATING REVENUE	3,333	43,838	899,000	(855,161)	
12	NET OPERATING INCOME:	3,333	43,838	899,000	(855,161)	

EXPENSES

13	7900-100C-1 CAPITALIZED ACCOUNTING COSTS	-	-	5,000	(5,000)	0.00%
14	7912-102C-1 METAL FLASHING AT PETERS CANYON RESERVOIR-CONSTRUCTION	-	-	10,000	(10,000)	0.00%
15	7912-102L-1 METAL FLASHING AT PETERS CANYON RESERVOIR-LABOR	-	74	1,000	(926)	7.37%
16	7912-103C-1 SECURITY GATE AT 6 MG SITE-CONST (WZ PORTION)(CARRYOVER)	-	-	8,000	(8,000)	0.00%
17	7912-103L-1 SECURITY GATE AT 6 MG SITE-LABOR (WZ PORTION)(CARRYOVER)	-	-	1,000	(1,000)	0.00%
18	7912-105C-1 SECURITY SYSTEM AT PETERS CANYON RESERVOIR-CONSTRUCTION	-	2,337	15,000	(12,663)	15.58%
19	7912-105L-1 SECURITY SYSTEM AT PETERS CANYON RESERVOIR-LABOR	-	-	5,000	(5,000)	0.00%
20	7912-107C-1 BACKUP GENERATOR AT OC70 PUMP STATION-CONST (CARRYOVER)	-	25,000	35,000	(10,000)	71.43%
21	7912-107L-1 BACKUP GENERATOR AT OC70 PUMP STATION-LABOR	-	240	1,000	(760)	24.05%
22	7912-110E-1 PIPELINE INSPECTIONS-ENGINEERING (CARRYOVER)	-	-	25,000	(25,000)	0.00%
23	7912-110L-1 PIPELINE INSPECTIONS-LABOR	-	-	1,000	(1,000)	0.00%
24	7912-201E-1 BETTERMENT AND REPLACEMENT PLAN-ENGINEERING (CARRYOVER)	-	1,000	75,000	(74,000)	1.33%
25	7913-102C-1 6 MG RESERVOIR ROOF REPAIRS-CONSTRUCTION	-	-	150,000	(150,000)	0.00%
26	7913-102E-1 6 MG RESERVOIR ROOF REPAIRS-ENGINEERING	9,413	32,287	30,000	2,287	107.62%
27	7913-102L-1 6 MG RESERVOIR ROOF REPAIRS-LABOR	-	53	10,000	(9,947)	0.53%
28	7913-104C-1 6 MG RESERVOIR - LANDSCAPE/V-DITCH-CONSTRUCTION	-	-	30,000	(30,000)	0.00%
29	7913-104E-1 6 MG RESERVOIR - LANDSCAPE/V-DITCH-ENGINEERING	-	-	5,000	(5,000)	0.00%
30	7913-104L-1 6 MG RESERVOIR - LANDSCAPE/V-DITCH-LABOR	-	-	15,000	(15,000)	0.00%
31	7913-105C-1 SLURRY SEAL ASPHALT AROUND ANDRES & NEWPORT RESERVOIRS-CONST.	-	-	10,000	(10,000)	0.00%
32	7913-105L-1 SLURRY SEAL ASPHALT AROUND ANDRES & NEWPORT RESERVOIRS-LABOR	-	-	1,000	(1,000)	0.00%
33	7913-106C-1 CATHODIC PROTECTION - PIPELINES-CONSTRUCTION	-	-	20,000	(20,000)	0.00%
34	7913-106E-1 CATHODIC PROTECTION - PIPELINES-ENGINEERING	-	-	5,000	(5,000)	0.00%
35	7913-106L-1 CATHODIC PROTECTION - PIPELINES-LABOR	-	-	1,000	(1,000)	0.00%
36	7913-201C-1 MCPHERSON OFFICE/YARD IMPROVEMENTS-CONSTRUCTION	-	347	10,000	(9,653)	3.47%
37	7913-201L-1 MCPHERSON OFFICE/YARD IMPROVEMENTS-LABOR	-	-	3,000	(3,000)	0.00%
38	7913-202C-1 11.5 MG RESERVOIR CATHODIC PROTECTION SYSTEM-CONSTRUCTION	-	-	25,000	(25,000)	0.00%
39	7913-202E-1 11.5 MG RESERVOIR CATHODIC PROTECTION SYSTEM-ENGINEERING	-	-	10,000	(10,000)	0.00%
40	7913-202L-1 11.5 MG RESERVOIR CATHODIC PROTECTION SYSTEM-LABOR	-	-	1,000	(1,000)	0.00%
41	7913-203C-1 USED VEHICLE TO SUPPLEMENT FLEET	-	-	15,000	(15,000)	0.00%
42	7913-204C-1 MOBILE ENGINE DRIVEN PUMP- CONST.	-	1,638	-	1,638	0.00%
43	7914-101E-1 NEW PROJECT - 6 MG TREATMENT PLANT FEASIBILITY STUDY-ENGINEERING	16,006	16,006	250,000	(233,994)	6.40%
44	7914-101L-1 NEW PROJECT - 6 MG TREATMENT PLANT -LABOR	-	-	5,000	(5,000)	0.00%
45	7914-102C-1 VULNERABILITY UPGRADES-ANDRES RESERVOIR-CONSTRUCTION	-	-	9,000	(9,000)	0.00%
46	7914-102E-1 VULNERABILITY UPGRADES-ANDRES RESERVOIR-ENGINEERING	-	-	5,000	(5,000)	0.00%
47	7914-102L-1 VULNERABILITY UPGRADES-ANDRES RESERVOIR-LABOR	-	-	1,000	(1,000)	0.00%
48	7914-103C-1 VALVE REPLACEMENTS (12" - 27")-CONSTRUCTION	-	-	12,000	(12,000)	0.00%
49	7914-103E-1 VALVE REPLACEMENTS (12" - 27")-ENGINEERING	-	-	5,000	(5,000)	0.00%
50	7914-103L-1 VALVE REPLACEMENTS (12" - 27")-LABOR	-	-	6,000	(6,000)	0.00%
51	7914-201C-2 REPLACE BACKHOE	-	-	25,000	(25,000)	0.00%
52	7914-xx1C-1 NEW PROJECT- CONTSTRUCTION - NEWPORT RESERVOIR MIXING SYSTEM	-	-	25,000	(25,000)	0.00%
53	7914-xx2C-1 NEW PROJECT- CONSTRUCTION - ISOLATION VALVES - 11.5 & 1 MG	-	-	30,000	(30,000)	0.00%
54	7914-xx1E-1 NEW PROJECT- ENGINEERING - NEWPORT RESERVOIR MIXING SYSTEM	-	-	5,000	(5,000)	0.00%
55	7914-xx2E-1 NEW PROJECT- ENGINEERING - ISOLATION VALVES - 11.5 & 1 MG RESERVOIRS	-	-	5,000	(5,000)	0.00%
56	7914-xx1L-1 NEW PROJECT- LABOR - NEWPORT RESERVOIR MIXING SYSTEM	-	-	1,000	(1,000)	0.00%
57	7914-xx2L-1 NEW PROJECT- LABOR- ISOLATION VALVES - 11.5 & 1 MG	-	-	6,000	(6,000)	0.00%
58	Total EXPENSES:	25,419	78,982	913,000	(834,018)	
59	NET INCOME FROM OPERATIONS:	(22,087)	(35,144)	(14,000)	(21,144)	
60	NET INCOME (LOSS)	(22,087)	(35,144)	(14,000)	(21,144)	

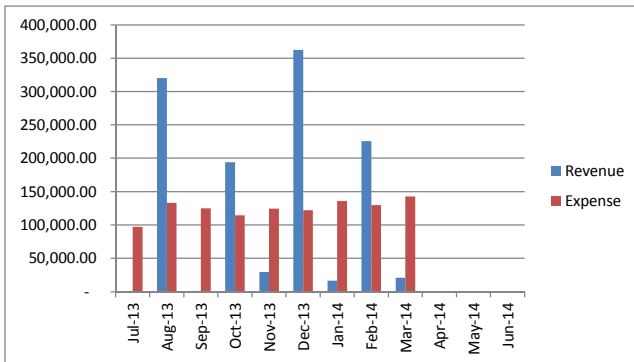
Retail Zone Financial Summary

For Period Ending March 31, 2014

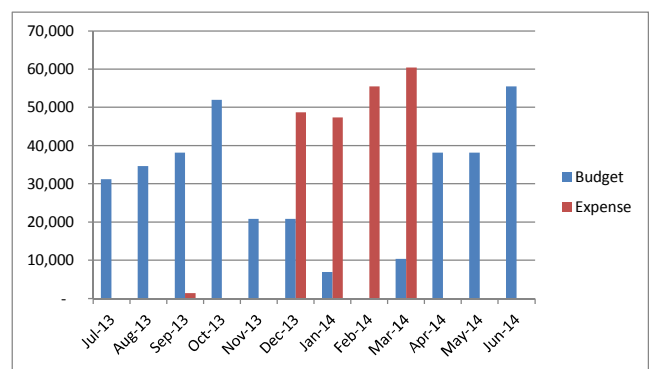
YTD Operating Income \$ 1,170,733

YTD Operating Expense \$ 1,124,205

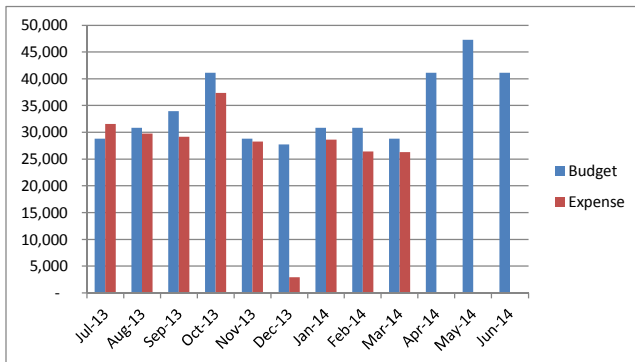
Revenue vs Expenses



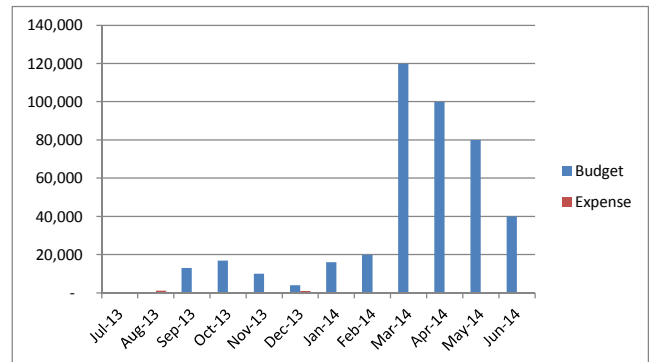
Water Purchased Budget vs. Actual



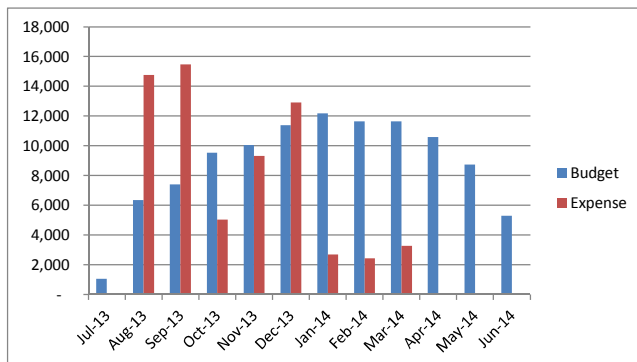
Salaries & Benefits Budget vs. Actual



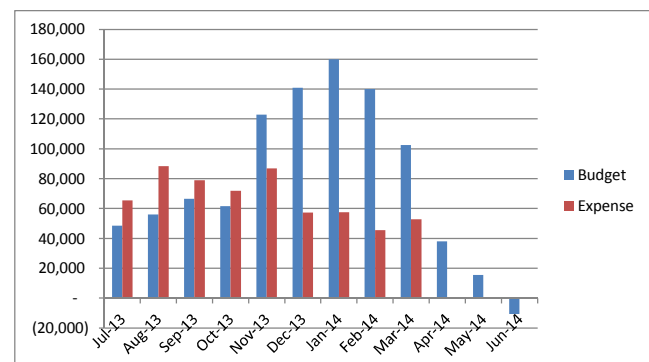
CIP Budget vs. Actual



Electrical Budget vs. Actual



O&M Budget vs. Actual



RETAIL ZONE

EAST ORANGE COUNTY WATER DISTRICT
2013-2014 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
MONTH: MARCH 2014

REVENUE		MONTHLY ACTUAL REVENUE	YTD ACTUAL REVENUE	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
DESCRIPTION						
1	OPERATING REVENUE:					
2	WATER SALES	215	706,486	1,095,925	(389,438)	64.46%
3	METER CHARGE	185	230,567	364,000	(133,433)	63.34%
4	OTHER CHARGES	2,308	11,445	5,200	6,245	220.09%
5	TOTAL OPERATING REVENUE:	2,707	948,498	1,465,125	(516,626)	64.74%
6	NON-OPERATING REVENUES (EXPENSES):					
7	PROPERTY TAXES	18,174	221,634	361,200	(139,566)	61.36%
8	INTEREST & INVESTMENT EARNINGS	-	601	440	161	136.50%
9	MISCELLANEOUS INCOME	-	1	500	(499)	0.12%
10	MARKET VALUE ADJUSTMENT ON INVESTMENTS	-	-	-	-	0.00%
11	DISPOSAL OF ASSET GAIN (LOSS)	-	-	-	-	0.00%
12	TOTAL NON-OPERATING REVENUES, NET	18,174	222,235	362,140	(139,905)	
13	NET OPERATING INCOME	20,881	1,170,733	1,827,265	(656,531)	

EXPENSES		MONTHLY ACTUAL EXPENSES	YTD ACTUAL EXPENSES	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
DESCRIPTION						
14	OPERATING EXPENSE:					
15	SOURCE OF SUPPLY	60,425	361,983	540,496	(178,513)	66.97%
16	MET/MWDOC FIXED CHARGE	846	7,617	10,156	(2,539)	75.00%
17	WZ FIXED CHARGE	1,242	11,180	15,000	(3,820)	74.54%
18	PIPELINE CAPACITY LEASE	3,572	27,064	44,000	(16,936)	61.51%
19	ENERGY	2,953	63,736	101,750	(38,014)	62.64%
20	OPERATIONS & MAINTENANCE	31,650	317,349	590,095	(272,746)	53.78%
21	GENERAL & ADMINISTRATIVE	17,528	114,700	229,765	(115,065)	49.92%
22	TRANSFER TO CAPITAL PROJECTS EXPENSE	14,508	130,575	174,100	(43,525)	75.00%
23	RETAIL OPERATIONS CONTINGENCY FUND	5,833	52,500	70,000	(17,500)	75.00%
24	FUNDED TO/BY RESERVE	4,167	37,500	50,000	(12,500)	75.00%
25	DEPRECIATION & AMORTIZATION	-	-	-	-	0.00%
26	TOTAL OPERATING EXPENSE	142,725	1,124,205	1,825,362	(701,157)	
27	NET INCOME FROM OPERATIONS	(121,845)	46,528	1,903	44,625	
28	PRIOR YEARS INCOME (EXPENSES)	-	(202)	(1,903)	1,701	
29	NET INCOME (LOSS)	(121,845)	46,730	-	46,326	

Retail Zone

March 2014 Variance Report - 75.0% of Budget Year Expended

Account Number	Account Name	Income(I) Expense (E)	YTD Amount	Percent Received/ Spent	Comments
<u>New</u>					
5480-0070-2	PAYROLL TAXES- SUI & ETT	E	920	91.97%	Payroll taxes are high due to timing of when taxes are paid
5480-0072-2	HEALTH & ACCIDENT INSURANCE	E	50,736	84.56%	An Employee was added to health insurance in January
5610-0019-2	CELLPHONES	E	1,346	86.86%	Unplanned expense for field worker I-Pad data
<u>Ongoing</u>					
4112-0002-2	LATE CHARGE	I	9,622	106.91%	Late charges are higher than expected
4115-0002-2	RETURNED CHECK CHARGE	I	942	188.38%	Returned checks are higher than expected
4116-0002-2	TURN OFF CHARGE	I	881	125.85%	Turn off charges are higher than expected
4917-0002-2	INTEREST-LAIF-OP	I	590	589.92%	More LAIF Interest received than expected
5130-0070-2	WATER PURCHASED	E	213,652	61.64%	Purchased water is low due to the reliance on OCWD water
5146-0002-2	OCWD- REPLENISH ASSESSMENT	E	148,332	76.50%	OCWD water is high due to not using EOCWD purchased water
5313-0002-2	SMALL TOOLS	E	2,578	83.83%	Small tools are higher than budgeted currently but are not planned to go
5324-0002-2	REGULATORY PERMITS	E	5,116	204.64%	Fees for the SWRCB were not budgeted
5339-0002-2	OPERATIONS REPORTING SOFTWARE	E	16,931	105.82%	There was one time Sedaru set up, configuration, training, and implementation costs
5345-0002-2	PRV- R & M	E	1,345	67.26%	One time expense related to Daniger fire pump installation
5350-0041-2	SERVICE LATERALS R&M	E	13,971	69.85%	Unplanned expense of \$7.6K of asphalt repairs at various locations
5365-0002-2	EQUIPMENT RENTAL	E	10,394	5196.83%	Unplanned generator rental
5610-0009-2	MCPHERSON FAX	E	216	105.58%	Underbudgeted
5610-0015-2	MCPHERSON OFFICE PHONES	E	1,625	101.57%	Underbudgeted
5618-0031-2	DUES & MEMBERSHIPS- AWWA	E	207	75.09%	These are one time dues paid at the beginning of the year
5618-0032-2	DUES & MEMBERSHIP- FCA	E	10	97.56%	Dues were higher than expected
5618-0037-2	DUES- ISDOC/URBAN WTR	E	981	109.05%	Dues were higher than expected
5638-0002-2	BANK CHARGES	E	4,841	121.03%	Bank charges are higher than expected
5644-0003-2	ACCOUNTING- SERRANO	E	22,849	97.23%	Unplanned accounting consultant expenses
5650-0051-2	INSURANCE-PROPERTY	E	2,021	120.68%	Insurance was higher than expected

	ACCOUNT	DESCRIPTION	MONTHLY ACTUAL	YTD ACTUAL	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
REVENUE							
1	4110-0002-2	WATER SALES	215	706,486	1,095,925	(389,438)	64.46%
2	4111-0002-2	METER CHARGE	185	230,567	364,000	(133,433)	63.34%
3	4112-0002-2	LATE CHARGE	2,008	9,622	9,000	622	106.91%
4	4115-0002-2	RETURNED CHECK CHARGE	300	942	500	442	188.38%
5	4116-0002-2	TURN OFF CHARGE	-	881	700	181	125.85%
6	4117-0002-2	OTHER CHARGES	-	-	-	-	0.00%
7	4118-0002-2	UNCOLLECTIBLE ACCOUNTS	-	-	(5,000)	5,000	0.00%
8	4121-0002-2	TURN ON NEW SERVICE	-	-	-	-	0.00%
9	4160-0065-2	REFUNDS	-	-	-	-	0.00%
10	4166-0002-2	SERVICE UPGRADE FEE	-	-	-	-	0.00%
11		Total OPERATING REVENUE:	2,707	948,498	1,465,125	(516,626)	
12	4915-0002-2	INTEREST INCOME-MM	-	11	40	(29)	26.65%
13	4916-0002-2	INTEREST-MORGAN STANLEY-OP	-	-	-	-	0.00%
14	4917-0002-2	INTEREST-LAIF-OP	-	590	100	490	589.92%
15	4918-0002-2	INTEREST- US TREASURY BOND	-	-	200	(200)	0.00%
16	4922-0002-2	INTEREST INCOME-CTY OF ORANGE	-	-	100	(100)	0.00%
17	4930-0030-2	TAXES SECURED	17,809	204,177	315,000	(110,823)	64.82%
18	4930-0031-2	TAXES UNSECURED	-	10,119	13,000	(2,881)	77.84%
19	4930-0032-2	TAXES SUPPLEMENTAL ROLL	180	3,780	2,200	1,580	171.83%
20	4930-0040-2	TAXES PRIOR YEARS	185	3,558	8,000	(4,442)	44.47%
21	4930-0052-2	TAXES HOMEOWNER'S SUBVENTION	-	-	3,000	(3,000)	0.00%
22	4930-0054-2	TAXES PUBLIC UTILITY	-	-	5,000	(5,000)	0.00%
23	4930-0055-2	TAXES TUSTIN RDA	-	-	20,000	(20,000)	0.00%
24	4930-0056-2	TAXES MISC	-	-	-	-	0.00%
25	4930-0057-2	TAXES ACCRUED	-	-	(5,000)	5,000	0.00%
26	4930-0058-2	STATE TAXES CONFISCATED	-	-	-	-	0.00%
27	4930-0059-2	PROCEEDS IN-LIEU TAXES	-	-	-	-	0.00%
28	4990-0002-2	MISCELLANEOUS INCOME	-	1	500	(499)	0.12%
29		Total NON OPERATING INCOME:	18,174	222,235	362,140	(139,905)	
30		Total OPERATING REVENUE	20,881	1,170,733	1,827,265	(656,531)	
31		NET OPERATING INCOME:	20,881	1,170,733	1,827,265	(656,531)	

EXPENSES

32	5130-0070-2	WATER PURCHASED	60,425	213,652	346,596	(132,944)	61.64%
33	5139-0002-2	WATER PURCHASED IN-LIEU	-	-	-	-	0.00%
34	5141-0002-2	WATER PURCHASED IN LIEU CREDIT	-	-	-	-	0.00%
35	5146-0002-2	OCWD- REPLENISH ASSESSMENT	-	148,332	193,900	(45,568)	76.50%
36	5161-0002-2	MET-MWDOC READINESS TO SERVE	2,643	19,926	27,500	(7,574)	72.46%
37	5163-0002-2	MET-MWDOC CAPACITY FEES	929	7,138	16,500	(9,362)	43.26%
38	5164-0002-2	MWDOC RETAIL SERVICE CONNECT	846	7,617	10,156	(2,539)	75.00%
39	5165-0010-2	EOCWD WR READINESS TO SERVE	247	2,222	3,000	(778)	74.06%
40	5165-0020-2	EOCWD WR RESERVE FUND CHARGE	995	8,958	12,000	(3,042)	74.65%
41	5206-0002-2	UTILITY STOLLER RESERVOIR	90	27,323	45,000	(17,677)	60.72%
42	5212-0002-2	UTILITY VISTA PANORAMA BOOSTER	520	4,367	6,750	(2,383)	64.70%
43	5216-0002-2	ULILITIES- WELLS- EAST/WEST	2,343	32,046	50,000	(17,954)	64.09%
44	5313-0002-2	SMALL TOOLS	287	2,578	3,075	(497)	83.83%
45	5320-0002-2	GASOLINE, OIL & DIES-RZ	-	-	-	-	0.00%
46	5320-0022-2	GASOLINE, OIL & DIESEL FUEL	584	5,109	9,020	(3,911)	56.64%
47	5324-0002-2	REGULATORY PERMITS	814	5,116	2,500	2,616	204.64%
48	5326-0002-2	NPDS PERMIT	-	-	-	-	0.00%
49	5327-0002-2	PROF SERV WATER QUAL. CONTROL	501	4,391	20,000	(15,609)	21.96%
50	5328-0002-2	CHLORINE GENERATOR/SALT PURCH	-	917	2,700	(1,783)	33.95%
51	5329-0002-2	WEST WELL MAINTENANCE	5	133	3,250	(3,117)	4.09%
52	5330-0002-2	EAST WELL MAINTENANCE	5	268	3,250	(2,982)	8.25%
53	5331-0002-2	STOLLER RESERVOIR/BOOSTER R&M	-	-	6,000	(6,000)	0.00%
54	5332-0002-2	VISTA PANORAMA BOOSTER R&M	-	279	4,200	(3,921)	6.65%
55	5333-0002-2	R&M VISTA PANORAMA RESERVOIR	-	-	5,300	(5,300)	0.00%
56	5334-0002-2	CHLORINE GENERATOR	-	87	3,000	(2,913)	2.90%

EAST ORANGE COUNTY WATER DISTRICT

FOR RETAIL
MONTH: MARCH 2014

	ACCOUNT	DESCRIPTION	MONTHLY ACTUAL	YTD ACTUAL	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
57	5338-0002-2	SCADA REPAIR/UPGRADE	-	188	2,100	(1,912)	8.97%
58	5339-0002-2	OPERATIONS REPORTING SOFTWARE	982	16,931	16,000	931	105.82%
59	5342-0002-2	HYDRANT REPAIR & REPLACEMENTS	158	237	16,100	(15,863)	1.47%
60	5343-0002-2	METER PURCHASE REPAIR	-	3,128	9,200	(6,072)	34.00%
61	5345-0002-2	PRV- R & M	-	1,345	2,000	(655)	67.26%
62	5350-0035-2	R/M- MAINS	-	3,431	23,000	(19,569)	14.92%
63	5350-0039-2	DAMAGE REPAIR- CAL EMA	-	-	-	-	0.00%
64	5350-0041-2	SERVICE LATERALS R&M	10	13,971	20,000	(6,029)	69.85%
65	5350-0051-2	RESERVOIRS R&M	0	748	2,000	(1,252)	37.38%
66	5350-0052-2	R/M- VAULTS	-	-	1,500	(1,500)	30.66%
67	5350-0402-2	R/M- CATHODIC PROTECTION	492	3,986	13,000	(9,014)	30.66%
68	5358-0002-2	METER TESTING	-	210	1,000	(790)	21.00%
69	5365-0002-2	EQUIPMENT RENTAL	945	10,394	200	10,194	5196.83%
70	5370-0070-2	BACKHOE R&M	-	63	3,500	(3,437)	1.79%
71	5370-0071-2	VEHICLES R&M	251	2,014	3,100	(1,086)	64.97%
72	5370-0080-2	BUILDING/GROUNDS R&M	333	1,526	4,000	(2,474)	38.16%
73	5467-0002-2	WAGES	15,345	147,614	255,000	(107,386)	57.89%
74	5469-0069-2	PAYROLL TAXES- FICA & MEDICARE	1,293	12,017	22,000	(9,983)	54.62%
75	5469-0083-2	RETIREMENT- PERS	2,038	18,811	51,100	(32,289)	36.81%
76	5480-0070-2	PAYROLL TAXES- SUI & ETT	79	920	1,000	(80)	91.97%
77	5480-0072-2	HEALTH & ACCIDENT INSURANCE	6,324	50,736	60,000	(9,264)	84.56%
78	5480-0075-2	DENTAL INSURANCE	478	3,832	5,000	(1,168)	76.63%
79	5480-0076-2	VISION INSURANCE	92	731	1,200	(469)	60.95%
80	5480-0080-2	LIFE INSURANCE	60	558	800	(242)	69.81%
81	5480-0082-2	WORKER'S COMP INSURANCE	492	3,986	13,000	(9,014)	30.66%
82	5486-0002-2	UNIFORMS	80	1,097	2,000	(903)	54.85%
83	5607-0002-2	DISTRICT WEBSITE	-	460	3,000	(2,540)	15.32%
84	5610-0009-2	MCPHERSON FAX	27	216	205	11	105.58%
85	5610-0010-2	MCPHERSON INTERNET	53	447	525	(78)	85.14%
86	5610-0015-2	MCPHERSON OFFICE PHONES	250	1,625	1,600	25	101.57%
87	5610-0016-2	ANSWERING SERVICE	14	168	250	(82)	67.17%
88	5610-0017-2	PHONE CIRCUITS TO CTRL EQUIP	212	1,967	3,000	(1,033)	65.57%
89	5610-0019-2	CELLPHONES	330	1,346	1,550	(204)	86.86%
90	5610-0020-2	UNDERGROUND SERVICE ALERT	53	288	400	(112)	72.00%
91	5611-0002-2	TRAINING/SCHOOLS	83	384	2,000	(1,616)	19.21%
92	5613-0002-2	CONSERVATION EDUCATION	-	244	4,000	(3,756)	6.10%
93	5614-0002-2	TRAVEL-CONF/SEMINARS	43	1,769	5,000	(3,231)	35.39%
94	5616-0002-2	MILEAGE	112	399	500	(101)	79.81%
95	5618-0029-2	DUES & MEMBERSHIPS- ACWA	-	1,535	3,500	(1,965)	43.85%
96	5618-0030-2	DUES & MEMBERSHIPS- OCWA	-	25	75	(50)	33.33%
97	5618-0031-2	DUES & MEMBERSHIPS- AWWA	-	207	275	(69)	75.09%
98	5618-0032-2	DUES & MEMBERSHIP- FCA	-	10	10	(0)	97.56%
99	5618-0033-2	DUES & MEMBERSHIP-CSDA	-	2,095	3,500	(1,405)	59.85%
100	5618-0037-2	DUES- ISDOC/URBAN WTR	-	981	900	81	109.05%
101	5619-0002-2	MISCELLANEOUS EXP	0	16	500	(484)	3.16%
102	5620-0021-2	DIRECTOR- R. BARRETT	450	1,150	2,500	(1,350)	46.00%
103	5620-0022-2	DIRECTOR- W. VANDERWERFF	638	4,088	6,000	(1,913)	68.13%
104	5620-0023-2	DIRECTOR- D. CHAPMAN	-	-	-	-	0.00%
105	5620-0024-2	DIRECTOR- J. DULEBOHN	-	1,075	3,600	(2,525)	29.86%
106	5620-0026-2	DIRECTOR- R. BELL	-	1,638	3,600	(1,963)	45.49%
107	5620-0027-1	DIRECTOR- D. DAVERT	-	-	-	-	0.00%
108	5621-0002-2	BOARD MEETING EXPENSE	53	637	1,000	(363)	63.66%
109	5632-0002-2	POSTAGE	838	2,887	6,000	(3,113)	48.11%
110	5633-0002-2	OFFICE SUPPLY/FURN/SMALL EQUIP	23	2,764	6,500	(3,736)	42.52%
111	5634-0002-2	PUBLICATIONS & LEGAL NOTICES	2,407	2,955	7,550	(4,595)	39.13%
112	5635-0002-2	COPIER CONTRACT	23	186	550	(364)	33.83%
113	5636-0002-2	VERSATERM CONTRACT (RZ BILLS)	-	2,269	3,000	(731)	75.62%
114	5638-0002-2	BANK CHARGES	240	4,841	4,000	841	121.03%
115	5639-0002-2	OUTSIDE SERVICES	317	4,322	6,000	(1,678)	72.04%
116	5640-0002-2	AUDITING	-	3,337	8,200	(4,863)	40.70%
117	5641-0002-2	TAX COLLECTION FEES	45	573	4,000	(3,427)	14.32%
118	5642-0002-2	COMPUTER BILLING (RZ BILLS)	-	3,840	7,000	(3,160)	54.86%
119	5644-0002-2	TREASURER	-	3,805	10,250	(6,445)	37.12%
120	5644-0003-2	ACCOUNTING- SERRANO	2,189	22,849	23,500	(651)	97.23%
121	5645-0002-2	LEGAL	5,626	14,406	20,000	(5,595)	72.03%
122	5646-0002-2	COMPUTER CONSULTING	-	1,105	10,000	(8,895)	11.05%

	ACCOUNT	DESCRIPTION	MONTHLY ACTUAL	YTD ACTUAL	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
123	5647-0002-2	ENGINEERING-RZ	2,410	9,355	45,000	(35,646)	20.79%
124	5648-0002-2	LAFCO	-	2,446	5,000	(2,554)	48.93%
125	5650-0050-2	INSURANCE-AUTO & GEN LIABILITY	611	5,343	7,500	(2,157)	71.23%
126	5650-0051-2	INSURANCE-PROPERTY	122	2,021	1,675	346	120.68%
127	5650-0052-2	INSURANCE-EMP. FIDELITY BOND	16	141	150	(9)	93.78%
128	5670-0072-2	OFFICE EQUIPMENT R&M	-	33	300	(267)	11.14%
129	5680-0083-2	UTILITIES-DUMPSTER	25	336	1,000	(664)	33.60%
130	5680-0084-2	UTILITIES- THE GAS CO.- OFFICE	-	-	-	-	0.00%
131	5680-0085-2	UTILITIES- OFFICE- ELECT & WTR	320	2,119	4,100	(1,981)	51.69%
132	5686-0002-2	SECURITY	-	-	1,000	(1,000)	0.00%
133	5689-0002-2	ELECTION EXPENSE	-	-	-	-	0.00%
134	5912-0002-2	INTEREST EXPENSE DWR	-	-	-	-	0.00%
135	8900-0002-2	DISPOSAL OF ASSET GAIN (LOSS)	-	-	-	-	0.00%
136	8910-0002-2	DEPRECIATION EXP.	-	-	-	-	0.00%
137	8920-0959-2	PRIOR YEAR ADJUSTMENTS	-	-	-	-	0.00%
138	8960-0002-2	TRANS TO CAPITAL PROJECT AF	-	-	-	-	0.00%
139	8961-0002-2	TRANS TO CAPITAL PROJECTS	14,508	130,575	174,100	(43,525)	75.00%
140	8975-0002-2	RZ- CONTINGENCY FUND	5,833	52,500	70,000	(17,500)	75.00%
141	8996-0002-2	FUNDED TO/BY RESERVE-RZ	4,167	37,500	50,000	(12,500)	75.00%
142	9011-0002-2	MARKET VALUE ADJUST-INVESTMENT	-	-	-	-	0.00%
143		TOTAL OPERATING EXPENSES:	142,725	1,124,205	1,825,362	(701,157)	
144		NET INCOME FROM OPERATIONS:	(121,845)	46,528	1,903	44,625	
145	9510-0002-2	PRIOR YEARS INCOME (EXPENSES)	-	(202)	(1,903)	1,701	0.00%
146	9510-0959-2	PRIOR YEARS INCOME (EXPENSES)	-	-	-	-	0.00%
147		Total OTHER INCOME AND EXPENSES	-	(202)	(1,903)	1,701	
148		NET INCOME (LOSS)	(121,845)	46,730	-	46,326	

RETAIL ZONE CAPITAL PROJECTS

EAST ORANGE COUNTY WATER DISTRICT
2013-2014 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
MONTH: MARCH 2014

REVENUE		MONTHLY	YTD	ANNUAL	BUDGET \$	PERCENT
DESCRIPTION		ACTUAL	ACTUAL	2013-14	OVER	OF BUDGET
		REVENUE	REVENUE	BUDGET	(UNDER)	EXPENDED
1	FUNDS PROVIDED BY RESERVE	-	-	213,650	(213,650)	0.00%
2	CAPITAL PROJECTS REVENUE					
3	CAPITAL PROJECTS FEES	180	184,703	288,000	(103,297)	64.13%
4	CONNECTION FEES	-	500	-	500	0.00%
5	INTEREST EARNINGS	-	4	-	4	0.00%
6	TRANSFER FROM OPERATING EXPENSES	14,508	130,575	174,100	(43,525)	75.00%
7	FUNDS BORROWED FROM WHOLESALE ZONE	-	-	-	-	0.00%
8	REIMBURSEMENT- RZ BILL RATE STUDY	-	-	-	-	0.00%
9	NET OPERATING INCOME	14,688	315,782	675,750	(359,968)	
EXPENSES		MONTHLY	YTD	ANNUAL	BUDGET \$	PERCENT
DESCRIPTION		EXPENSES	EXPENSES	2013-14	OVER	OF BUDGET
				BUDGET	(UNDER)	EXPENDED
10	CAPITAL PROJECTS EXPENSES					
11	RZ CAPITALIZED ACCOUNTING COST	-	-	5,000	5,000	0.00%
12	BETTERMENT & REPLACEMENT PLAN	-	1,000	70,500	69,500	1.42%
13	MCPHERSON OFFICE/YARD IMPROVE-	-	347	15,000	14,653	2.31%
14	CATHODIC PROTECTIONS-	-	-	5,500	5,500	0.00%
15	USED VEHICLE TO SUPPLEMENT FLEET	-	-	15,000	15,000	0.00%
16	MOBILE ENGINE DRIVEN PUMP	-	1,638	-	(1,638)	0.00%
17	MCPHERSON HOUSE REMODEL	-	-	-	-	0.00%
18	VIEW RIDGE MODIFICATION-	-	-	-	-	0.00%
19	VP VAULT PIPING/METER UPGRADE-	-	-	27,000	27,000	0.00%
20	VISTA PANORAMA RESERVOIR REPAIR-	-	(720)	85,000	85,720	-0.85%
21	VP PUMP REBUILD-	-	-	5,250	5,250	0.00%
22	VALVE RAISING-CRAWFORD CANYON-	-	-	13,000	13,000	0.00%
23	VALVE REPLACEMENTS- SYSTEM	-	-	20,000	20,000	0.00%
24	ALLOW FOR SYSTEM RELOCATION-	-	-	12,000	12,000	0.00%
25	BACKUP GENERATOR FOR VP BOOSTER-	-	26	-	(26)	0.00%
26	6" MAG METERS @ STOLLER PRVS-	-	-	15,000	15,000	0.00%
27	STOLLER 150HP BOOSTER PUMP -	-	-	37,000	37,000	0.00%
28	REPLACE BACKHOE-	-	-	25,000	25,000	0.00%
29	BACKUP SYSTEM PRV - CIRCULA PANORAMA-	-	-	50,000	50,000	0.00%
30	JOINT WELL - ENGINEERING	-	-	105,000	105,000	0.00%
31	WELL DISINFECTION CONVERSION -	-	-	57,500	57,500	0.00%
32	WEST WELL REHABILITATION -REPLACEMENT-	-	-	72,000	72,000	0.00%
33	CHARMAINE / FOWLER PIPING MODIFICATION -	-	-	26,000	26,000	0.00%
34	SCADA SYSTEM SITE ADDITIONS - VP SIDEHILL AND RZ FIRE PUMP	-	-	15,000	15,000	0.00%
35	TOTAL OPERATING EXPENSE	-	2,291	675,750	673,459	
36	NET INCOME FROM OPERATIONS	14,688	313,491	-	313,491	
37	PRIOR YEARS EXPENSES	-	-	-	-	
38	NET INCOME (LOSS)	14,688	313,491	-	313,491	

EAST ORANGE COUNTY WATER DISTRICT

FOR RETAIL
MONTH: MARCH 2014

ACCOUNT	DESCRIPTION	MONTHLY ACTUAL	YTD ACTUAL	ANNUAL 2013-14 BUDGET	BUDGET \$ OVER (UNDER)	PERCENT OF BUDGET EXPENDED
REVENUE						
1	FUNDED BY RESERVES	-	-	213,650	(213,650)	
2	4109-0002-2 WATER SALES-CAPITAL PROJECTS	180	184,703	288,000	(103,297)	64.13%
3	4113-0002-2 CONNECTION FEES	-	500	-	500	0.00%
4	4915-0959-2 INTEREST INCOME- CHAPMAN AVE	-	-	-	-	0.00%
5	4916-0959-2 INTEREST-MORGAN STANLEY-CAP	-	-	-	-	0.00%
6	4917-0959-2 INTEREST-LAIF-CAP	-	4	-	4	0.00%
7	4918-0959-2 INTEREST US TREASURY BOND	-	-	-	-	0.00%
8	4991-0012-2 REIMBURSEMENT- RZ BILL RATE STUDY	-	-	-	-	0.00%
9	4994-0959-2 TRANSFER IN CAPITAL PROJECTS	14,508	130,575	174,100	(43,525)	75.00%
10	Total NON OPERATING INCOME:	14,688	315,782	675,750	(359,968)	
11	Total OPERATING REVENUE	14,688	315,782	675,750	(359,968)	
12	NET OPERATING INCOME:	14,688	315,782	675,750	(359,968)	

EXPENSES

13	7900-100C-2 RZ CAPITALIZED ACCOUNTING COST	-	-	5,000	(5,000)	0.00%
14	7912-201E-2 BETTERMENT & REPLACEMENT PLAN	-	1,000	70,000	(69,000)	1.43%
15	7912-201L-2 BETTERMENT & REPLACEMENT PLAN	-	-	500	(500)	0.00%
16	7913-201C-2 MCPHERSON OFFICE/YARD IMPROVE-CONST.	-	347	10,000	(9,653)	3.47%
17	7913-201L-2 MCPHERSON OFFICE/YARD IMPROVE-LABOR	-	-	5,000	(5,000)	0.00%
18	7913-202C-2 CATHODIC PROTECTIONS-CONST.	-	-	5,000	(5,000)	0.00%
19	7913-202L-2 CATHODIC PROTECTION-LABOR	-	-	500	(500)	0.00%
20	7913-203C-2 USED VEHICLE TO SUPPLEMENT FLEET	-	-	15,000	(15,000)	0.00%
21	7913-204C-2 MOBILE ENGINE DRIVEN PUMP	-	1,638	-	1,638	0.00%
22	7913-204L-2 MOBILE ENGINE DRIVEN PUMP LABOR	-	-	-	-	0.00%
23	7913-205C-2 MCPHERSON HOUSE REMODEL	-	-	-	-	0.00%
24	7913-501C-2 VIEW RIDGE MODIFICATION-CONST.	-	-	-	-	0.00%
25	7913-503C-2 VP VAULT PIPING/METER UPGRADE-CONST.	-	-	20,000	(20,000)	0.00%
26	7913-503E-2 VP VAULT PIPING/METER UPGRADE-ENG.	-	-	5,000	(5,000)	0.00%
27	7913-503L-2 VP VAULT PIPING/METER UPGRADE-LABOR	-	-	2,000	(2,000)	0.00%
28	7913-504C-2 VISTA PANORAMA RESERVOIR REPAIR-CONST.	-	(720)	65,000	(65,720)	-1.11%
29	7913-504E-2 VISTA PANORAMA RESERVOIR REPAIR-ENG.	-	-	15,000	(15,000)	0.00%
30	7913-504L-2 VISTA PANORAMA RESERVOIR REPAIR-LABOR	-	-	5,000	(5,000)	0.00%
31	7913-505C-2 VP PUMP REBUILD-CONST.	-	-	5,000	(5,000)	0.00%
32	7913-505L-2 VP PUMP REBUILD-LABOR	-	-	250	(250)	0.00%
33	7913-507C-2 VALVE RAISING-CRAWFORD CANYON-CONST.	-	-	12,000	(12,000)	0.00%
34	7913-507E-2 VALVE RAISING-CRAWFORD CANYON-ENG.	-	-	500	(500)	0.00%
35	7913-507L-2 VALVE RAISING-CRAWFORD CANYON-LABOR	-	-	500	(500)	0.00%
36	7913-508C-2 VALVE REPLACEMENTS- SYSTEM CONST.	-	-	15,000	(15,000)	0.00%
37	7913-508L-2 VALVE REPLACEMENTS- SYSTEM LABOR	-	-	5,000	(5,000)	0.00%
38	7913-509C-2 ALLOW FOR SYSTEM RELOCATION-CONST.	-	-	10,000	(10,000)	0.00%
39	7913-509E-2 ALLOW FOR SYSTEM RELOCATION-ENG.	-	-	2,000	(2,000)	0.00%
40	7913-510C-2 BACKUP GENERATOR FOR VP BOOSTER-CONST.	-	26	-	26	0.00%
41	7913-510L-2 BACKUP GENERATOR FOR VP BOOSTER-LABOR	-	-	-	-	0.00%
42	7913-511C-2 6" MAG METERS @ STOLLER PRVS-CONST.	-	-	10,000	(10,000)	0.00%
43	7913-511L-2 6" MAG METERS @ STOLLER PRVS-LABOR	-	-	5,000	(5,000)	0.00%
44	7913-512C-2 STOLLER 150HP BOOSTER PUMP - CONSTRUCTION	-	-	35,000	(35,000)	0.00%
45	7913-512E-2 STOLLER 150HP BOOSTER PUMP - ENGINEERING	-	-	1,000	(1,000)	0.00%

EAST ORANGE COUNTY WATER DISTRICT

FOR RETAIL
MONTH: MARCH 2014

		MONTHLY	YTD	ANNUAL	BUDGET \$	PERCENT
		ACTUAL	ACTUAL	2013-14 BUDGET	OVER (UNDER)	OF BUDGET EXPENDED
ACCOUNT	DESCRIPTION					
46	7913-512L-2 STOLLER 150HP BOOSTER - LABOR	-	-	1,000	(1,000)	0.00%
47	7914-201C-2 REPLACE BACKHOE-CONSTRUCTION	-	-	25,000	(25,000)	0.00%
48	7914-503C-2 BACKUP SYSTEM PRV - CIRCULA PANORAMA-CONSTRUCTION	-	-	30,000	(30,000)	0.00%
49	7914-503E-2 BACKUP SYSTEM PRV - CIRCULA PANORAMA-ENGINEERING	-	-	10,000	(10,000)	0.00%
50	7914-503L-2 BACKUP SYSTEM PRV - CIRCULA PANORAMA-LABOR	-	-	10,000	(10,000)	0.00%
51	7914-507E-2 JOINT WELL - ENGINEERING	-	-	100,000	(100,000)	0.00%
52	7914-507L-2 JOINT WELL - LABOR	-	-	5,000	(5,000)	0.00%
53	7914-508C-2 WELL DISINFECTION CONVERSION -CONST/EQUIP	-	-	45,000	(45,000)	0.00%
54	7914-508E-2 WELL DISINFECTION CONVERSION-ENGINEERING	-	-	10,000	(10,000)	0.00%
55	7914-508L-2 WELL DISINFECTION CONVERSION - LABOR	-	-	2,500	(2,500)	0.00%
56	7914-509C-2 WEST WELL REHABILITATION -REPLACEMENT-CONSTRUCTION	-	-	70,000	(70,000)	0.00%
57	7914-509L-2 WEST WELL REHABILITATION -REPLACEMENT-LABOR	-	-	2,000	(2,000)	0.00%
58	7914-515C-2 CHARMAINE / FOWLER PIPING MODIFICATION - CONST	-	-	5,000	(5,000)	0.00%
59	7914-515E-2 CHARMAINE / FOWLER PIPING MODIFICATION - ENG	-	-	2,000	(2,000)	0.00%
60	7914-515L-2 CHARMAINE / FOWLER PIPING MODIFICATION - LABOR	-	-	7,000	(7,000)	0.00%
61	7912-201C-2 MCPHERSON OFFICE/YARD IMPROVEMENTS	-	-	10,000	(10,000)	0.00%
62	7913-509L-2 ALLOW FOR SYSTEM RELOCATION-LABOR.	-	-	2,000	(2,000)	0.00%
63	7914-540E-2 SCADA SYSTEM SITE ADDITIONS - VP SIDEHILL AND RZ FIRE PUMP	-	-	15,000	(15,000)	0.00%
64	TOTAL OPERATING EXPENSES:	-	2,291	675,750	(673,459)	
65	Net Income (Loss):	14,688	313,491	-	313,491	

MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: LETTER TO MWDOC REGARDING MWDOC PROPOSED FY 2014/15 BUDGET
DATE: MAY 15, 2014

BACKGROUND

Several south Orange County water agencies have met and jointly expressed concern with MWDOC's FY 2014/15 budget. Their concerns are summarized in the attached draft letter; some of these concerns are the same issues that were raised prior to the adoption of the settlement agreement between MWDOC and the south county agencies in 2010.

EOCWD, Mesa Water and Yorba Linda Water District discussed this issue and recommended to our respective Boards (or Committees if timing did not allow bringing this to a Board Meeting) that we send an alternate letter indicating our support for MWDOC's budget and budgeting process.

Staff reviewed this issue with the Finance Committee and Engineering Committees at their respective April 30th and May 7th meetings as timing did not allow the opportunity to bring this issue to the Board before the due date for comments. Both committees (Director Bell recused himself) recommended proceeding with submittal of the letter; attached is a copy of the letter that was jointly sent by the three agencies in support of MWDOC's proposed FY 2014/15 budget.

RECOMMENDATION

The Board ratify the Committee's direction to support MWDOC's FY 2014/15 budget for the record.

April 30, 2014

Municipal Water District of Orange County
P.O. Box 20895
Fountain Valley, CA 92728

Dear MWDOC Board Members and General Manager Hunter:

The undersigned agencies appreciate the opportunity to provide comments on the draft budget for FY 2014-15 as proposed by Municipal Water District of Orange County (MWDOC). These comments have been shared with staff and board members of MWDOC leading up to the submittal of this letter, and we appreciate the board members' discussion at the April Administration and Finance Committee, indicating support of the positions expressed by MWDOC's member agencies as noted in this joint letter.

At the April Elected Officials Forum, input was provided by a number of agencies from both north and south Orange County regarding MWDOC's CORE and CHOICE programs. The genesis of the CORE and CHOICE approach to MWDOC services was to ensure clarity, accountability and understanding between MWDOC and its member agencies. It is our sincerest hope that specific projects such as Doheny, Poseidon and Second Lower Cross Feeder (SLCF) remain CHOICE as voiced by the member agencies and that the CORE MWDOC programs only represent initiatives and/or efforts that agencies support as collective regional benefits. Over the years, there have been great efforts to establish a higher level of trust and cooperation among all of the agencies that serve the residents of Orange County. We have spent time and resources to provide comments, engage the MWDOC Board and staff with the expectation that our concerns would be heard and addressed, moving us closer to a trust-based and more productive relationship.

The following is a summary of issues regarding MWDOC's proposed budget for FY 2014-15:

1. Broad efforts, not specific projects, should be considered CORE services. CORE services should only be activities that are undertaken on behalf of all member agencies.

SLCF was a successful CHOICE program that demonstrated a cooperative working relationship between MWDOC and the participating agencies. The joint effort resulted in obtaining the necessary information and analysis to evaluate the need and feasibility of the project at this time. Pending a final meeting between

the CHOICE participants and MWDOC staff, the group agreed that the project should be put on hold for now and should not be budgeted for FY 2014-15. The member agencies support MWDOC's effort in facilitating a county-wide reliability discussion and pursuing conjunctive use as an initiative, which should be captured under "planning" and/or MET issues and be considered CORE.

Both Doheny and Poseidon desalination projects should remain CHOICE. Any MWDOC staff time related to administration of the MET Foundational Action Program for Doheny should be minimal and therefore, should not require all member agencies to subsidize this project. Currently, Doheny and Poseidon are undergoing some significant transitions in management and participation, and until these fundamental issues are further resolved, they should not be considered CORE.

It should be noted that any efforts/projects that require MWDOC's support to obtain outside funding, from programs such as MET's Foundational Action Funding Program and the Local Resource Program (LRP), should be included under the planning and MET issues line items, as those efforts are and should continue to be considered CORE. We support MWDOC's efforts in securing outside funding sources as CORE, and these efforts should not be limited to specific projects. We support ocean desalination as a potential water supply or water reliability strategy, which should be captured under "planning" and considered CORE, as it pertains to MWDOC's planning efforts.

2. WEROC should be reviewed regularly to evaluate and refine its role.

While we support the budgeted numbers associated with WEROC, in order to fully realize the benefits of the program, regular updates should be provided to member agency managers to solicit input. We agree that an additional full time position (converted from existing part time position) for WEROC should be included in the FY 2014-15 budget; however, to best fill the position, including experience and background requirements, MWDOC will propose a plan to its member agencies updating WEROC's roles and responsibilities including how MWDOC staff currently support WEROC.

3. Specific scope of work for reliability projects.
MWDOC should work with its member agencies to develop a specific written scope and strategy to clearly understand how the county-wide reliability planning efforts will be facilitated. Before expenditures are made, including hiring consultants, MWDOC should convene a workgroup of member agencies to discuss and solicit feedback.
4. Specific plans for communications/legislative plans.
MWDOC should work with its member agencies to develop a specific written plan for both the legislative and communications programs. Without such information,

the member agencies do not know the expectations or the deliverables of the programs needed to determine which functions are CORE and CHOICE.

5. Specific scope of work for engineering projects.
MWDOC should work with its member agencies to develop a specific scope of work to understand the outsourcing of engineering efforts.
6. Review various memberships and conferences.
We ask that MWDOC work with its member agencies to evaluate these memberships on an ongoing basis.

As you deliberate and consider the draft budget, we ask you to consider our reasonable requests and comments, and continue to work with us to move Orange County forward as a region. We face many challenges requiring greater leadership and collaboration among all water agencies in Orange County, and we see this budget process as an opportunity to demonstrate the cooperation and willingness of everyone to work together. The cooperation starts with listening on both sides. We look forward to your decision regarding our comments.

Sincerely,

MWDOC MEMBER AGENCIES



May 8, 2014

Mr. Robert J. Hunter
General Manager
Municipal Water District of Orange County
18700 Ward Street
P.O. Box 20895
Fountain Valley, CA 92728

Re: MWDOC Annual Budget, FY 2014-15

Dear Mr. Hunter:

East Orange County Water District, Mesa Water District, and Yorba Linda Water District, as special districts in the Orange County groundwater basin, have reviewed the Municipal Water District of Orange County's (MWDOC's) Draft FY 2014-15 Annual Budget and we offer our support of the document as presented. Our management teams and staff have extensively analyzed MWDOC's mission, goals, programs, and funding requests. Each district has independently briefed our Board of Directors or appropriate Committees on the findings. We support MWDOC's mission: **"To provide reliable, high-quality supplies from MWD and other sources to meet present and future needs, at an equitable and economical cost, and to promote water use efficiency for all of Orange County"**.

In addition, East Orange County Water District, Mesa Water District, and Yorba Linda Water District supports MWDOC's **"Priorities and Practices"** in representing Orange County's interests at Metropolitan Water District and its primary budget concern in addressing regional water reliability. We accept the Draft MWDOC Choice Service Program cost allocations in regards to both program designation and funding as they relate to us. While **"Core and Choice"** continues to be the largest topic of discussion during this budget preparation, we thank you for being open with your thoughts on these key programs; we respect that the final determination of programs is the decision of MWDOC's Board of Directors.

In closing, East Orange County Water District, Mesa Water District, and Yorba Linda Water District thank the staff and management of MWDOC for including its member agencies in every step of the budget. If we can be of further assistance please don't hesitate to contact us.

Sincerely,



East Orange County Water District



Mesa Water District



Yorba Linda Water District



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: OCWD ADOPTED FY 2014/15 BUDGET
DATE: MAY 15, 2014

BACKGROUND

At their April 16th meeting, the Board of Directors of the Orange County Water District adopted a \$205.9 Million FY 2014/15 Budget. This is a \$20.4 Million (11%) increase; a comparison of this year's major budget categories with FY 2014/15 is shown below:

	FY 2013/14 <u>(in millions)</u>	FY 2014/15 <u>(in millions)</u>
General Operating Fund	\$52.6	\$54.8
Capital Improvement Program	65.6	74.3
Debt Service	31.8	33.5
Water Purchases	20.0	26.3
Repair & Rehabilitation Expenditures	13.7	15.0
Retiree Medical Benefits	1.2	1.3
New Equipment	<u>.6</u>	<u>.7</u>
TOTAL	\$185.5	\$205.9

The new budget includes the following assumptions:

- The purchase of 40,000 AF of MET untreated full service water supplies for recharge to the groundwater basin in support of a 72% BPP.
- Issuance of approximately \$15M in commercial paper debt to fund the purchase of an additional 25,000 AF of MET water for recharge.
- The expansion of the Groundwater Replenishment System (from 70,000 to 80,000 AFY) will be placed into service during this fiscal year. Increases of General Fund expenses by \$2.2M due to increased chemical and utilities costs for the expanded GWRS are expected.
- A 2% cost of living increase to all salaries has been budgeted as well as a merit increase based upon employee performance.
- An increase in the number of employees from 215.5 to 217.5.

A copy of the adopted budget is attached.

The Replenishment Assessment (also referred to as the “RA” or the amount EOCWD pays for each AF of water pumped) will increase from \$276/AF to \$294/AF. The Basin Production Percentage (“BPP” or the percentage of the total RZ water demand that can be pumped from the groundwater basin) will increase from 70% to 72% next year equal to a total demand of 326,560 AF for all pumpers (~700 AF for EOCWD).

2

The accumulated overdraft for the basin at June 30, 2013 was approximately 242,000 AF and is expected to increase by 60,000 to 100,000 AF by June 30, 2014 due to the extremely low amount of recharge available from the Santa Ana River; this deficit is projected despite the purchase of the MET untreated recharge water and the GWRS expansion water.

RECOMMENDATION

Information only; no action is required.

Orange County Water District



FINAL DRAFT

**Budget Report
FY 2014-2015**



Orange County Water District Budget Report Fiscal Year 2014-15

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**ORANGE COUNTY WATER DISTRICT
BUDGET REPORT
FISCAL YEAR 2014-15**

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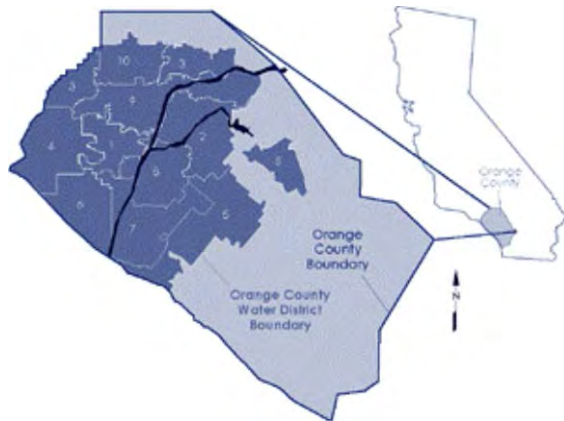
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ORANGE COUNTY WATER DISTRICT

HISTORY AND CHARACTER

The District receives an average of only 13 to 15 inches of rainfall annually, yet sustains a population of approximately 2.4 million people. The residents and businesses within the District have two primary sources of drinking water. One source is a natural underground reservoir, called the Orange County groundwater basin. The other source, referred to as imported water, comes from Colorado through the Colorado River Aqueduct and from the Sacramento/San Joaquin Delta in Northern California through the State Water Project.



The groundwater basin was used by early settlers to supplement flows from the Santa Ana River.

As the area developed into a thriving agricultural center, the increased demand upon the subsurface water by the county's many wells resulted in a gradual lowering of the water table. In response, the Orange County Water District was formed in 1933 by a special act of the California State Legislature. OCWD manages the groundwater basin that underlies the northwest half of the county, supplying a significant percentage of the District's total water demand. The remaining demand is obtained through the Colorado River Aqueduct and State Water Project via the Metropolitan Water District of Southern California and the Municipal Water District of Orange County.

DISTRICT VITAL STATISTICS

Date of Enactment: 1933
Form of Government: Special District of the State of California
Area (square miles): 358
Employees (full-time equivalent): 217.5

Major Groundwater Producing Agencies:

Anaheim, City of
Buena Park, City of
East Orange County Water District
Fountain Valley, City of
Fullerton, City of
Garden Grove, City of
Golden State Water Company
Huntington Beach, City of
Irvine Ranch Water District
La Palma, City of

Mesa Consolidated Water District
Newport Beach, City of
Orange, City of
Santa Ana, City of
Seal Beach, City of
Serrano Water District
Tustin, City of
Westminster, City of
Yorba Linda Water District

Section 1

General Manager's Message

April 16, 2014

Board of Directors
Orange County Water District

Subject: BUDGET FOR FISCAL YEAR 2014-2015

OVERVIEW

I am pleased to present to the Board of Directors the recommended budget for fiscal year (FY) 2014-15. The budget includes general fund expenditures, debt service, water purchases, refurbishment and replacement items, and capital projects for the Board's review and consideration. Development of the draft budget began in December 2013 with Board review of the preparation schedule.

The District's general fund budget has been subdivided into 21 cost centers to provide greater detail. During the month of February I met with all of the District's managers in preparing the budgets for these cost centers and made \$3.1 million in budget reductions from what they proposed.

The draft budget will be reviewed at tonight's Board meeting and additional meetings and workshops will be held on the budget through March and April with the Board and Groundwater Producers (Producers). The final draft budget that will include any recommendations with culmination of these meetings and workshops, along with a new review of the budget by me as General Manager, will be presented at the April 16 Board meeting.

The budget describes activities and projects that are primarily a continuation of the District's existing workload. We expect the expanded Groundwater Replenishment (GWR) System to produce 80,000 acre-feet (af) of water supplies. The budget is based on increasing the Basin Production Percentage (BPP) to 72 percent from 70 percent, which corresponds to approximately 326,560 acre-feet of pumping in FY 2014-15.

Highlights and assumptions of the proposed budget include:

- Budgeting for 40,000 af of MWD untreated full service water supplies to recharge into the groundwater basin to support the recommended BPP.
- During the fiscal year, the District will consider issuing approximately \$15 million in commercial paper debt to fund the purchase of an additional 25,000 af of MWD water.
- The groundwater basin's accumulated overdraft would remain about the same with the 72 percent BPP, average hydrology and increased MWD water purchase.
- Increase General Fund expenses by \$2.2 million from the prior year due mainly to increased chemical and utilities cost for running the expanded GWRs.
- A 2% cost of living increase to salaries has been budgeted and a merit increase based upon employee performance has been budgeted.
- Headcount increases from 215 ½ to 217 ½.
- The groundwater basin's June 30, 2013 accumulated overdraft was estimated at 242,000 acre-feet and is expected to increase by approximately 60,000 to 100,000 acre-feet by end of the fiscal year due to dry conditions.

The recommended budget would require an increase in the RA to \$294 per acre-foot for FY 2014-15 from the prior year's \$276. Table 2 provides a summary of the proposed budget:

Table 2
2014-15 PROPOSED BUDGET

EXPENSES	BUDGETED FY 13-14 (\$ MILLIONS)	PROPOSED FY 14-15 (\$ MILLIONS)
General Fund	52.6	54.8
Debt Service	31.8	33.5
Water Purchases	20.0	26.3
New Equipment	0.6	0.7
Capital Improvement Program	65.6	74.3
Refurbishment and Replacement Expenditures	13.7	15.0
Retiree Health Insurance Trust	1.2	1.3
Total	\$185.5	\$205.9

BUDGET DETAILS

The Orange County Water District strives to improve the efficiency of all aspects of its operations in its continuing efforts to increase the water quality and reliability of Orange County's local water resources at the lowest possible cost. The *2014-15 Budget Report* for the District reflects the wide range of programs necessary to accomplish the District's primary mission of proactively managing the Orange County groundwater basin. The following sections provide highlights of the budget.

EXPENSES

GENERAL FUND BUDGET - \$54.8 MILLION

The District has 21 cost centers and their proposed activities for the year are provided in detail in later sections of this document. The District constantly attempts to minimize increases to the General Fund by taking actions such as limiting administrative personnel, reviewing operations, maximizing outside funding opportunities, and reviewing all vacant positions before they are refilled. The General Fund budget contains the expenses of operating a number of facilities including:

- The GWR System Advanced Water Purification Facility
- Green Acres Project (GAP)
- Talbert seawater barrier injection facilities
- Water quality monitoring well maintenance and sampling
- Laboratory
- Recharge operations in Anaheim and Orange
- Alamitos seawater barrier injection facilities
- Prado Wetlands and water conservation programs

The District's total salary and benefit costs are projected to be \$29.7 million, which is allocated as follows: \$27.4 million to the General Fund and \$2.3 million to capital projects. As described in the Work Plans, the budget proposes a headcount of 217½.

WATER PURCHASE BUDGET - \$26.3 MILLION

The proposed water budget calls for purchasing 40,000 acre-feet of MWD untreated full service water. The total water budget is \$26.3 million. Any money not spent in the annual water budget would remain in the water fund reserve.

The District expects to spend down its water fund reserve by the end of the current fiscal year on MWD water to recharge its basin.

The basin's accumulated overdraft is estimated to be between 300,000 and 340,000 acre-feet by June 30, 2014 due to dry conditions.

DEBT SERVICE BUDGET - \$33.5 MILLION

The District will have more than \$558 million in outstanding debt at the start of the budget year. This year's total debt service payment will be \$33.5 million, comprising \$12.7 million of fixed rate debt, \$6.4 million of variable rate debt and commercial paper, \$1.2 million of SWAP payments, \$8.5 million low interest State Revolving Fund Loans, \$4.0 million towards establishing a restricted reserve fund equal to one year's annual payment estimated at \$9.2 million as a condition for the state loan used to finance GWRS Initial Expansion, and \$0.7 million for debt administration. Variable rate debt interest cost has been budgeted at 2.75 percent.

The District has developed a comprehensive long-range debt management program, which provides for the funding of projects necessary to protect the basin and to increase basin production while providing predictable and minimal impacts to the RA.

The District holds very high credit ratings of AAA from Standard & Poor's and Fitch along with an Aa1 rating from Moody's. The ratings assigned by these three agencies have a direct impact on the District's ratepayers. The District's high credit ratings translate into lower annual interest payments and reduced letter of credit fees on its variable rate debt.

RETIREE HEALTH INSURANCE TRUST FUND - \$1.3 MILLION

The District conducted a biannual actuarial study in May 2013 to determine the estimated accrued liability of providing the retiree medical benefit which is \$14.8 million. The annual cost to fund this liability (Annual Required Contribution or ARC) was estimated in the report at \$1.3 million. At the end of FY 2014-15 the trust fund is expected to have a value of approximately \$6.6 million. The recommended FY2014-15 budget includes \$1.3 million to continue fully funding the District's ARC. This cost is also referred to as Other Post Employment Benefits (OPEB). The cost to pay medical premiums for retired employees will be paid out of the OPEB trust.

Replacement and Refurbishment (R&R) Fund Budget - \$15.0 Million

The District has over \$871 million in existing plant and fixed assets. These facilities annually depreciate and require routine minor repairs to maintain their capabilities. In October 1998, the District formally established an R&R Fund.

In 2004 the R&R program was downsized to only include infrastructure type assets. The amount of money annually transferred into the R&R program was reduced from \$4.5 million annually to \$2.8 million with this change. The annual transfer amount has been growing by seven percent annually to provide sufficient funds to meet future expected R&R expenses. The annual contribution also increased by \$4.5 million with the construction of the GWR System. The total contribution in FY 2014-15 would be \$12.7 million. The R&R program and model was formally reviewed and updated in 2011.

Actual expenditures from the fund vary significantly each year depending upon which District assets have reached the end of their useful life and need to be replaced or which assets can have their lives extended by refurbishing them. In FY 2014-15, the proposed R&R expenses are \$15 million.

The R&R Program reserve balance is projected at \$70 million as of June 30, 2015.

Capital Projects Budget - \$74.3 Million

The District prepares a multi-year CIP budget to support its mission. The CIP budget spans three years and provides expected capital expenditures over the 3-year period. The CIP budget is comprised of seventeen projects totaling \$74.3 million in FY 2014-15.

The seventeen projects are funded through long-term debt, legal settlements from companies who have polluted the groundwater basin, and the District will be funding \$5 million of the CIP budget with RA revenue or current revenue (PAYGO) rather than borrowed funds. Details of the CIP are provided in Section 8 of the budget book.

The projects are necessary to:

- Support basin production by increasing recharge capacity and operational flexibility;
- Protect the coastal portion of the basin; and
- Provide water quality improvements.

The CIP program and the capitalization of expenses comply with the adopted District policy in October 2000, which: (1) defines the types of expenses that can be capitalized; and (2) uses long-term debt to fund the projects. Each project included in the CIP must be individually reviewed and approved by the Board prior to design and construction.

NEW CAPITAL EQUIPMENT ITEMS - \$0.7 MILLION

This budget includes small equipment items such as laboratory equipment, machines, tools, computers and software, pumps, equipment, etc. These items are funded using current revenues.

A detailed list of these items is provided in Section 9 of this document.

REVENUES

ASSESSMENTS - \$95.7 MILLION RA; \$1.8 MILLION BASIN EQUITY ASSESSMENT

All water pumped out of the groundwater basin is assessed the RA on a dollar per acre-foot basis of \$294. The RA is expected to generate \$95.7 million in revenue for FY 2014-15 based on 326,560 acre-feet of total anticipated basin production at a 72 percent BPP. Anticipated agricultural pumping of approximately 2,900 acre-feet generates revenues based on half the RA (\$147.00).

The Basin Equity Assessment (BEA) rate is calculated for each Producer based on the treated full service MWD water rate and each Producer's individual energy cost to pump groundwater. The BEA is assessed annually in September for all groundwater production above the BPP. For FY 2014-15, \$1.75 million of BEA revenue is expected to be received.

AD VALOREM PROPERTY TAXES – \$21.5 MILLION

The District would expect to receive approximately \$21.5 million in property taxes collected within the service area.

The County of Orange assesses and collects the taxes and transfers them to the District at various times during the year. This revenue source is dedicated to the District's debt service expense.

INVESTMENT REVENUE – \$2.2 MILLION

The District's cash reserves generate investment revenues. The majority of cash reserves are invested in short-term securities. Yields continue to decline and have been estimated at 1.00 percent.

Investment revenues have been estimated at \$1.2 million for the General Fund. Approximately \$0.6 million of the investment revenues are generated by and for the R&R program, another \$0.3 million of the investment revenues are generated by and for the CIP program. The remaining \$0.1 million in interest revenue is allotted to the Water fund reserve.

MISCELLANEOUS REVENUES – \$14 MILLION

MISCELLANEOUS REVENUES ARE COMPRISED OF NUMEROUS ITEMS INCLUDING:

Water sales from the GAP	\$0.7 M
MWD GAP & LRP Subsidy	\$0.5 M
GWR System MWD LRP Subsidy	\$8.1 M
Annexation fees	\$1.7 M
Rents & leases	\$1.2 M
Other misc. items	\$1.8 M
TOTAL	\$14.0M

RESERVES

The District maintains cash reserves to ensure its financial integrity so that the groundwater basin can be successfully managed and protected. Cash reserves ensure that:

- The District has sufficient funds for cash flow purposes;
- Funds are available for unexpected events such as contamination issues;
- Funds are available to make necessary replacements and repairs to the District's infrastructure;
- The District has access to debt programs with very low interest cost;
- A financial hedge is in place to balance the amount of outstanding variable rate debt the District has issued in case interest rates rise;
- The District can purchase MWD water when available.

The District has developed policies which result in the establishment of the reserve and operating fund levels shown in Table 3. The net effect of the proposed budget would be to increase total District reserves by \$2.7 million with an increase of \$4.0 million due to the GWRS Initial Expansion (GWRSIE) state loan reserve fund which is a condition of the low cost loan, decrease of \$3.0 million in the R&R fund and increase of \$1.7 million operating reserve required by the District Act.

Table 3
Operating Reserves Levels

Reserve	Beginning FY13-14(\$/million)	Projected Year-end FY 13-14 (\$/million)	Projected Year-end FY 14-15 (\$/million)
R&R Fund	67.0	73.0	71.3
Toxic Clean-up	4.0	4.0	4.0
General Contingencies	3.0	3.0	3.0
GWRSIE State Loan Reserve Fund	1.7	5.2	9.2
Water Fund	21.9	0	0
Operating Reserves (15% of operating budget)	16.8	18.0	19.7
Sub-total	114.4	103.2	107.2
Operating Funds			
Operating Fund	27.9	40.0	40.0
TOTAL	142.3	143.2	147.2

COST CUTTING EFFORTS

Staff has been and will continue to work to reduce District expenses to minimize rate increases. Over the past five years the District's general fund budget has been reduced from \$58.9 million in FY 09-10 down to the recommended \$54.8 million for FY14-15. Examples of cost cutting efforts include:

- A full time administrative position was eliminated;
- Changed to a new supplier for specialty gases used in lab analytical systems to save money without a reduction in purity;
- The District continues negotiating payment term discounts with vendors;
- Renegotiating letter of credit fee with bankers;
- Analyzed historical insurance claims data and adjusted insurance deductibles accordingly to reduce premiums;
- Reduced the use of sulfuric acid typically required as a pretreatment to prevent mineral scaling in the reverse osmosis membranes by working with the District's antiscalant vendors;
- Bought out of 7 copier leases;
- Eliminated security contract for Prado Field office by making a onetime investment in security equipment;
- Audited and eliminated fuel and communication excise taxes from district vendor invoices.

CONCLUSION

The proposed 2014-15 draft budget represents an expenditure plan that is fiscally sound and incorporates significant budget reductions while supporting necessary programs. As part of the District's commitment to provide local groundwater producers with a reliable, adequate, high-quality water supply at the lowest reasonable cost, the following areas will continue to be emphasized:

- Minimizing administrative and overhead type costs;
- Protect the coastal portion of the groundwater basin;
- Increase local water supplies were economical; and
- Maintain the financial health and integrity of the District.

Respectfully submitted,

Michael R. Markus, P.E.
General Manager

Section 2

Summaries

Combined Summary
Sources and Uses of Funds
General Fund Budget Summary
General Fund Budget Comparison
District Memberships
OCWD Staffing History

**Orange County Water District
Combined Summary
Fiscal Year 2014-15**

Revenues		
Property Taxes	\$	21,500,000
Replenishment Assessment	\$	95,647,974
Basin Equity Assessment	\$	1,750,000
Facility Revenue from Other Agencies (GAP & LRP)	\$	9,328,803
Project Reimbursement Revenue	\$	964,686
Investment Revenues	\$	2,231,347
Rent, Royalties and Others	\$	4,735,403
Appropriation from R&R reserves	\$	1,646,301
Draw from Construction Fund/SRFLoans	\$	68,095,647
Total Revenues/Others	\$	205,900,161

Appropriations		
General Fund	\$	54,764,432
New Equipment	\$	683,000
Water Purchases	\$	26,279,000
Retiree Health Trust	\$	1,322,758
Debt Service	\$	33,539,389
Capital Projects (Debt & PAYGO funded)	\$	74,310,333
R&R Fund Expenditures	\$	15,001,249
Total Appropriations	\$	205,900,161

**Sources and Uses of Funds
Fiscal Year 2014-15**

Uses		Sources									
	Total	Replenishment Assessment	Basin Equity Assessment	Taxes	GAP Revenues & LRP (GWR/GAP)	Investment Revenue	Rent & Others	Reserve Fund Drawdown	Project Reimbursement	Debt Proceeds	Total
General Fund	\$ 54,764,432	\$ 40,522,582			\$ 9,328,803	\$ 1,181,347	\$ 3,731,700				\$ 54,764,432
New Equipment	\$ 683,000	\$ 683,000									\$ 683,000
Water Purchases	\$ 26,279,000	\$ 24,329,000	\$ 1,750,000			\$ 200,000					\$ 26,279,000
Debt Service	\$ 33,539,389	\$ 11,035,686		\$ 21,500,000			\$ 1,003,703				\$ 33,539,389
Retiree Health Trust	\$ 1,322,758	\$ 1,322,758									\$ 1,322,758
Capital Projects (Debt & PAYGO funded)	\$ 74,310,333	\$ 5,000,000				\$ 250,000			\$ 964,686	\$ 68,095,647	\$ 74,310,333
R&R Fund Expenditures	\$ 15,001,249	\$ 12,754,948				\$ 600,000		\$ 1,646,301			\$ 15,001,249
	\$ 205,900,161	\$ 95,647,974	\$ 1,750,000	\$ 21,500,000	\$ 9,328,803	\$ 2,231,347	\$ 4,735,403	\$ 1,646,301	\$ 964,686	\$ 68,095,647	\$ 205,900,161

**General Fund Budget Summary
Fiscal Year 2014-15**

Cost Center #	Cost Center	Salaries & Benefits	Services & Supplies	FY 14-15 Proposed Budget
1010	General Manager's Office	651,621	1,464,508	2,116,129
1012	Public Affairs	892,968	661,350	1,554,318
1016	Information Services	1,183,932	723,600	1,907,532
1018	Board Administration	850,757	205,740	1,056,497
1022	Purchasing	647,558	25,330	672,888
1024	Finance	1,750,918	124,000	1,874,918
1030	Human Resources	559,623	299,510	859,133
1034	Safety & Risk Management	248,493	755,640	1,004,133
1036	Water Quality	1,539,552	364,913	1,904,465
1038	Laboratory	3,554,180	1,444,550	4,998,730
1040	Research & Development	882,925	150,320	1,033,245
1044	Planning and Watershed Management	746,912	524,100	1,271,012
1045	Local Resources	248,131	5,500	253,631
1046	Regulatory Affairs	538,963	204,550	743,513
1050	Water Production/GWR System	7,326,254	17,489,200	24,815,454
1060	Recharge Operations	2,363,128	1,939,300	4,302,428
1062	Wetland Operations	379,765	207,450	587,215
1069	Property Management	133,737	132,318	266,055
1070	Engineering	671,820	130,400	802,220
1075	Hydrogeology	1,671,285	196,500	1,867,785
1080	Natural Resources	584,380	288,750	873,130
Total (Rounded)		\$ 27,427,000	\$ 27,338,000	\$ 54,764,000

General Fund Budget Comparison
Fiscal Year 2014-15

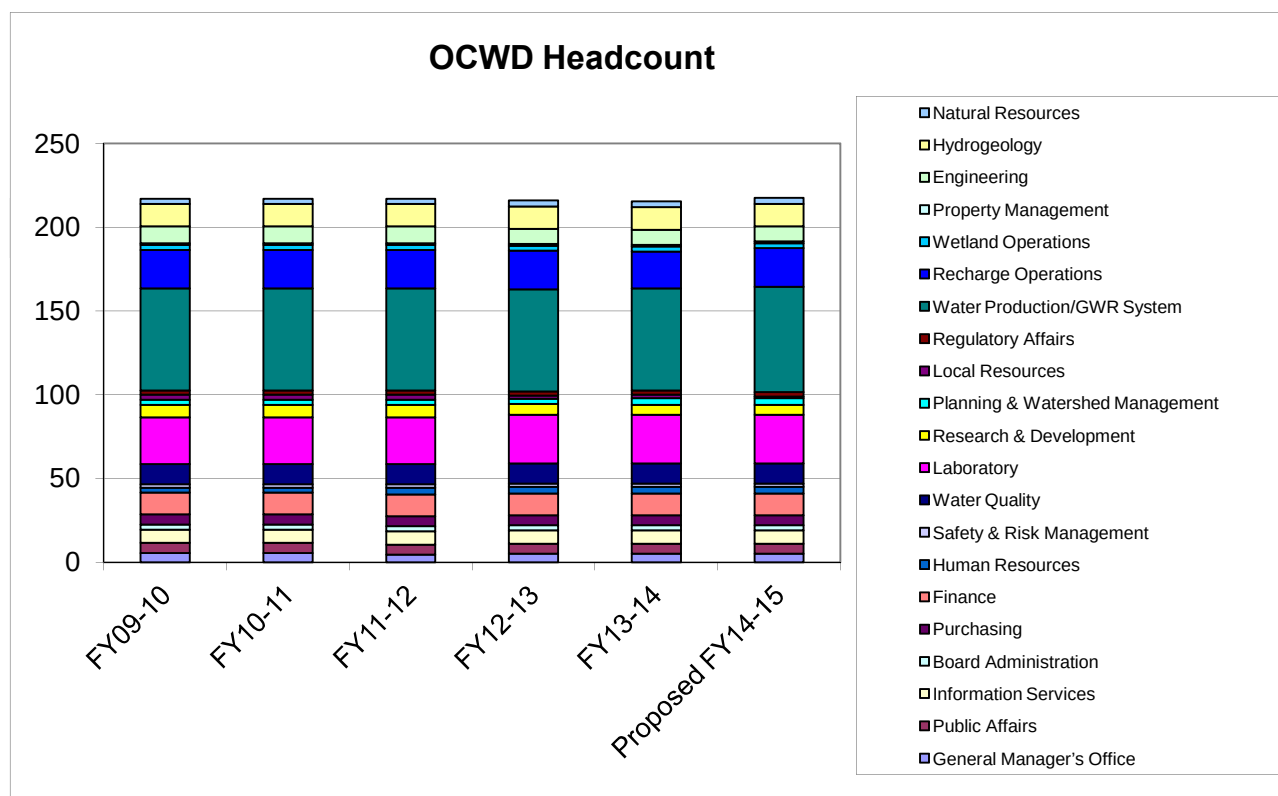
Cost Center #	Cost Center	FY 2014-15 Proposed Budget	FY 2013-14 Budget	Difference Over(Under)	% Increased or (Decreased)
1010	General Manager's Office	2,116,129	2,127,011	(10,882)	-0.51%
1012	Public Affairs	1,554,318	1,474,845	79,474	5.39%
1016	Information Services	1,907,532	1,803,349	104,182	5.78%
1018	Board Administration	1,056,497	1,029,908	26,589	2.58%
1022	Purchasing	672,888	654,365	18,523	2.83%
1024	Finance	1,874,918	1,797,161	77,757	4.33%
1030	Human Resources	859,133	803,836	55,297	6.88%
1034	Safety & Risk Management	1,004,133	929,525	74,608	8.03%
1036	Water Quality	1,904,465	1,906,273	(1,809)	-0.09%
1038	Laboratory	4,998,730	4,654,062	344,668	7.41%
1040	Research & Development	1,033,245	965,276	67,969	7.04%
1044	Planning & Watershed Management	1,271,012	1,285,883	(14,871)	-1.16%
1045	Local Resources	253,631	241,583	12,048	4.99%
1046	Regulatory Affairs	743,513	749,297	(5,784)	-0.77%
1050	Water Production/GWR System	24,815,454	23,410,594	1,404,860	6.00%
1060	Recharge Operations	4,302,428	4,178,895	123,533	2.96%
1062	Wetland Operations	587,215	699,642	(112,428)	-16.07%
1069	Property Management	266,055	362,662	(96,607)	-26.64%
1070	Engineering	802,220	1,011,524	(209,304)	-20.69%
1075	Hydrogeology	1,867,785	1,767,402	100,383	5.68%
1080	Natural Resources	873,130	768,503	104,627	13.61%
	Total (rounded)	\$ 54,764,000	\$ 52,622,000	\$ 2,143,000	4.07%

DISTRICT MEMBERSHIPS
Fiscal Year 2014-15

ORGANIZATION	AMOUNT
AMERICAN GROUNDWATER TRUST	500
AMERICAN MEMBRANE TECHNOLOGY ASSOCIATION	700
AMERICAN WATER WORKS ASSOCIATION (AWWA)	1,500
ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA)	27,000
BUILDING INDUSTRY ASSOCIATION OF SOUTHERN CALIFORNIA	650
CAL DESAL	5,000
CAL STATE FULLERTON DEMOGRAPHICS 4 x \$10,000	40,000
CALIFORNIA SPECIAL DISTRICTS ASSOCIATION (CSDA)	5,000
CALIFORNIA GROUNDWATER COALITION	9,500
CHAMBERS OF COMMERCE (24)	7,200
GROUNDWATER GUARDIAN	2,500
GROUNDWATER FOUNDATION	100
GROUNDWATER RESOURCES ASSOCIATION (GRA)	200
INDEPENDENT SPECIAL DISTRICTS ASSOCIATION (ISDOC)	250
INTERNATIONAL UV ASSOCIATION	250
ORANGE COUNTY TAXPAYERS ASSOCIATION	2,000
PROFESSIONAL MEMBERSHIPS (ASCE & WEF)	550
REGIONAL STORMWATER TASK FORCE	1,000
SANTA ANA RIVER FLOOD PROTECTION AGENCY (SARFPA)	1,200
SOUTHERN CALIFORNIA ALLIANCE OF PUBLICLY OWNED TREATMENT WORKS	3,000
SOUTHERN CALIFORNIA SALINITY COALITION (NWRI)	10,000
SOUTHERN CALIFORNIA WATER COMMITTEE	5,000
SOUTHWEST MEMBRANE OPERATORS ASSOCIATION	300
UTILITY BRANDING NETWORK	5,000
WATER ADVISORY COMMITTEE OF ORANGE COUNTY (WACO)	100
WATER EDUCATION FOUNDATION	3,500
WATER RESEARCH FOUNDATION	100,000
WATEREUSE ASSOCIATION	10,000
WATEREUSE RESEARCH FOUNDATION	25,000
	\$ 267,000

OCWD Headcount

Cost Center	FY09-10	FY10-11	FY11-12	FY12-13	FY13-14	Proposed FY14-15
General Manager's Office	5.5	5.5	4.5	5	5	5
Public Affairs	6	6	6	6	6	6
Information Services	8	8	8	8	8	8
Board Administration	3	3	3	3	3	3
Purchasing	6	6	6	6	6	6
Finance	13	13	13	13	13	13
Human Resources	3	3	4	4	4	4
Safety & Risk Management	2	2	2	2	2	2
Water Quality	12	12	12	12	12	12
Laboratory	28	28	28	29	29	29
Research & Development	7.5	7.5	7.5	6.5	6	6
Planning & Watershed Management	3	3	3	3	4	4
Local Resources	3	3	3	2	2	1
Regulatory Affairs	2.5	2.5	2.5	2.5	2.5	2.5
Water Production/GWR System	61	61	61	61	61	63
Recharge Operations	23	23	23	23	22	23
Wetland Operations	3	3	3	3	3	3
Property Management	1	1	1	1	1	1
Engineering	10	10	10	9	9	9
Hydrogeology	13.5	13.5	13.5	13.5	13.5	13.5
Natural Resources	3	3	3	3.5	3.5	3.5
	217	217	217	216	215.5	217.5



Section 3

Operations and Cost Center Descriptions

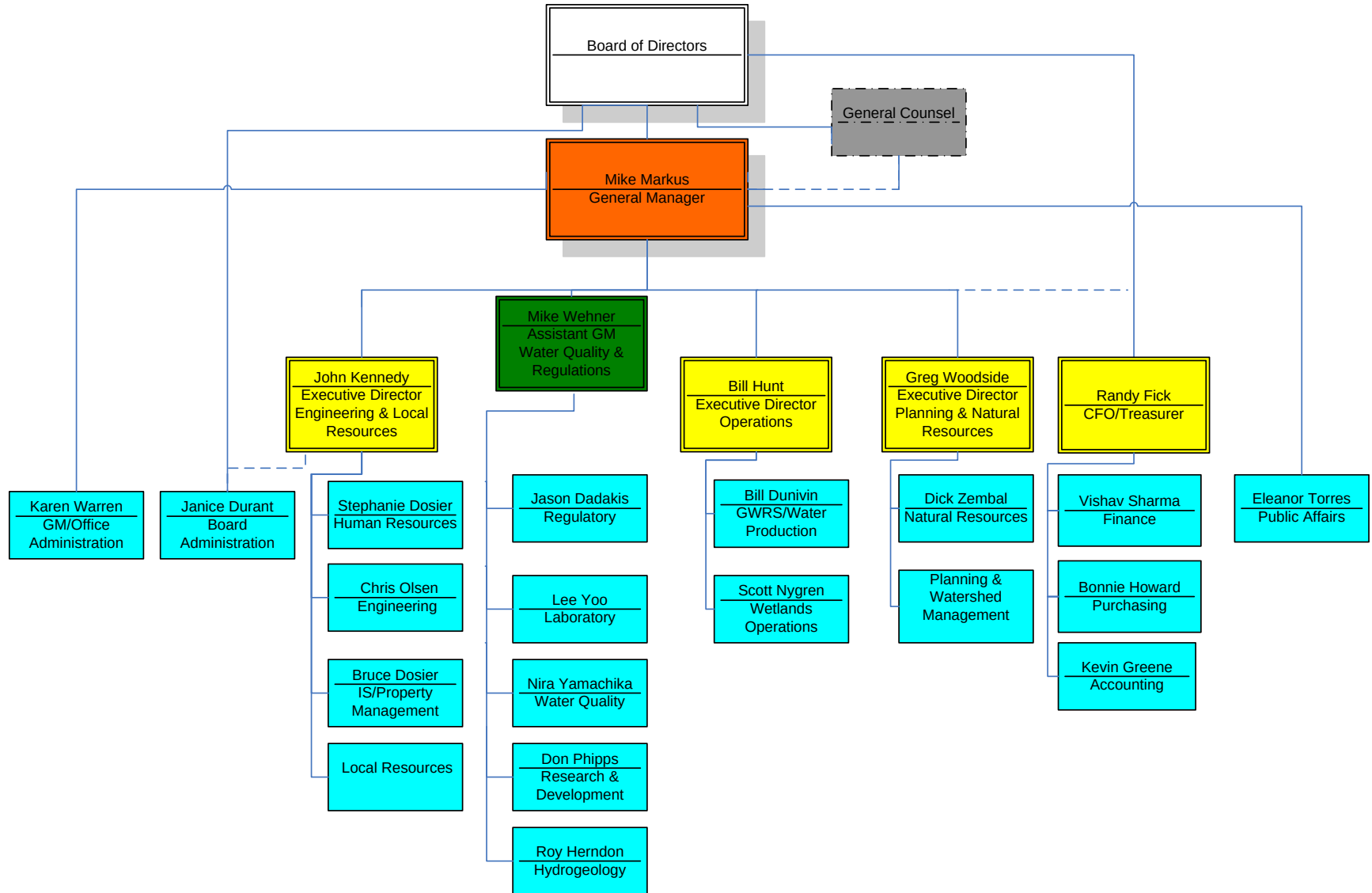
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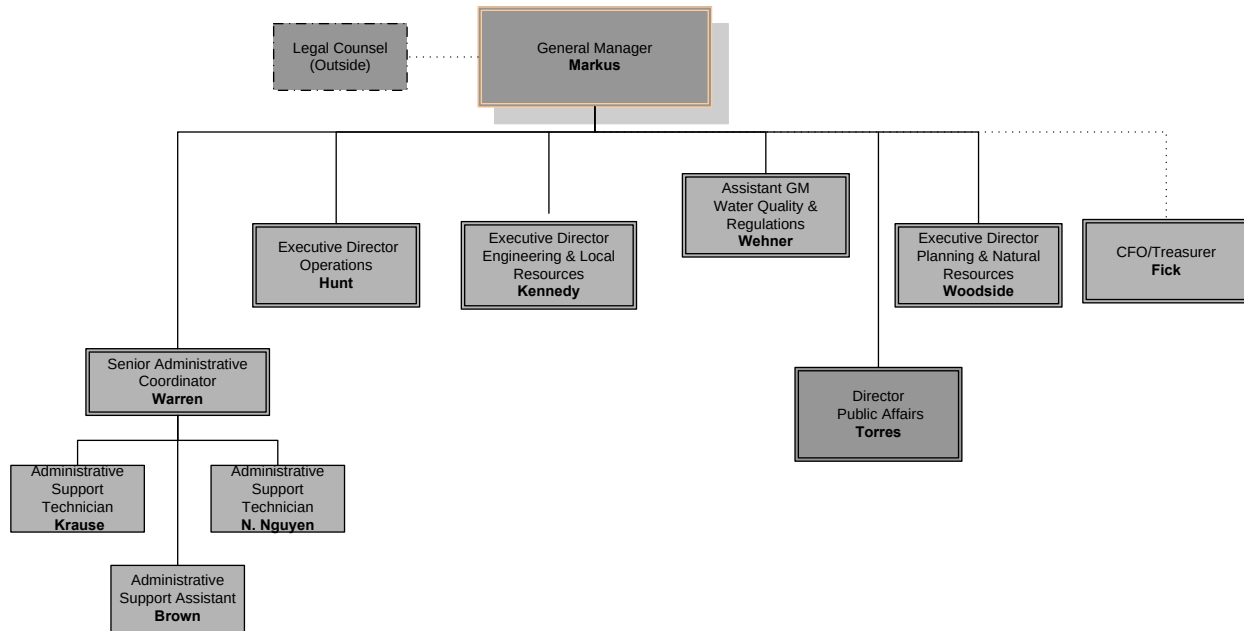
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OCWD Organizational Structure FY 2014-15



OFFICE OF THE GENERAL MANAGER



Summary Information

Existing Staff –5 FTEs

- 1 – General Manager
- 1 – Senior Administrative Coordinator
- 2 – Administrative Support Technicians
- 1 – Administrative Support Assistant

Mission

Implement the policies of the Board of Directors.

Key issues for 2014-15

- ◆ Oversight of the construction of the GWRS Initial Expansion
- ◆ Continued efforts to increase water conservation at Prado Dam to elevation 505 year-round
- ◆ Pursuit of strategies to protect Santa Ana River flows
- ◆ Study feasibility for the GWRS Final Expansion
- ◆ Implementation of North & South Basin Contamination Clean-up Strategies

Account Information	FY 2012-13 Actual	FY 2013-14 Budget	FY 2014-15 Proposed Budget
Salaries and Benefits	632,970	625,003	651,621
Services and Supplies	1,565,241	1,502,008	1,464,508
Total	\$2,198,211	\$2,127,011	\$2,116,129

I FY 2014-15 Major New Initiatives/Programs

With Board approval, commence strategic planning workshops with Directors and staff on major initiatives for the next three years.

II Core Activities

The General Manager's Office is charged with directing the activities of 218 full time employees in their efforts to manage and protect the Orange County groundwater basin, which supplies the majority of the water used by 2.4 million people living in northern Orange County.

Core activities include:

- ◆ Implementing and communicating the policies of the Board of Directors
- ◆ Supporting and preparing for Board and Committee meetings
- ◆ Managing organizational issues
- ◆ Managing outside legal services
- ◆ Coordinating legislative activities
- ◆ Providing external communications
- ◆ Participation in WaterReuse to help support District initiatives and policy development for indirect potable reuse
- ◆ Attending Santa Ana Water Project Authority (SAWPA) meetings and engaging the member agencies general managers in upper Santa Ana watershed activities
- ◆ Coordination with Municipal Water District of Orange County (MWDOC), Association of California Water Agencies (ACWA), and groundwater producers
- ◆ Providing mailroom and copy production support services
- ◆ Managing organizational memberships and office supplies

III Non-Core Activities

- ◆ Numerous requests for presentations and tours of District facilities

IV Group Goals for 2014-15

Lawsuits – Actively manage and aggressively pursue legal actions including:

- ◆ MTBE litigation
- ◆ North Basin Groundwater Protection Project
- ◆ South Basin Groundwater Protection Project

Legislation - Advocate for the District's legislative interests at the federal, state, and local levels. Actively monitor and aggressively support/oppose legislation impacting the District's operations as necessary.

- ◆ *Federal:* Work with the Army Corps of Engineers (ACOE) to pursue additional water conservation and development of a sediment removal project behind Prado Dam. Continue working with federal legislators to secure funding for District projects and visit legislators and legislators' staff in Washington D.C.
- ◆ *State:* Work with Association of California Water Agencies (ACWA), SAWPA, California Special Districts Association (CSDA), WaterReuse, and others to: monitor potential legislation concerning water quality, prevent shifting property tax revenue, and oppose legislating local issues; support good governance measures; monitor and apply for infrastructure/resources bond funding opportunities; monitor State Regional Board movement to change recycled water policy; and monitor and take positions on legislation of importance to the District; and visit legislators and legislators' staff in Sacramento.
- ◆ *Local:* Work with local agencies, organizations, (including the Association of California Cities and Orange County Council of Government [OCCOG]), elected officials and their staff members to protect the District's interests and operations. Meet with county supervisors and local city councilmembers.

GWRS Operation – Achieve production of 80,000 acre-feet

Organizational – Work to improve recruitment and retention of employees

Metropolitan Water District of Southern California (MWD) – Actively participate in development of new policies dealing with groundwater issues

Grant Funding – Actively pursue any source of grant funding for selected projects

V Pending Activities

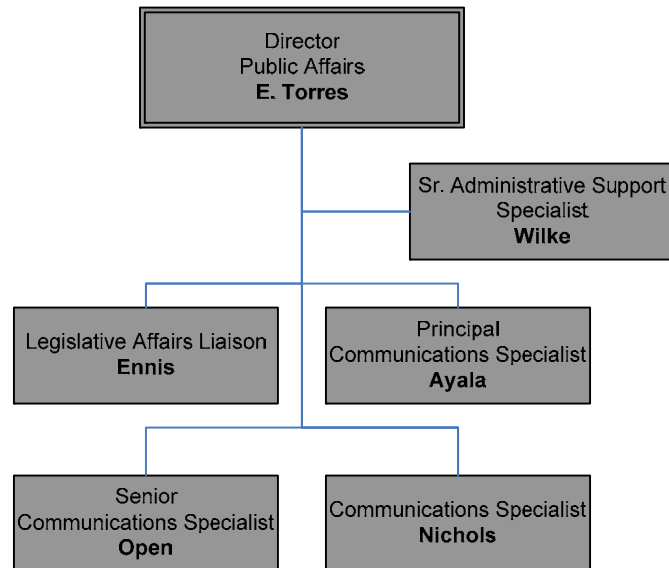
- ◆ Active participation in WaterReuse and ACWA
- ◆ Actively pursue operational efficiencies and explore additional opportunities for supply to the groundwater basin
- ◆ Continue to develop relationships with both SAWPA and non-SAWPA upper Santa Ana River watershed agencies

VI Staff Addition Needed for FY 2014-15

None

VII Future Issues

None

PUBLIC AFFAIRS**Summary Information****Existing Staff –6 FTEs**

- 1 – Director of Public Affairs
- 1 – Legislative Affairs Liaison
- 1 – Principal Communications Specialist
- 1 – Senior Communications Specialist
- 1 – Communications Specialist
- 1 – Senior Administrative Support Specialist

Mission

Build and maintain support of OCWD's programs and projects by communicating to key elected officials, community leaders, stakeholders, media, businesses, environmental groups, and employees.

Key Issues for FY 2014-15

- ♦ Complete and unveil new Water Education Corridor Project

- ◆ Legislative and communications support regarding consolidation efforts, groundwater contamination clean-up projects, ocean desalination, proposed power plant, and other District related efforts
- ◆ Prado Basin Feasibility Study
- ◆ Agency transparency
- ◆ District strategic planning and standards
- ◆ Create collateral that demonstrates District's value and significance
- ◆ Extensive face-to-face community and media outreach

Account Information	FY 2012-13 Actual	FY 2013-14 Budget	FY 2014-15 Proposed Budget
Salaries and Benefits	863,923	822,995	892,968
Services and Supplies	477,277	651,850	661,350
Total	\$1,341,200	\$1,474,845	\$1,554,318

FY 2014-15 MAJOR NEW INITIATIVES/PROGRAMS

- ◆ Work with the Visitor Education Center ad hoc Committee and consultants to complete the design and installation of interactive informational hallway panels and kiosks and awards displays to support the demanding facility tour schedule.
- ◆ Develop a facilities educational tour program to coincide with the unveiling of the new Water Education Corridor Project and to accommodate a steady school field trip program that compliments new state education core standards.
- ◆ Work with legislators, legal counsel and legislative consultants to secure support for District groundwater contamination clean-up projects and other District projects.
- ◆ Expand the Speakers Bureau Program to include state of the groundwater basin presentations at city council meetings, mayors' breakfasts, community organizations' general meetings and during appearances on local and elected officials' cable programs.
- ◆ Implement new, cost-effective Water Hero Program.
- ◆ Update collateral materials including the OCWD website and presentation slides to include new dimensional illustrations to demonstrate groundwater management, basin hydrogeology and seawater intrusion. Presentations will include an historical view of OCWD as well as demonstrate the value of the groundwater basin and groundwater management.
- ◆ Complete and unveil new Wildlife and Watershed Exhibit to compliment Water Education Corridor Project.
- ◆ Dedication of new facilities including Water Education Corridor Project and Fletcher Basin; Groundbreaking of La Palma Basin.

- ◆ Create engaging multimedia graphics and videos and print collateral regarding District functions, standards and projects.
- ◆ Event, awards submittals and media for Dedication of the GWRS Initial Expansion and the Water Education Corridor Project.

CORE ACTIVITIES

- ◆ Major focus will be on building awareness and support for OCWD's programs and projects by communicating to key elected officials, community leaders, stakeholders, businesses, environmental groups, etc.
- ◆ Complete design and installation of new Water Education Corridor Project; Host dedication upon completion.
- ◆ Complete and unveil new Wildlife and Watershed Exhibit.
- ◆ Implement new tour program and increase attendance.
- ◆ Accommodate an additional increase in attendance at Children' Water Education Festival (by another 500; by 1,000 over two years).
- ◆ Continue to produce OCWD monthly newsletter.
- ◆ Dedication of GWRS Expansion.
- ◆ Dedication of Fletcher Basin.
- ◆ Groundbreaking new basin (Panattoni property).
- ◆ Continue to share monthly Hydrospectives "President's Message" with Board to change/use at their own discretion for their own newsletters/community publications.
- ◆ Complete OCWD website update.
- ◆ Work with legislature regarding groundwater contamination remediation.
- ◆ Continue to pursue Levine Act regulatory change.
- ◆ Continue to advocate for Prado Basin Feasibility Study; Start milestone three or third year of three-year process.
- ◆ Continue to actively engage in Water Bond workgroups (may be a 2014 ballot initiative).
- ◆ Implement new Water Hero Program; web driven management combined with speaking engagements.
- ◆ Continue to maintain social media postings and tweets (1-3 per week) and optimize website and social media hits; Unveil new, fresh social media campaign using new commitment element that will be part of the corridor/tour program.
- ◆ Continue to survey 25 -35 % of tour guests; Surveys are part of water reuse global research projects.
- ◆ Continue construction Outreach – provide support to all departments doing new and/or regular maintenance projects (24-36 projects annually); Collateral and outreach for Groundwater Contamination Cleanup Projects and Mid-Basin (and possibly Ocean Desalination) most controversial of the projects.

- ◆ Continue to apply for grants for Children's Water Education Festival, Water Education Corridor Project, Water Hero and Tour Program.
- ◆ Continue to assist other departments in applying for grants involving construction, studies, water capture, water quality etc.
- ◆ Continue video production and graphics for Water Education Corridor Project, website and other collateral; create new corporate fact sheets and company brochure (similar to GWRS).
- ◆ Translate new collateral materials into other languages.
- ◆ Update marketing on hold messaging.
- ◆ Provide support for Ocean Desalination Citizen's Advisory Committee and provide regular communication on ocean desalination efforts to OCWD stakeholders.
- ◆ Continue GWRS website enhancements to H2O University section - white papers; virtual videos - tours of college students; Skype sessions/webcasts.
- ◆ Make state of groundwater presentations to cities and districts in OCWD service area and to service organizations annual or biennial (Board participation).
- ◆ Continue to facilitate Assemblyman Allen's Water Advisory Committee/workgroup.
- ◆ Continue engaging with Groundwater Resources Association - coalition/groundwater roundtable.
- ◆ Continue WaterReuse Research Foundation and Association Direct Potable Reuse Terminology Efforts; Possibly lead a WRF special study.
- ◆ 8th Annual Water Summit (OCWD lead in 2015).
- ◆ Continue to support WaterReuse Association CA Section Conference (Mike Markus becomes President in 2014).
- ◆ Continue to produce monthly press releases.
- ◆ Joint Open House with OCSD (biennial event).
- ◆ Award submittals: GWRS Expansion, new website, new tour program, Water Hero and Water Education Corridor projects.
- ◆ Media relations - Pitch media for coverage on newly completed projects (GWRS expansion, new tour program, Water Hero, and Water Education Corridor projects).
- ◆ Continue to attend chambers of commerce and service organizations' meetings on a quarterly basis (with Board members).
- ◆ Wildlife and Watershed Exhibit.
- ◆ Washington, DC OC Briefings and Luncheon.
- ◆ Monthly committee write-ups.
- ◆ Monthly WACO meetings.

- ◆ Continue to participate in and lead various water associations' working groups/committees (ACWA, WRA, CSDA, ISDOC, SAWPA, etc.).
- ◆ Support regarding consolidation efforts.
- ◆ Conduct annual Groundwater Adventure Tour of OCWD facilities for groundwater producers, general managers, and staffs.
- ◆ Work with city councils, city managers and water boards to be more informed and supportive of OCWD's commitments, goals and objectives.
- ◆ Assist OCWD Board members in their communication efforts with their stakeholders.
- ◆ Improve communications for and between OCWD Public Affairs Department and groundwater producers' public information representatives in order to generate a positive, mutually beneficial relationship and increase clarity of wholesaler/retailer messages.
- ◆ Be responsive to needs of community neighbors impacted by OCWD construction, operations or projects, so that they understand the need for the work and so that impacts are mitigated as much as possible.
- ◆ Ensure OCWD's innovations are noted in trade publications by developing relationships with key trade press.
- ◆ Keep elected officials and their staff members up-to-date and supportive of OCWD issues and needs.
- ◆ Build recognition, trust and awareness of OCWD in leading community organizations.
- ◆ Conduct Children's Water Education Festival and other youth and Groundwater Guardian activities and inform/involve Orange County education leaders about OCWD's youth education activities. Continue to actively request/receive outside grants and contributions for this activity.
- ◆ Maintain support and interest of Orange County's business leaders in OCWD's groundwater issues by working through the numerous chambers of commerce throughout Orange County.
- ◆ Maintain support of OCWD's environmental efforts by communicating with local environmental organizations.
- ◆ Continue to support communication efforts of other OCWD departments including water quality and emerging contaminants outreach, annexation issues, legislative support, and water rights application.
- ◆ Continue proactive media relations program, including distributing press releases, contacting and meeting with new local reporters, coordinating media tours and monitoring news media.
- ◆ To demonstrate OCWD's value to community stakeholders.
- ◆ Inform stakeholders about District projects and highlight programs, projects and achievements that demonstrate the District's commitments to water quality, water supply and reliability, sound financial management, industry leadership and innovation, and environmental stewardship.

- ◆ Provide communications support to OCWD Board, General Manager, and staff.
- ◆ To communicate effectively, both internally and externally, about OCWD and its mission.
- ◆ Forge and maintain relationships and partnerships with Producers, elected officials, related professional membership associations, businesses, key community organizations, environmental groups, media and other stakeholders.
- ◆ Additional functions and key tasks include crisis management, marketing, media relations, community relations, reputation management, outreach and education.
- ◆ Other related activities.

I NON-CORE ACTIVITIES

- ◆ Support of outside water industry agencies (American Water Works Association Research Foundation [AWWARF], WaterReuse, the Clean Water Alliance, Water Environment Research Foundation, ACWA, National Water Research Institute [NWRI], etc.) for research support, conference support, etc.
- ◆ Other related activities.

II GROUP GOALS FOR 2014-15

- Identify and create more speaking and media opportunities for Board Members and executive staff to update the community about OCWD's activities, history and important role in the local economy and public health
- Reach more and new people, and strengthen and build upon existing relationships
- Demonstrate value/importance of OCWD groundwater management to cities, producers, policy makers, residents and businesses
- Secure legislative, business and community trust and support for District projects
- Set OCWD apart from other special districts

III PENDING ACTIVITIES

Major activities that are not being implemented include:

- ◆ Children education program at Prado; Water Education Corridor Tour Program will be implemented first.
- ◆ President's annual lunch with staff (onsite space limitations only allow for a maximum of 40 attendees)

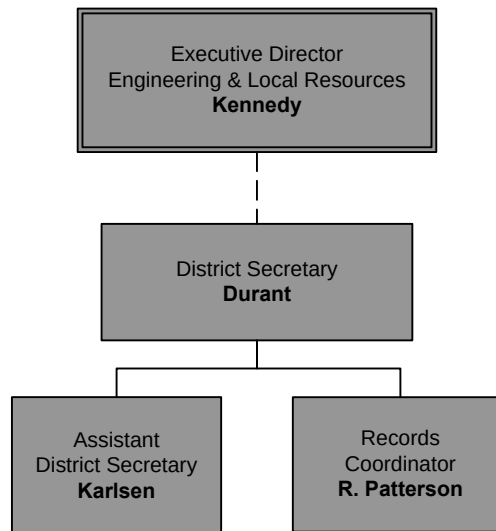
IV STAFF ADDITION NEEDED FOR FY 2014-15

None

VI FUTURE ISSUES

Will need to contract with a public affairs agency to execute an extensive outreach plan to implement District's groundwater contamination clean-up projects.

BOARD ADMINISTRATION



Summary Information

Existing Staff - 3 FTE

- 1 – District Secretary
- 1 – Assistant District Secretary
- 1 – Records Coordinator

Mission

Maintain and manage official District documents and records, compile and prepare Board and Committee agendas and minutes. Perform other statutory duties as set forth in the District Act, including Conflict of Interest filings and publication of required legal notices.

Key Issues for FY 2014-15

None

Account Information	FY 2012-13 Actual	FY 2013-14 Budget	FY 2014-15 Proposed Budget
Salaries and Benefits	764,153	824,668	850,757
Services and Supplies	234,994	205,240	205,740
Total	\$999,147	\$1,029,908	\$1,056.497

I FY 2014-15 Major New Initiatives/Programs

Continued scanning and indexing of District records into the Electronic Document Imaging/Records Management System (EDI/RMS). Updating of Records Retention Schedule.

II Core Activities

- ◆ The primary function of the Board Administration Department is to maintain all official District documents and records, to compile and prepare Board and Committee agendas and minutes to ensure compliance with all applicable state and federal laws, and to perform other statutory duties as set forth in the District Act, including Conflict of Interest filings and publication of required legal notices.
- ◆ Another prime function is Records Management, which includes recording, filing, indexing, and maintaining database of Board records for District-wide use.

III Non-Core Activities

Non-core activities (secondary priority compared to core activities) conducted by Board Administration include:

- ◆ Director's support – travel, expense reporting, and meeting scheduling, mail processing
- ◆ Management support – assist with research and preparation of submittals for Board consideration
- ◆ Maintenance of Board Policy Manual and District Act.

IV Group Goals for 2014-15

- ◆ Scanning and indexing Board/Committee Agenda packets: The department is focused on scanning Board/Committee Agenda packets into the electronic records management system (RMS).
- ◆ Expanding and integrating the RCO database: The Department will continue to link the Board minute database to legal documents database.
- ◆ Updating of Records Retention Policy: The Department will review and recommend, if necessary, updating the records retention policy to ensure compliance with current regulations.

- ♦ Training of District personnel on use of Records Management System: The department will continue to train District staff in ways to access records through the RMS

V Pending Activities

Audit of Iron Mountain inventory.

VI Staff Addition Needed for FY 2014-15

None

VII Future Issues

- ♦ Continuation of development of a work plan for District-wide implementation of departmental central filing utilizing the electronic records management system and establishing District-wide procedures for key staff related to scanning, accessing and transmitting electronic records.
- ♦ Archival of District historical records.

LOCAL RESOURCES

Executive Director Engineering & Local Resources Kennedy

Summary Information

Existing Staff – 1 FTEs

1 – Executive Director of Engineering and Local Resources

Mission

Coordinate and manage basin management programs with the Groundwater Producers. Assist with managing the financial and water budgets of the District. Coordinate water purchases from other agencies. Recommend the annual Replenishment Assessment, Basin Production Percentage, Production Limitation and the Basin Equity Assessment. Monitor and represent the District at MWD and MWDOC meetings. Coordinate MWD storage programs. Assist with the annual budget preparation. Manage grant/loan activities with appropriate funding agencies (Department of Water Resources, State Water Resources Control Board, MWD through MWDOC and others). Assist with issues related to projects creating new water supplies.

Key Issues for FY 2014-15

- ◆ Provide analysis on key issues related to the Poseidon Resources Huntington Beach ocean desalination project
- ◆ Continue and expand participation in the Coastal Pumping Transfer Program
- ◆ Increase purchases of MWD untreated full service water to support a higher Basin Production Percentage

Account Information	FY 2012-13 Actual	FY 2013-14 Budget	FY 2014-15 Proposed Budget
Salaries and Benefits	246,554	236,433	248,131
Services and Supplies	15,559	5,150	5,500
Total	\$262,114	\$241,583	\$253,631

I FY 2014-15 Major New Initiatives/Programs

None

II Core Activities

The Local Resources Department is primarily responsible for managing various local and imported water programs. The core activities of the group are:

- ◆ Interacting, representing, and processing agreements with outside agencies such as the MWD, MWDOC, the local groundwater producers (i.e., water retailers), State of California (State Water Resources Control Board and Department of Water Resources) and others.
- ◆ Administering any funding programs for current and future phases of the GWR System.
- ◆ Administering and/or developing special programs such as basin management programs with groundwater producers.
- ◆ Attend MWD Committee meetings and represent the District
- ◆ Monitor MWD available water supplies for purchase and water rates.
- ◆ Annually establish the Replenishment Assessment, Basin Production Percentage and Basin Equity Assessment collections
- ◆ Meet with Groundwater Producers as necessary to update District activities
- ◆ Seek water transfers from areas outside of Southern California
- ◆ Processing annexation requests.
- ◆ Preparing and administering the water purchase budget and in-lieu water purchase program.
- ◆ Administer monthly and special groundwater producers' meetings.
- ◆ Providing long-term RA, BPP, and capital project projections.
- ◆ Prepare invoices, pertinent billing documents and reports for the GWR System in compliance with the Local Resources Program financial incentive contribution by MWD.

- ◆ Manage the MWD Conjunctive Use Storage and Supplemental Storage programs with MWD and MWDOC.
- ◆ Act as liaison with MWDOC
- ◆ Represent the District at the Association of Groundwater Agencies meetings.
- ◆ Assist with the production of monthly in-lieu invoices and annual Basin Equity Assessment reports.
- ◆ Administer MWDOC/OCWD Joint Planning Committee meetings.
- ◆ Manage and oversee the preparation of Board and Committee agendas and packets

III Non-Core Activities

None

IV Group Goals for FY 2014-15

- ◆ Assist the Board in determining if the District should participate in the Poseidon Resources ocean desalination project
- ◆ Continue with not filling one open position in the department
- ◆ Rate Projections – Update the District’s five-year RA and BPP projections.

V Pending Activities

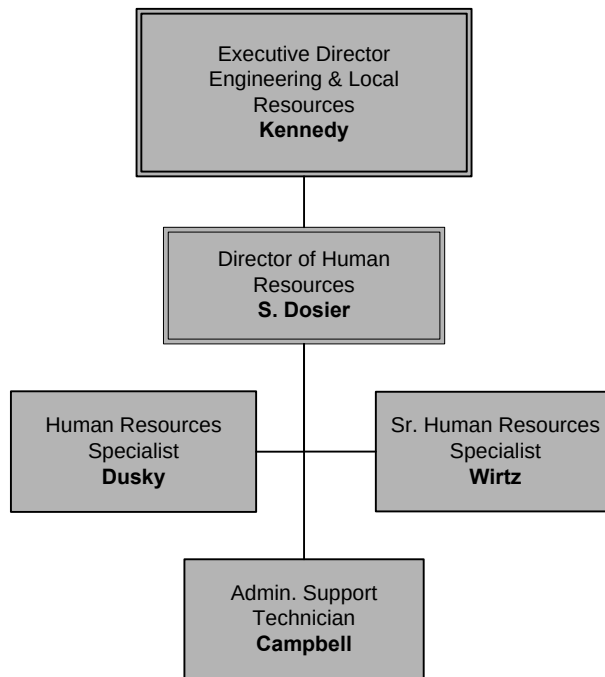
- ◆ Major activities that are not being implemented include water conservation activities and financial incentive program to further enhance water conservation efforts within the District’s service area.
- ◆ Developing projects and programs to reduce groundwater basin salinity levels.

VI Staff Addition Needed for FY 2014-15

None

VII Future Issues

None

HUMAN RESOURCES**Summary Information****Existing Staff - 4 FTEs**

- 1 – Director of Human Resources
- 1 – Senior Human Resources Specialist
- 1 – Human Resources Specialist
- 1 – Administrative Support Technician

Mission

Manage the District's Human Resources program to integrate human value with water management objectives.

Key Issues for FY 2014-15

- ♦ Complete review and market analysis of District health plans and retiree medical options.
- ♦ Closely monitor the affects of the Health Care Reform Law on District health benefits as the main provisions of the law come into affect in 2014. Follow the regulations and follow through on the requirements of implementing those regulations.
- ♦ Continue required training programs for managers and supervisor. This effort will be ongoing

- ◆ Work with Safety to develop the District's safety programs in coordination with outside consultants.
- ◆ Revamp the Wellness Program.

Account Information	FY 2012-13 Actual	FY 2013-14 Budget	FY 2014-15 Proposed Budget
Salaries and Benefits	500,007	528,611	559,623
Services and Supplies	215,734	275,225	299,510
Total	\$715,741	\$803,836	\$859,133

I FY 2014-15 Major New Initiatives/Programs

- ◆ Market Analysis of all health care plans.
- ◆ Training will continue to be a main focus for the department.
- ◆ Healthcare Reform issues and upcoming guidelines and changes.
- ◆ Safety program update and staffing analysis.
- ◆ Wellness Program.

II Core Activities

The Human Resources Department is primarily responsible for the District programs that integrate human value with water management objectives.

Core activities include:

- ◆ Negotiations with OCEA
- ◆ District recruitment efforts - This includes placements, resume reviews, interviews, background investigation and coordinating pre-employment physicals and drug testing.
- ◆ Safety and Risk Management oversight.
- ◆ HRIS and Timekeeping System administration and implementation – ongoing.
- ◆ Implement new programs to meet new mandates.
- ◆ Policy development and management - Staff must monitor federal and state employment related laws and regulations to ensure the business practices and policies stay current and the District is fully compliant.
- ◆ Benefit Administration - Work with brokers to ensure competitive health insurance programs. Act as liaison on all benefit issues between employees and the carriers.
- ◆ Retirement program administration.
- ◆ Compensation Administration - This includes market surveys and compensation policy development and administration.

- ◆ Mandated Programs - This includes programs mandated by federal and state guidelines. Unemployment insurance benefit program, Department of Transportation drug and alcohol program, training programs, among others.
- ◆ Employee Relations - This includes employee discipline, employee documentation, employee counseling, and representing the District at employment related hearings.
- ◆ General Personnel Administration - This includes keeping all required documentation on all employees, filing appropriate federal and state reports. Also, participation in surveys and special reports as requested by managers.
- ◆ Employee morale programs such as Employee of the Month and Year Program, and Employee Recognition Program.

III Non-Core Activities

None

IV Group Goals for 2014-15

- ◆ Update the retirement summary plan descriptions
- ◆ Wellness Program development.
- ◆ Continue to expand on the training program for managers and supervisors.
- ◆ Development of a Procedure Manual for all employees and one for Supervisors.
- ◆ “In-depth” review of benefits plans and how to augment and/or cut costs but retain good benefit levels in coordination with the changing regulations under Health Care Reform.

V Pending Activities

- ◆ Modify the department filing system, including the Employee Personnel files.

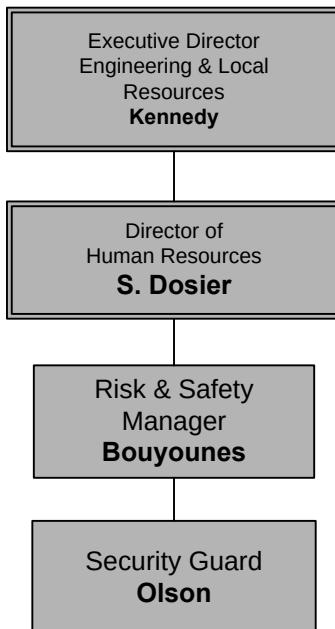
VI Staff Addition Needed for FY 2014-15

None

VII Future Issues

- ◆ Succession Planning

SAFETY AND RISK MANAGEMENT



Summary Information

Existing Staff - 2 FTEs

- 1 – Risk & Safety Manager
- 1 – Security Guard

Mission

Implement the District's Environmental, Health, Safety (EH&S) and Security Programs to ensure a safer workplace and compliance to regulatory requirements.

Key Issues for FY 2014-15

- ♦ Work with Bureau Veritas to update all OCWD Safety Procedures.

Account Information	FY 2012-13 Actual	FY 2013-14 Budget	FY 2014-15 Proposed Budget
Salaries and Benefits	224,968	233,585	248,493
Services and Supplies	604,296	695,940	755,640
Total	\$829,264	\$929,525	\$1,004,133

I FY 2014-15 Major New Initiatives/Programs

- ♦ Develop a Chemical Safety Manual

- ◆ Work with Bureau Veritas (B.V.) to update 18 safety procedures.
- ◆ Review all updated procedures and forms prior to implementing final drafts.
- ◆ Work with managers and B.V. to identify high risk tasks for Job Hazard Analysis (JHA).
- ◆ Review compliance spreadsheets (safety and environmental) with B.V. to consolidate into one web-based notification system.
- ◆ Work with B.V. on the Confined Space program to include audits of twenty spaces and Industrial Hygiene guidelines for ventilation.
- ◆ Work with B.V. on developing a Lockout program and evaluating top forty high risk equipment/tasks for specific lockout procedures.
- ◆ Work with B.V. on developing and implementing a Vehicle Safety program with an analysis for GPS consideration.
- ◆ Work with B.V. on developing and implementing a Fall Prevention program to include appropriate fall arrest and restraint systems.
- ◆ Train employees on new procedures.

II Core Activities

The Risk & Safety Department is primarily responsible for:

- Managing the overall safety program to ensure compliance; risk reduction; and training.
- Aggressively managing Workers Compensation (W.C.) injury/illness claims to ensure speedy medical care and cost reduction.
- Administering the Environmental program to comply with applicable agencies including the Air Resources Board, Cal EPA, Riverside, Anaheim and Fountain Valley Fire Departments, DTSC, etc.
- Managing the Security Program.

Core activities include:

- ◆ Review safety procedures annually to ensure compliance.
- ◆ Develop and conduct new hire training and other training as needed.
- ◆ Conduct departmental audits to ensure the monthly inspection program is being implemented and corrective actions are being completed.
- ◆ Respond to on-going issues and concerns related to EH&S and Security.
- ◆ Prepare and submit annual Fire Department Business plans for Anaheim, Fountain Valley, and Prado locations.
- ◆ Manage Environmental calendar to ensure fees and permits are completed in a timely manner.
- ◆ Conduct Ergonomic assessments and provide recommendations to reduce risks of injuries and to increase productivity.

- ◆ Manage the Prescription Eye Wear Program to ensure applicable employees receive prescription safety glasses.
- ◆ Manage the Safety Shoe Program to ensure applicable employees receive safety shoes.
- ◆ Active involvement in Safety Management Organizations to remain apprised on regulatory issues and Industry Best Practices.
- ◆ Manage W.C. injuries, working closely with employees, managers, health care providers and insurance company.
- ◆ Evaluate and procure needed safety/security supplies/equipment.
- ◆ Interact with employees and managers to follow up on safety related issues and concerns. Ensure corrective actions are implemented.
- ◆ Actively involved in the Hazardous Waste program.
- ◆ Supervise security guard activities at FHQ and intern at Fountain Valley.
- ◆ Develop and implement a user friendly safety website for easy accessibility to procedures, forms and other EH&S information.
- ◆ Evaluate and purchase Emergency Response Team (ERT) supplies and conduct drills.

III Non-Core Activities

Non-core activities (secondary priority compared to core activities) conducted by Risk & Safety include:

- ◆ Participate as Board member and President for PASMA (Public Agency Safety Management Association).
- ◆ Attend ASSE meeting/conference.

IV Group Goals for 2014-15

- ◆ Work with Management, IS, Field, Engineering, and vendor(s) to identify security needs for FHQ.
- ◆ Continue to work with Safety Committee members to increase involvement.
- ◆ Work with HR and vendors to provide emergency EOC drills for applicable management personnel.
- ◆ Participate in quarterly confined space rescue drills.

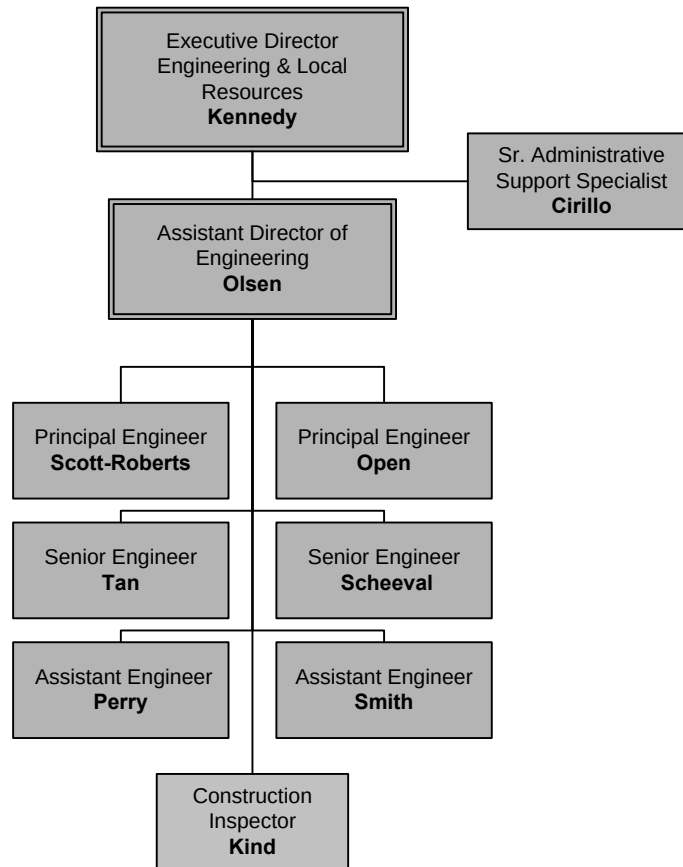
V Pending Activities

- ◆ Arc Flash Assessment for FHQ
- ◆ NIMS training

VI Staff Addition Needed for FY 2014-15

None

VII Future Issues
None

ENGINEERING**Summary Information****Existing Staff - 9 FTE**

- 1 – Assistant Director of Engineering
- 2 – Principal Engineer
- 2 – Senior Engineers
- 2 – Assistant Engineers
- 1 – Construction Inspector
- 1 – Senior Administrative Support Specialist

Mission

Plan, design, and manage the construction of the District's improvement projects.

Key issues for 2014-15

- ♦ Burris Pump Station Improvements – The Burris pump station is a critical facility for OCWD. The pump station moves water captured along the Santa

Ana River to recharge in the Santiago Basins. These facilities allow OCWD to recharge 36,000 AFY. Elements of the pump station are nearing the end of their useful life and a study was undertaken in FY 11-12 to determine what improvements are necessary to maintain this facility in proper working conditions. Phase I, construction of a coffer dam, and the Phase II design of the pump station has been completed. The majority of the construction will take place in FY 14-15.

- ◆ GWRS Initial Expansion Project – Continue providing staff to support construction of project.
- ◆ Mid Basin Injection Pilot Project – This pilot project includes one recharge injection well along the GWR pipeline and two monitoring wells. Construction of the injection and monitoring wells was completed in FY 12-13. Piloting this project will provide the data necessary to develop additional recharge wells along the SAR. The well equipping is expected to begin in FY 14-15. Once complete, one year's worth of monitoring is necessary prior to developing designs to expand injection in the Mid Basin.
- ◆ Flume and Weir Replacement at Weir Ponds 1 and 2 – These facilities are used to measure flow rates into the Weir Pond System. The facilities are failing with age and require replacement. The design is complete and construction will take place during FY 14-15.
- ◆ Alamitos Barrier Improvements – This is a joint project between Engineering, Hydrogeology and Planning to develop improvements to the Alamitos Barrier to strengthen the control of seawater intrusion. Design of the additional injection wells has been completed and construction will begin late FY 13-14 and continue throughout FY 14-15.

Account Information	FY 2012-13 Actual	FY 2013-14 Budget	FY 2014-15 Proposed Budget
Salaries and Benefits	733,043	737,774	671,820
Services and Supplies	61,831	273,750	130,400
Total	\$794,874	\$1,011,524	\$802,220

I FY 2014-15 Major New Initiatives/Programs

- ◆ La Palma Recharge Basin – This project involves construction of a new 17 acre recharge basin adjacent to OCWD's existing recharge facilities in Anaheim. Design work for this project is expected to be complete in mid FY 2014-15 and construction should immediately follow. It is anticipated that construction would be complete in FY 15-16.
- ◆ Santiago Saddle Repair – This project involves the repair and stabilization of the saddle between Blue Diamond and Bond Pit. Design is expected to be complete early FY 14-15 and construction to begin the following summer.

- ◆ Cathodic Protection – Based on recent testing, several existing pipeline segments, such as the GAP and Talbert Barrier, are without adequate cathodic protection. Evaluation and design are required to determine the extent of construction necessary.
- ◆ Mid Basin Expansion – Once the Mid Basin Injection Pilot Project is constructed and monitoring information is gathered, a design of four injection wells and conveyance pipeline to be located in Santa Ana's Centennial Park will be initiated.
- ◆ Center Levee CMP Repairs – This project involves improving the structural integrity of existing corrugated metal transfer pipes (CMP). There are four locations where the CMP is showing signs of corrosion and need to be lined to extend the life of the pipe. This work would be done over the next few years with design efforts starting in FY 14-15.

II Core Activities

The Engineering Department is responsible for planning, design and construction management of the District's improvement projects. Projects range from small in-house modifications for existing facilities to major water treatment, pumping and conveyance facilities including the GWR System. Engineering staff may perform the planning, design and construction management or may manage outside consultants performing these functions. Departmental staff provides engineering support as needed for the daily operations of the District, including Water Production, Forebay Recharge, Prado Operations, Seawater Barrier Operations and Property Management. Engineering staff also review proposed projects of other agencies that may impact District operations or lands.

Core activities include:

- ◆ Implementing the Capital Improvement Program
- ◆ Implementing the repair and replacement of District infrastructure
- ◆ Planning new projects to increase the yield of the basin and protect water quality
- ◆ Supporting operations of Forebay, Prado Wetlands, Green Acres Plant, GWRS, and Seawater Intrusion Barriers.
- ◆ Data analysis of operations
- ◆ Permit compliance support
- ◆ Operational improvement input
- ◆ Facility improvement construction
- ◆ Utility conflict analysis and research
- ◆ Preparation of Annual Engineer's Report
- ◆ Manage District's as-built drawings

- ◆ Support for the Recharge Enhancement Working Group (REWG)

III Non-Core Activities

Non-core activities (secondary priority compared to core activities) conducted by the Engineering group include:

- ◆ Monitoring outside water reuse project operational activities
- ◆ Monitoring regulations and legislative affairs activities of WateReuse Organization
- ◆ Publishing operational data in journals and conference proceedings
- ◆ Participation in technical review committees

IV Group Goals for 2014-15

- ◆ Prado Sediment Demonstration Project – Staff is working to obtain necessary regulatory approvals in FY13-14 to allow design of the construction project.
- ◆ Conrock – Warner Transfer Tube Replacement – The lower transfer tubes convey water from Conrock to Warner Basin during basin refills and allow quick draining of Conrock Basin during dewatering events. The tubes have deteriorated, are undersized and in need of replacement. Design work is expected to begin in FY 14-15 followed by construction the next fiscal year.
- ◆ Fletcher Recharge Basin – This project involves improving an existing OC Flood Control detention basin to utilize for groundwater recharge. This project has been designed and construction is expected to begin and be completed in FY 14-15.
- ◆ Five Coves and Lincoln Basins Bypass Pipeline – Design of these facilities is complete and construction activities are scheduled for FY 14-15. The facility will provide greater operational flexibility for recharge operations and allow for more frequent cleaning of these areas to further enhance recharge.
- ◆ Imperial Headgates Trash Rack – Design has been completed for this project. Additional modeling of the hydraulic impact to the levee has been requested by the Corps and the long lead times of components needed, will extend the construction time frame to FY 15-16.

V Pending Activities

None

VI Staff Addition Needed for FY 2014-15

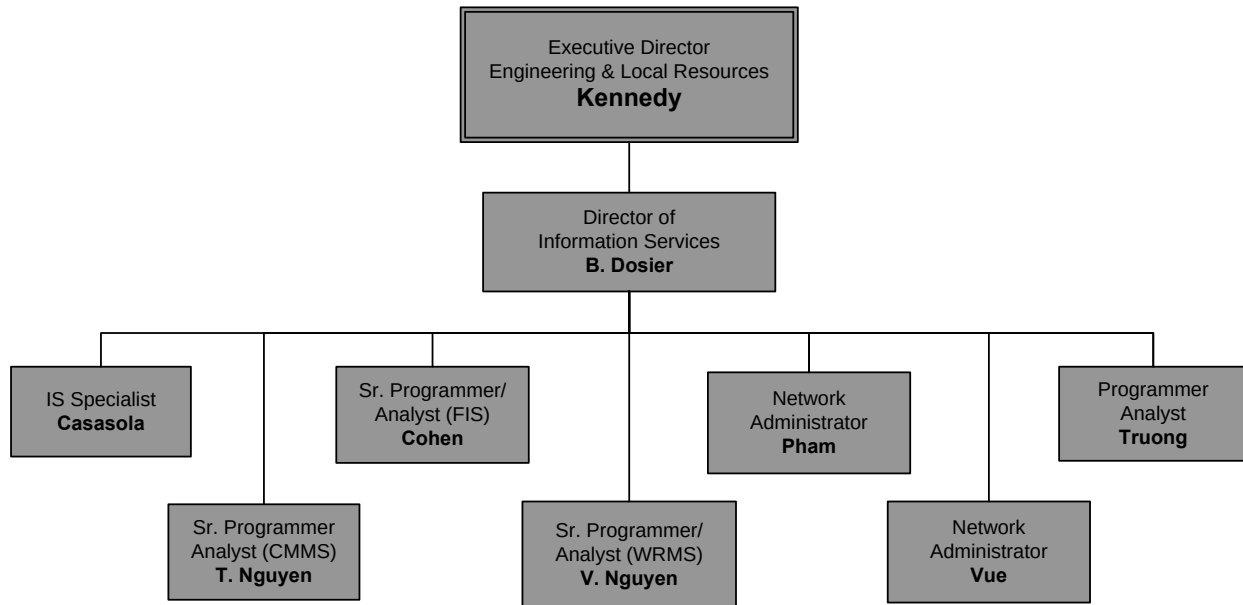
None

VII Future Issues

- ◆ Implementation of Recharge Enhancement Working Group Projects

- ◆ Expansion of Mid Basin Injection

INFORMATION SERVICES



SUMMARY INFORMATION

Existing Staff - 8 FTEs

- 1 – Director of Information Services
- 3 – Senior Programmer/Analysts
- 1 – Programmer/Analyst
- 2 – Network Administrators
- 1 – Information Services Specialist

Mission

Manage and support information systems (IS), services, and communications assets used by District staff and third parties in support of basin management goals and objectives.

Key Issues for FY 2014-15

- ♦ Maximo Computerized Maintenance Management System and JD Edwards Financial System upgrades
- ♦ Hardware obsolescence
- ♦ Server infrastructure upgrade

- ◆ Optimization of IS Operations
- ◆ Improvement of Disaster Recovery Capability

Account Information	FY 2012-13 Actual	FY 2013-14 Budget	FY 2014-15 Proposed Budget
Salaries and Benefits	1,132,013	1,120,649	1,183,932
Services and Supplies	539,048	682,700	723,600
Total	\$1,671,061	\$1,803,349	\$1,907,532

I FY 2014-15 Major New Initiatives/Programs

- ◆ Systems upgrades to Maximo and JD Edwards:
 - Maximo is the Computerized Maintenance Management System used by Water Production to manage the maintenance requirements of the Advanced Water Purification Facilities (AWPF); the current version 5.2 is no longer supported by IBM as of October 2010.
 - JD Edwards (JDE) is the Financial Information System used by the Finance and other departments for tracking and reporting the financial and purchasing transactions of the District.
 - Since Maximo and JDE are programmatically integrated, upgrading these systems will have potential impacts on the integration and will require revision of the integration methods and systems.
 - Due to obsolescence of the server hardware used by both Maximo and JD Edwards, system upgrades will require the implementation of new server hardware for these systems.
 - To support improved disaster recovery, replace the Oracle Database for AIX with Oracle Database for Windows and utilize virtualization of hardware with disk replication and disaster recovery procedures.
- ◆ Continued implementation of a revised file server infrastructure leveraging the use of virtualized file servers, network shared data storage and optimized disk-to-disk and tape backup methods in support of current data center best practices and file server consolidation;
- ◆ Assess virtualizing desktops to improve and support recovery of replicated systems.
- ◆ Work with District Secretary and Records Management to assess expanding records and document imaging program.
- ◆ Work with District Secretary in assessing systems for developing and publishing Board meeting agenda packets and meeting minutes.

II Core Activities

IS is a staff support organization that manages and supports District information systems, services and communication assets used by District staff and third-parties in support of basin management goals and objectives.

Core activities include:

- ◆ **Network support:** Managing and supporting the various components of the enterprise-wide network infrastructure spanning the Fountain Valley, Anaheim and Prado facilities, and composed of Ethernet hubs, routers and switches, WiFi transmitters, and the Ethernet and fiber-optic cabling and data communication services connecting them.
- ◆ **Server management:** Managing and supporting Microsoft Windows Servers and IBM AIX based network computer systems that support email, databases, and core enterprise software applications, Intranet, Internet and other information services.
- ◆ **Core system support:** Managing, supporting and programming for the District's core enterprise software applications such as the JDE Financial Information System used by the Finance and other departments for tracking and reporting the financial and purchasing transactions of the District, the Water Resource Management System (WRMS) used for tracking, analyzing and mapping data collected from the District basin, the Computerized Maintenance Management System (Maximo) used by Water Production to manage the maintenance requirements of the AWPf and the Lab Information System (LIMS) used by the Laboratory to track water samples from the District basin and for complying with regulatory reporting.
- ◆ **Operations:** Performing routine and non-routine systems operations including network and server system administration, managing user accounts, managing server disk space and load balancing, performing daily, weekly and monthly computer system backups and restores, and telephone system administration.
- ◆ **System maintenance:** Performing system maintenance, repairs and upgrades for network and servers, desktop and laptop computers as well as managing maintenance and license agreements for District hardware, software and information services.
- ◆ **Projects:** Managing, supporting and programming for interdepartmental projects including special, short-term computer system projects for various departments. IS also provides analytical, programming, technical and training support to those who use District information systems.
- ◆ **Staff support:** Providing support to District staff for network and server issues, core enterprise software applications, email systems, Microsoft Office software, desktop and laptop computers and a variety of other digital mobile equipment including iPads, iPhones and digital cameras.
- ◆ **Telecommunications:** Managing and supporting voice and data communication services including the Cisco Voice over Internet Protocol

(VoIP) telephone and voicemail system, all communication equipment and lines connecting the District to various telephone system carriers, voice and data service contracts and District-issued cell phones and smartphones. IS also manages and supports the enterprise-wide data lines connecting the Anaheim and Prado facilities with the Fountain Valley campus, various telemetry locations throughout the basin and internet connectivity to District staff and third parties.

- ◆ **System security:** Ongoing management of system security including administration of an appropriate level of firewall protection to prevent unauthorized intrusion to the District network from the Internet, the administration and monitoring of centralized, District-wide anti-malware software and services to prevent the spread of destructive and non-destructive computer viruses and “spam” email. As new forms of security threats emerge on the Internet, IS analyzes the risk and determines the appropriate steps and actions necessary to respond.
- ◆ **Audio/Visual:** Managing and supporting the District’s sophisticated network controlled multi-component audio-visual equipment composed of LED screens, amplifiers, switchers, transmitters, receivers and control devices.

III Non-Core Activities

None

IV Group Goals for 2014-15

Maximo and JDE Upgrade: Upgrade of Maximo and JDE and their integration components. As part of this goal, assess converting the Oracle database servers currently used on IBM AIX systems for JDE and Maximo to the Windows Server platform in order to reduce complexity and costs, and to improve disaster recovery.

Optimize file server infrastructure: Continued implementation of file server infrastructure leveraging the use of virtualized files servers, network shared data storage and optimized disk-to-disk and tape backup methods in support of server optimization best practices, file server consolidation, reduced complexity and ;

Improve Disaster Recovery Capability: Upgrade systems as appropriate to operating systems and hardware that can be replicated to improve recoverability in case of physical damage to District facilities. Such systems include JDE, Maximo, WRMS, email system. Assess including disaster recovery capabilities for the Forebay Operations Supervisory Control and Data Acquisition (SCADA) system and the AWPf Delta V process control system.

Information Technology Infrastructure Policy (ITIP): Further development of the ITIP and implementation of findings of the Business Impact Analysis (BIA) as appropriate and incorporate into major system upgrades as appropriate.

Department Support: Provide IS resources to various departments in their support of basin management goals and objectives.

Litigation Support: Provide reports and databases as requested for District litigation.

System Documentation: Revise system operations procedures and documentation.

V Pending Activities

Major activities that are not being implemented include:

- ◆ Providing training classes to employees on various software applications
- ◆ Support of the Forebay SCADA system and the AWPf Delta V process control system.

VI Staff Addition Needed for FY 2014-15

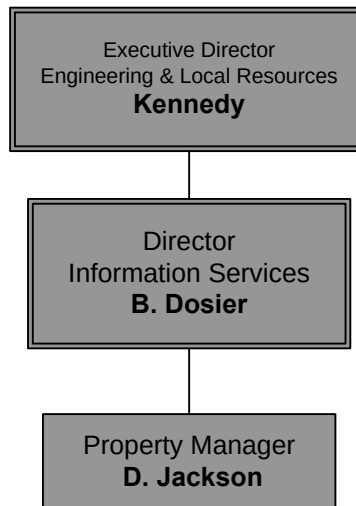
None

VII Future Issues

In the next two to three years, issues the District will need to consider include:

- ◆ ***GWR System Initial Expansion:*** provide technical leadership and support during the development of the GWR System Initial Expansion as appropriate.
- ◆ ***Increased disk storage, backup and disaster recovery requirements:*** With new systems and technology, the IS staff will continue to be challenged with evaluating new methods and systems of data storage, backups and disaster recovery methods.
- ◆ ***Increased Internet security threats:*** Measures to provide security against emerging Internet threats continue to increase resulting in dedicating additional hardware, software and staff resources to address the emerging issues.

PROPERTY MANAGEMENT



Summary Information

Existing Staff - 1 FTE

1 – Property Manager

Mission

To manage the District's real estate assets in a manner that provides revenue to the District and preserves or adds value to the assets while supporting basin management objectives.

Key issues for 2014-15

- ◆ Approval of General Plan Amendment and Zone Change for Ball Road Basin
- ◆ Increased requests from other agencies for use of District land

Account Information	FY 2012-13 Actual	FY 2013-14 Budget	FY 2014-15 Proposed Budget
Salaries and Benefits	130,727	125,445	133,737
Services and Supplies	229,193	237,217	132,318
Total	\$359,920	\$362,662	\$266,055

I FY 2014-15 Major New Initiatives/Programs

None

II Core Activities

The Property Management Department is primarily responsible for managing over 3,700 acres of the District's real estate assets, negotiating and managing

licenses, leases, easements and deeds for use of the District's real estate assets by other parties including local and state agencies, protecting the District's property rights, processing land use entitlements to add value to the assets, acquiring real estate, property rights and rights-of-ways for use as recharge basins, well-sites, pipelines or other uses in support of basin management goals and objectives.

Core activities include:

- ◆ **Property Management:** includes administrative management of District real estate including inspections, fire department vegetation control and neighbor interaction.
- ◆ **Developing Property Use Agreements:** includes negotiating and managing licenses, leases, easements, rights-of-ways and exclusive negotiating agreements with other parties; monitoring collected rents and fees and agreement compliance auditing.
- ◆ **Maintaining Property Rights:** coordination with staff, local, state and federal agencies and law enforcement to keep District land free of hazards and trespassers and by securing property with fencing, locks, and gates; posting "No Trespassing" signs and other signage as appropriate; verifying District property boundary lines to determine if trespassing or encroachment is occurring on District property. Monitoring Land Use and zoning modifications by municipalities and assessing impacts on District real estate.
- ◆ **Managing Real Estate Acquisitions and Sales:** includes managing the acquisition or sale process for real estate or property rights; negotiating purchase agreements, real estate broker agreements and other related documents and agreement for new well sites and new construction projects; acquiring and evaluating appraisals and title reports; involves determining legal descriptions, property owners and rights to be acquired.
- ◆ **Managing Land Use Entitlements:** includes managing the Land Use Entitlement process such as Zoning and General Plan changes with appropriate cities;
- ◆ **Coordinating Property Management Committee:** development of agendas for the monthly Property Management Committee meetings of the Board of Directors including writing all staff reports

III Non-Core Activities

Non-core activities (secondary priority compared to core activities) conducted by the Property Management group include:

- ◆ Providing data and information to outside agencies and organizations.

IV Group Goals for 2014-15

Negotiate terms for expiring leases:

- ◆ Raahauge Shooting Lease: Review the Mike Raahauge Shooting Enterprises Lease to determine appropriate modifications when it terminates in FY 2015-16 (terminates November 2015);

Assistance on property issues for new wells and new construction sites: Assist Hydrogeology and Engineering groups with acquiring easements for wells and facilities for the North Basin Groundwater Protection Project, Mid-Basin Injection Project, and other projects with site access needs.

Development of properties: continued work on developing properties for long-term revenue generation including:

- ◆ Ball Road Basin Property: Continue work with the City of Anaheim in advancing the General Plan Amendment and Zone Change process with the City;
- ◆ West of Highway 71 property: assess potential revenue generation opportunities.

Orange County Energy Park: Work with Orange County Energy Park, LLC as appropriate in providing assistance with advancing their Electric Generating Facility project;

Oil and Mineral Rights: Continued assessment of District's oil and mineral rights and potential interest in development.

Anaheim Coves Extension: work with the City of Anaheim in development of the City's planned park in the District's Five Coves property;

Prado Properties: Explore potential acquisition of property adjacent to District Prado properties in Riverside and San Bernardino counties.

Caltrans: pursue negotiations with Caltrans for the parcel adjacent to the District's Imperial Highway property;

Anaheim Green Connectivity Master Plan and Canyons Specific Plan Update: Work with City of Anaheim in the development of the City's plan updates where the District's properties are at interest.

Santa Ana River Trail: Coordinate activities with the County of Riverside, City of Corona and other participating agencies in the development of the Santa Ana River Trail (SART) project as it relates to the District's Prado properties.

V Pending Activities

Major activities that are reduced, not being implemented or conducted include:

- ◆ Research and pursuit of creative lease opportunities to generate revenue for the District;
- ◆ Revision to the District Real Estate Asset book;
- ◆ Proactive monitoring of zoning and sphere of influence issues on District property;

VI Staff Addition Needed for FY 2014-15

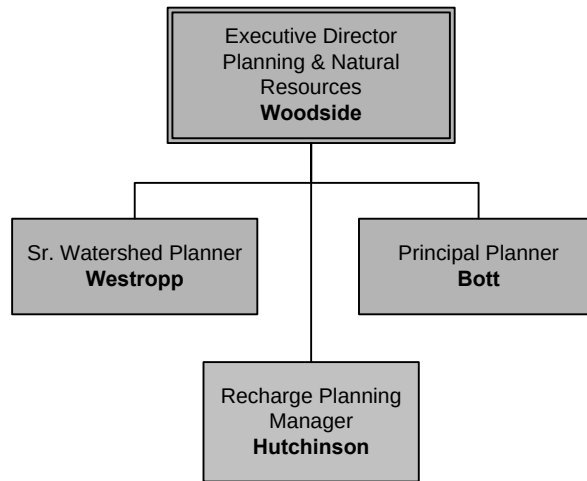
None

VII Future Issues

In the next one to two years, issues the District may need to consider:

- ◆ Renewal of the Mike Raahauge Shooting Enterprises Lease;
- ◆ Consideration of other long-term opportunities to lease District land at higher lease rates.

PLANNING AND WATERSHED MANAGEMENT



Summary Information

Existing Staff - 4 FTEs

- 1 – Executive Director of Planning and Natural Resources
- 1 – Principal Planner
- 1 – Senior Watershed Planner
- 1 – Recharge Planning Manager

Mission

Conduct long-term planning of District's facilities and programs, prepare planning documents and environmental analyses for new projects, secure permits from resources agencies, and implement the District's watershed management programs.

Key Issues for 2014-15

- ♦ Working with Army Corps to enhance water conservation at Prado Dam
- ♦ Complete Regional General Permit for Santa Ana River and recharge facilities maintenance activities
- ♦ Managing two demonstration projects to test pre-treatment of river water prior to recharge as a means to improve recharge basin performance
- ♦ Working with Army Corps and other stakeholders to assess long-term sediment management solutions in the Santa Ana River
- ♦ Watershed Management – Interface with watershed stakeholders. Participate in Basin Monitoring Program Task Force. Monitor activities of Stormwater Quality Standards Task Force and SAR water quality task forces.

Account Information	FY 2012-13 Actual	FY 2013-14 Budget	FY 2014-15 Proposed Budget
Salaries and Benefits	687,362	705,533	746,912
Services and Supplies	795,572	580,350	524,100
Total	\$1,482,934	\$1,285,883	\$1,271,012

I FY 2014-15 Major New Initiatives/Programs

- ◆ None

II Core Activities

The Planning and Watershed Management Department is primarily responsible for the District's long-term planning, interfacing with agencies above Prado Dam, watershed management, and preparation of environmental documents.

Core activities include:

- ◆ Conducting long-range planning of future activities and facilities at the District.
- ◆ Planning new projects to increase the yield of the basin and protect water quality (shared with Engineering and Hydrogeology).
- ◆ Protecting the quality and quantity of SAR flows.
- ◆ Preparing environmental documents (e.g., Environmental Impacts Reports).
- ◆ Securing environmental permits for District projects, such as Army Corps Clean Water Act Section 404 permits and California Department of Fish and Game 1600 permits.
- ◆ Evaluating new methods to improve the performance of the District's surface recharge facilities in Anaheim and Orange
- ◆ Interacting, representing, and processing agreements with outside upstream agencies such as SAWPA, upstream agencies, regulatory agencies, etc.
- ◆ Interface with watershed stakeholders. Participate in the One Water One Watershed Program facilitated by SAWPA. Monitor activities of Stormwater Quality Standards Task Force. Participate in SAWPA task forces on basinwide water quality. Monitor implementation of stormwater NPDES ("MS4") permits in Orange, Riverside, and San Bernardino Counties. Monitor cleanup of the Stringfellow hazardous waste plume in Riverside County and other contamination sites in the upper watershed that may pose a threat to the Santa Ana River.
- ◆ Interfacing with the regulatory agencies and upstream water agencies on issues affecting the SAR.
- ◆ Reviewing environmental documents prepared by agencies in the watershed with respect to potential impacts on the District's operations and the watershed.

III Non-Core Activities

None

IV Group Goals for 2014-15

Prado Basin Feasibility Study– This effort is a joint activity with the Army Corps to evaluate ecosystem restoration and increase the storage level at Prado Dam so that additional water can be stored and subsequently recharged in the District's facilities. This is a multi-year effort with the Army Corps to prepare a Corps' Feasibility Study for ecosystem restoration and water conservation (stormwater capture). The Feasibility Study includes evaluation of increasing the winter-time water conservation from elevation 498 feet to 505 feet. The Study also evaluates sediment management in Prado Basin.

Sediment Management in SAR – The transport and deposition of sand in the SAR is important to maintaining recharge through the SAR river bottom. A sandy river bottom provides high recharge rates and allows the District to construct levees to maximize percolation. Prado Dam traps the majority of sand flowing down the river, reducing the dam's storage capacity and causing negative impacts on the recharge capacity of the riverbed and the District's ability to construct sand levees. The sand deficit below Prado Dam, unless remediated, will cause long-term reductions in the recharge rate of the channel. Work in FY 2014-15 will focus on evaluating regional options to address the issue and working with the Army Corps on the Corps' Prado Basin Feasibility Study.

Regional General Maintenance Permit – This activity involves securing new permits for maintenance activities and OCWD projects in the recharge area in Anaheim and Orange and in Prado Basin. For OCWD projects that impact jurisdictional waters of the state or waters of the United States, permits are typically needed from the Army Corps, California Department of Fish and Game, and Regional Water Quality Control Board. The Board certified the Environmental Impact Report (EIR) for this effort in 2012. Permits have been received from the CA Dept of Fish and Wildlife and the Regional Board, but the Army Corps is still processing the permit applications. It is anticipated the remaining permits will be secured by fall 2014.

Update Groundwater Management Plan – The District most recently updated the Groundwater Management Plan in 2009. In accordance with state guidelines, the Plan needs to be updated every five years. Staff will update the Plan with recent information on water supplies, water quality, management of pumping, and performance of recently completed projects. The draft updated Plan will be reviewed with the Producers and the Board, and then submitted to the Board for approval.

Recharge Facility Planning – The district has several activities focused on maximizing the performance of our existing surface recharge basins in Anaheim and Orange. This effort includes managing the Cloth Filter Demonstration Project and the Riverbed Filtration Demonstration project. These two demonstration projects will pretreat river water prior to recharge as a means to

improve performance of existing recharge basins. The tests will run for two to three years to collect performance data over a range of conditions. Staff is also evaluating options to increase the performance of Lincoln Basin and test new methods to recharge GWRS water. This effort also includes managing the Recharge Enhancement Working Group (REWG).

Santa Ana River Flow Estimates – Potential projects and activities in the upper SAR Watershed can affect the amount of SAR flow that reaches Orange County. Due to water supply changes in California and the southwest United States, agencies throughout the area are proposing new projects that could impact flows in the SAR. Staff will continue to monitor and review proposed projects in the upper watershed with respect to their impact on flow rates in the SAR. Staff will also work with agencies in the upper watershed to evaluate these issues.

Environmental Analyses and Permitting – Environmental analyses are anticipated for several projects, including the new La Palma recharge basin, Prado Basin Sediment Management Demonstration Project, Mid-Basin Injection, and the South Basin Groundwater Protection Project.

One Water One Watershed Program (OWOW) – Continue participation in the program being facilitated by SAWPA to update the Integrated Regional Water Management Plan and assist with preparation of project submittals for funding through Proposition 84 Round 3.

Watershed Management – Participate in task forces administered by SAWPA, including:

- ◆ Basin Monitoring Program Task Force
- ◆ Salinity Management and Imported Water Recharge Workgroup
- ◆ Stormwater Quality Standards Task Force
- ◆ Middle Santa Ana River Bacterial Indicators TMDL

Monitor implementation of stormwater NPDES permits in Orange, Riverside, and San Bernardino Counties. A new stormwater NPDES permit will be developed in 2014 for Orange County and staff will work with the County of Orange regarding the potential to develop regional infiltration projects through the new permit. Participate in implementation of watershed plans for Central Orange County and North Orange County Watershed Management Areas. Monitor activities in the Chino Groundwater Basin and implementation of 'hydraulic control' in the Chino Basin.

V Pending Activities

Major activities that are not being implemented include:

- ◆ Strategic Plan revisions

VI Staff Addition Needed for FY 2014-15

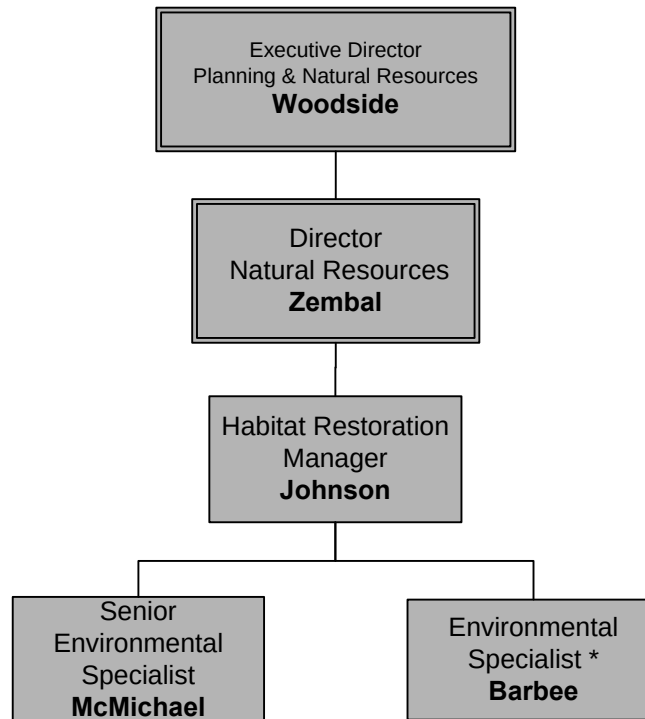
None

VII Future Issues

In the next two to three years, issues the District will need to consider include:

- ◆ The District currently holds rights to divert and recharge 362,000 afy of Santa Ana River water. In its water rights decision that appropriated 362,000 afy of river water to the District, the State Water Resources Control Board determined that it would hold in abeyance an additional 143,000 afy associated with potential long-term projects that the District could construct. The State Board determined that it would hold the additional 143,000 afy in abeyance until 2023. The District needs to consider the long-term activities that should be implemented to maximize the District's ultimate water right.

NATURAL RESOURCES



Summary Information

Existing Staff – 3.5 FTEs

- 1 – Director of Natural Resources
- 1 – Habitat Restoration Manager (Principal Environmental Specialist)
- 1 – Senior Environmental Specialist
- 0.5 – Environmental Specialist (* Cost Shared 50% with SAWA)

Mission

Manage natural resources in the Santa Ana River Watershed to improve water quality, water supply, and habitat in fulfillment of OCWD mitigation responsibilities; help maintain Arundo-free a minimum of 5,000 acres of former Arundo on the Santa Ana River generating a minimum of 18,750 acre-feet of water valued at \$8,437,500 annually.

Key issues for 2014-15

- ◆ Continue partnerships for additional Arundo control on the SAR while raising public awareness of the issues and benefits.
- ◆ Assist in the preparation of permit applications and negotiate conditions cooperatively with engineering staffs and others for various District projects including Sediment Management in Prado Basin, water conservation, Burris Basin, and District activities including RGP implementation and monitoring.

- ◆ Coordinate with Army Corps and resource agencies regarding Enhanced Water Conservation in Prado Basin.
- ◆ Represent the District on the Santa Ana Watershed Association Board and on various other task forces and planning groups such as the Santa Ana Sucker Conservation Team.
- ◆ Oversee endangered bird monitoring and Natural Resources management efforts in the Prado Basin and other District properties; organize watershed-wide monitoring of select endangered populations, documenting the annual population status of the largest least Bell's vireo population in existence.
- ◆ Maintain permits for endangered species work.
- ◆ Sucker restoration and other activities as per OCWD- CA Department of Fish and Wildlife Agreement

Account Information	FY 2012-13 Actual	FY 2013-14 Budget	FY 2014-15 Proposed Budget
Salaries and Benefits	531,699	517,253	584,380
Services and Supplies	333,155	251,250	288,750
Total	\$864,854	768,503	\$873,130

I. FY 2014-15 Major New Initiatives/Programs

Refine data needed to permit OCWD maintenance activities in the recharge area of the river under a Regional general Permit with the U.S. Army Corps of Engineers, and agreements with CA Department of Fish and Wildlife, and California Regional Water Quality Control Board; monitor implementation.

II. Core Activities

- ◆ Managing wildlife habitat and populations as per mitigation requirements and regulatory permit compliance;
- ◆ Implement and report sucker conservation, restoration, and native fish establishment efforts;
- ◆ Interacting with outside agencies such as the U.S. Fish and Wildlife Service, Army Corps of Engineers (ACOE), SAWPA, the local governmental agencies, etc., in representing OCWD interests in environmental planning;
- ◆ Interacting with other departments and regulatory agencies to ensure environmental compliance of District projects and activities;
- ◆ Administering and overseeing natural resources management efforts and removal of Arundo and other invasives from the SAR Watershed and;
- ◆ Seeking outside funding and administering expenditure of those funds.
- ◆ Interfacing with non-governmental organizations in the SAR Watershed.
- ◆ Monitor endangered birds on District lands per permit requirements including management of seasonal contractor

- ◆ Santa Ana sucker monitoring and conservation
- ◆ Permit maintenance
- ◆ Oversight and cooperation with contractors, interns, and partners to maximize efficiency in attainment of mission and goals.

III. Non-Core Activities

- ◆ Monitoring wildlife use of District lands
- ◆ Production of educational materials

IV. Group Goals for 2014-15

Monitor Endangered Bird Populations in the Prado Basin and Watershed – The Department leads the monitoring of endangered birds in the Prado Basin and the SAR Watershed. This activity also keeps the District in compliance with Regulatory Permits for Water Conservation and other District projects. Endangered bird populations will be monitored and managed in the Prado Basin and throughout most of the SAR Watershed.

Santa Ana River Watershed Program – Staff will participate as a member of the governing Board the SAWA, which is the organization removing Arundo throughout the SAR Watershed. The Natural Resources Director will attend regular meetings, prepare, review, and edit various documents including amendments to bylaws, operational procedures, budgets, annual work plan, and reports in directing management activities in the upper watershed.

Mitigation/Habitat Restoration Plans in Prado Basin – Staff will prepare, implement, monitor, and report upon habitat restoration and wildlife populations in compliance with permit conditions for Prado Water Conservation and other District projects.

Ongoing Removal of 5,000 acres of Arundo – Staff will help manage and monitor the efforts to keep Arundo out of the 2,500 acres initially treated with Proposition 13 funding and that removed before and since.

Negotiate Outside Funding for Arundo Removal – Natural Resources staff will participate in watershed efforts that are controlling Arundo and seek opportunities to bring funding and Arundo control onto OCWD lands in the Prado Basin. Staff will solicit, track, and report funding received and resulting activities.

Prepare Permits for District Projects and Activities – Natural Resources Staff will prepare permit applications and negotiate conditions cooperatively with Engineering, Planning, and staffs of other Departments for various District projects including Prado Sediment Management Study, Enhanced Water Conservation at Prado, Burris Basin, and other facilities as needed.

Participate in Project Planning and Operations – Natural Resources staff will continue to participate cooperatively with other departments in preparation of environmental documentation and other planning efforts on Santiago Creek, and on all facilities in cooperation with Engineering and Operations.

Educational Material – Natural Resources staff will continue to compile interpretive materials including live-mounted specimens and species reports.

V. Activities Not Being Addressed Due to Insufficient Resources

Major activities that are not being implemented include:

Clean up of Chino Creek into the Prado Basin – Eucalyptus and several other problematic non-native plants have invaded Chino Creek and are interfering with flood control, water flow, habitat restoration, endangered bird management, etc. The creek is isolated and could be cleaned as a separate unit.

Clean up of Temescal Creek into the Prado Basin – Although most of Temescal Creek has been cleared of Arundo, the area from the concrete-lined section down to the basin has not. This stream section is isolated and could be worked as a separate unit.

Clean up of the Riverside County portion of the Santa Ana Canyon – Orange County is implementing Arundo-control in the canyon, which will help keep the OCWD recharge area more free of debris. However, they are not including the part of the canyon just upstream in Riverside County. Giant reed from this upstream section will re-infest their work areas unless it is removed.

VI. Staff Addition Needed for FY 2014-15

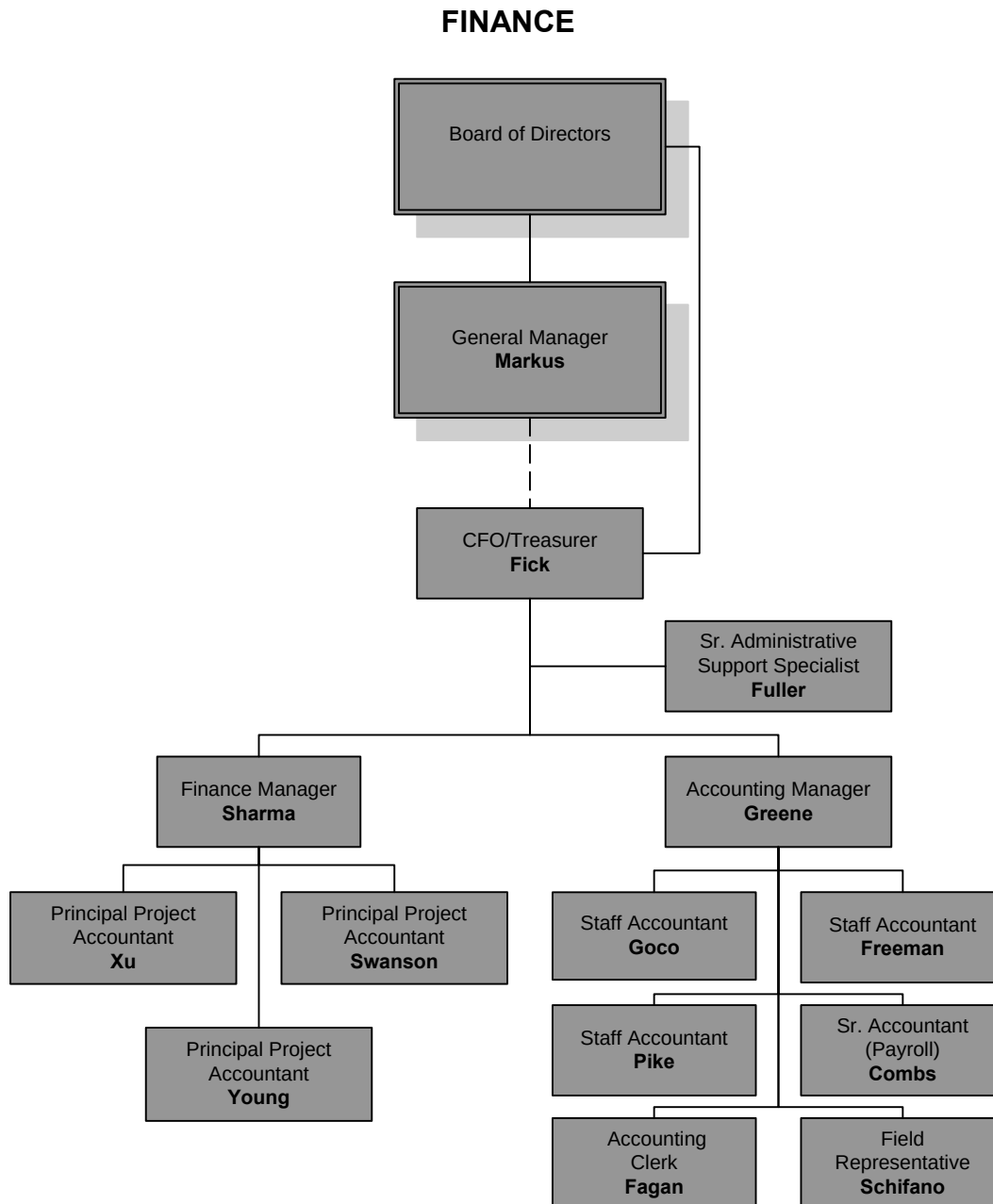
None.

VII. Future Issues

Full implementation of the SAR Watershed Program – There are still 2,000 or so acres of Arundo, or more to be removed from the watershed. This scale of removal would generate more than 12,000 af of water annually for the District.

Developing additional partnerships to maximize wetlands above the Prado Basin
The natural resources managed by the District will be impacted by future flooding affecting our standing and ability to negotiate for future Water Conservation and other District Projects in the Regulatory Arena. Additional natural treatment wetlands, associated riparian habitat, and temporary floodwater retention in the upper watershed will cushion the temporary impacts of these inevitable natural phenomenon and generate Regulatory Capital.

Assist in Development of a Plan for Wildlife Specimens – In preparation for a possible interpretive center associated with a future District Wetland, Natural Resources staffs have assembled an impressive collection of wildlife specimens in life-like poses that will need a home when the hallway visitor's center is built. Staffs will assist in preparing documents and scoping available options.



Summary Information

Existing Staff - 13 FTEs

- 1 –CFO/Treasurer
- 1 – Accounting Manager
- 1 – Finance Manager
- 3 – Staff Accountants
- 1 – Senior Accountant (Payroll)
- 3 – Principal Project Accountants

- 1 – Accounting Clerk
- 1 – Senior Administrative Support Specialist
- 1 – Field Representative/Meter Reader

Mission

Perform the District's accounting, finance and treasury functions.

Key Issues for FY 2014-15

- ◆ Manage OCWD's Investment Portfolio per the Board approved investment policy.
- ◆ Issue debt to efficiently fund OCWD's CIP at the lowest possible cost and analyze debt program by refinancing debt to reduce debt service uses.
- ◆ Continue to build, strengthen, and document internal accounting controls in the District's processes and procedures.
- ◆ Review existing procedures and establish new procedures that will help expand the group's analysis and reporting capabilities.
- ◆ Continue timely disbursement of SWRCB GWRS Initial Expansion loan funds.
- ◆ Complete the conversion of the payroll system time entry software.
- ◆ Submit Comprehensive Annual Financial Report to Government Finance Officers Association for their award program.

Account Information	FY 2012-13 Actuals	FY 2013-14 Budget	FY 2014-15 Proposed Budget
Salaries and Benefits	1,617,991	1,662,261	1,750,918
Services and Supplies	99,870	134,900	124,000
Total	1,717,861	1,797,161	\$1,874,918

I FY 2014-15 Major New Initiatives/Programs

- ◆ GWRS Initial Expansion construction accounting and State loan draws.
- ◆ Increase rebate earnings from wider use of the District's purchasing card/Single –use account program.
- ◆ Coordinate testing of the IS department's upgrade of the District's accounting software.
- ◆ Administration and accounting for the recent annexation of additional pumping for Anaheim, Irvine Ranch and Yorba Linda.
- ◆ Refund 2005B Certificate of Participation (COPs) to reduce OCWD's debt service costs.

II Core Activities

The Finance Department is primarily responsible for the District's accounting and treasury functions, as well as working with various internal and external groups and agencies. The core activities of the department are:

- ◆ Processing the District's accounts payable and accounts receivable functions.
- ◆ Maintaining the general ledger.
- ◆ Administering and processing the District's payroll function, including the processing and payment of all related payroll tax payments, employee retirement and benefits payments, and any other employee related costs administered through the payroll function. Prepare to account for the new healthcare legislation affecting payroll and benefits.
- ◆ Monitor, track, execute and complete all grant billings for the District's General fund and capital projects.
- ◆ Providing quarterly budget versus actual variance analysis and reporting.
- ◆ Providing quarterly financial ratio analysis.
- ◆ Continue to review and update the R&R model.
- ◆ Account for and audit various BEA exemptions.
- ◆ Processing and calculating the District's Replenishment Assessment (RA) and Basin Equity Assessment (BEA) billings including any special water program billings. This includes ongoing monitoring and reading of all of the meters.
- ◆ Completing the financial information necessary for the District's annual Engineer's Report.
- ◆ Prepare and submit quarterly sales and use tax returns, and any other financial reporting or compliance reporting as needed as it relates to the District's finances.
- ◆ Working with external independent auditors to complete the District's annual fiscal year end audit, pension plan audits, single audits (as necessary), and to also work with other outside agency auditors to fulfill any additional audit requirements.
- ◆ Complete and submit a CAFR for possible award.
- ◆ To monitor, track and report the District's Reserve Funds.
- ◆ Prepare and complete all annual reporting for District travel and expenses expenditures in a timely manner.
- ◆ Managing and investing the District's cash in-house on a daily basis in order to meet District's cash needs. This includes an annual review of the District's investment policy with the Admin/Finance Committee.

- ◆ Continue to execute the treasury operations of the District which includes ensuring all debt related payments are made timely for all debt issuances, state loans and commercial paper. In addition, to maintain in compliance by meeting all continuing disclosure requirements, review and renew all necessary debt administrative services including bank letters of credit, rating agency monitoring fees, trustee administration and any other debt related maintenance services.
- ◆ Debt issuances – to initiate, support, analyze and complete the execution of all necessary debt financings needed for the District's capital projects.
- ◆ Continue to review and work with various financial scenarios in order to make recommendations to seek and obtain the most economical financings to support the District's capital projects

III Non-Core Activities

- ◆ Cash management for custodial NWRI funds.
- ◆ Children's Water Festival Accounting.
- ◆ Contract administration and building maintenance billing operations for MWDOC occupancy expenses.

IV Group Goals for 2014-15

- ◆ Review and update documentation of procedures for all accounting functions.
- ◆ Review Producer meter calibration reporting program and procedures.
- ◆ Complete monthly closing of the general ledger, and complete all account reconciliations, accruals in a timely manner.
- ◆ Complete the annual independent audit and all necessary audit schedules more efficiently in order to complete the year-end audit.
- ◆ Review the general ledger and all ledger accounts to ensure that revenues and expenses have been posted properly. This includes analyzing and researching any discrepancies and unusual variances.
- ◆ Evaluating ways to streamline processes and to continue to strengthen internal controls throughout the District, in accordance with "Best Practices".
- ◆ Financial modeling to analyze and support the District's annual RA/BEA rates established and approved by the Board on an annual basis. Ongoing forecasting and projections of revenue and expenses
- ◆ Provide project accounting analysis for all of the District's capital projects and work with all project managers to ensure that all project costs are properly accounted for and are within the project budget. This also reduces the burden currently placed with each project manager to provide financial analysis support for their own projects.

- ◆ Record, monitor, and ensure proper accounting for the District's fixed assets and inventories on a monthly basis, including the proper accounting for depreciation and transferring assets from work in progress as projects are completed.
- ◆ Refinance 2005B COPs for an economic benefit to the District
- ◆ Complete annual filings and certification of compliance with circular OMB-133 for all grant funding sources when required.
- ◆ Manage and audit litigation settlement accounting.
- ◆ Review and update all the assets in the R&R model.
- ◆ Cross-training of staff in all accounting positions to provide better coverage, and to strengthen accounting internal controls with the ability to "rotate" staff in certain functions.

V Pending Activities

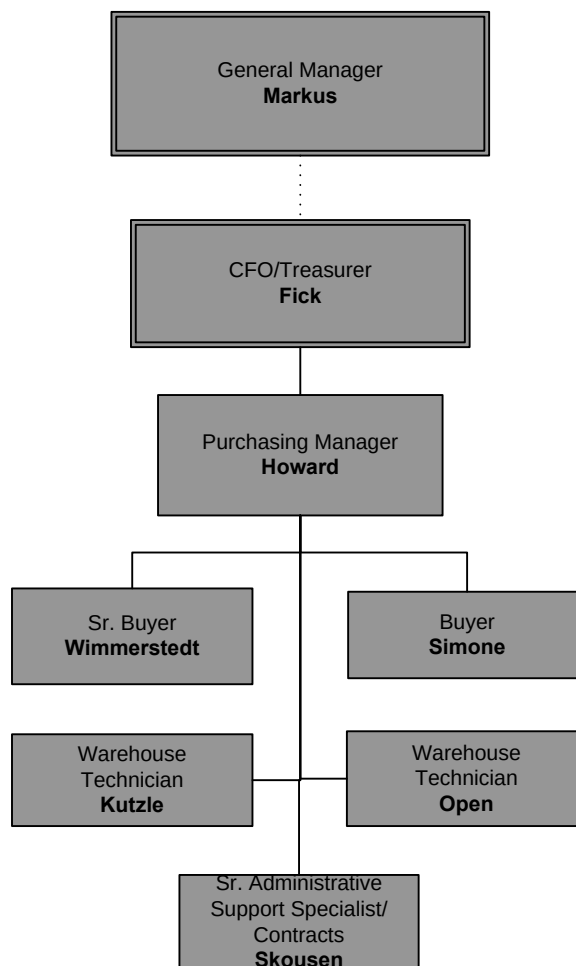
None

VI Staff Addition Needed for FY 2014-15

None

VII Future Issues

None

PURCHASING**Summary Information****Existing Staff - 6 FTEs**

- 1 – Purchasing Manager
- 1 – Senior Buyer
- 1 – Buyer
- 2 – Warehouse Technicians
- 1 – Senior Administrative Support Specialist/ Contracts

Mission

The Mission of the Purchasing Department is to procure reliable quality services and products, at a good cost and in a timely manner, using ethical procurement standards, in order to achieve a high level of assistance for the District.

Key Issues for FY 2014-15

None

Account Information	FY 2012-13 Actual	FY 2013-14 Budget	FY 2014-15 Proposed Budget
Salaries and Benefits	635,204	633,255	647,558
Services and Supplies	39,656	21,110	25,330
Total	\$674,860	\$654,365	\$672,888

I FY 2014-15 Major New Initiatives/Programs

- ◆ Seek out new vendors offering better pricing and term discounts.
- ◆ Ensure pictures are taken of all District assets to ensure they are safe guarded and accounted for

II Core Activities

The Purchasing Department is responsible for:

- ◆ Purchasing goods and services.
- ◆ Assisting all work groups with the issuance of request for proposals (RFP) for goods and services.
- ◆ Maintaining the warehouse
- ◆ Managing inventory.
- ◆ Preparing, processing, and administering District's public works contracts and professional services agreements.
- ◆ Maintaining filing system for purchase orders, contracts and professional service agreements.
- ◆ Identifying, obtaining Board approval, and disposing of surplus.
- ◆ Maintaining records for District vehicles and equipment; assigning District identification numbers.
- ◆ Locate new sources for procurement of materials, supplies and services.
- ◆ Prepare and issue RFP's for services and products to obtain the best pricing and good quality.
- ◆ Meet with each department monthly to discuss requests and problems to ensure quality service is being provided.
- ◆ Meet with the project managers to discuss contracts and professional services agreements so that (1) we are able to process the documents expeditiously and address the agreement language issues that arise; and (2) give an update on status of the agreements/contracts, as needed.
- ◆ Review and update warehouse, purchase order and professional services procedures and improve on receiving activities.

- ◆ Check safety procedures for warehouse receiving and storing goods, including chemicals.
- ◆ Complete a formal procedures manual to be submitted for approval.
- ◆ Assist departments for procurement of department special needs.

III Non-Core Activities

Non-core activities conducted by the Purchasing Department include:

- ◆ Meet with purchasing personnel from other water agencies to share information on new vendors, pricing, procedures, etc.
- ◆ Attend seminars on procurement and warehousing for updated information to save money while still obtaining quality products.

IV Group Goals for 2014-15

- ◆ Improve on warehouse activities.
- ◆ Assessment of all District vehicles – prepare a detailed report and analysis for the General Manager.
- ◆ Check on opportunity for more space in the warehouse

V Pending Activities

- ◆ Preparation of a formal Procedures Manual for Purchasing

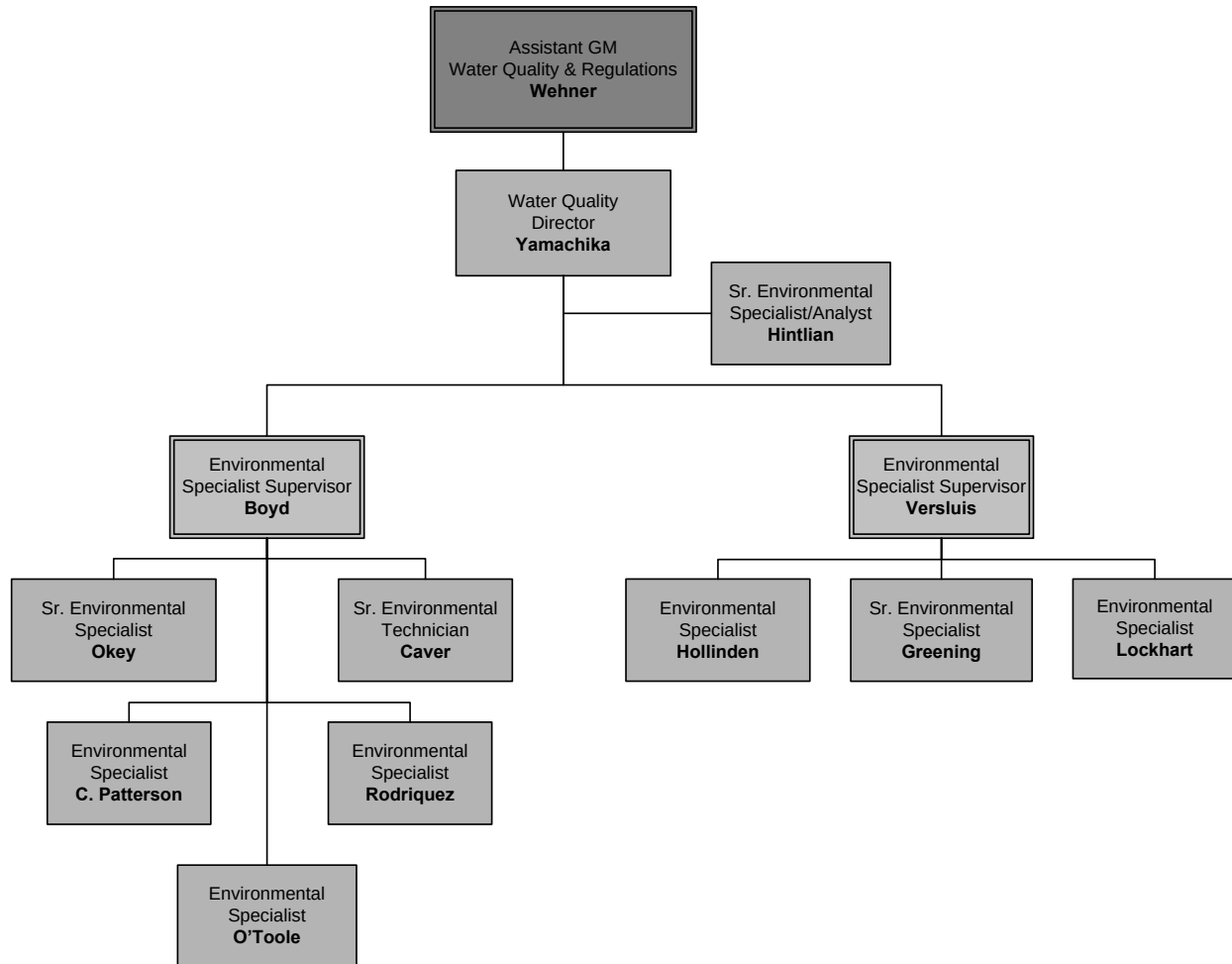
VI Staff Addition Needed for FY 2014-15

None

VII Future Issues

- ◆ Additional warehouse space/warehouse cleanup

WATER QUALITY



Summary Information

Existing Staff - 12 FTEs

- 1 – Water Quality Director
- 2 – Environmental Specialist Supervisors
- 1 – Senior Environmental Specialist/Analyst/Administrative Assistant
- 3 – Senior Environmental Specialists
- 1 – Senior Environmental Technician
- 4 – Environmental Specialists

Mission

Implement water quality monitoring programs to (1) protect and evaluate basin conditions and (2) comply with regulatory requirements for drinking water wells and the District's NPDES and Water Reclamation permits.

Key Issues for FY 2014-15

- ◆ GWR System (GWRS) Monitoring Requirements: Implementing the final product water and groundwater monitoring requirements in compliance with the GWRS permit is a high priority for the department, including assisting with preparation of (1) regulatory quarterly reports, (2) the annual report, and (3) the annual independent advisory panel meeting and supplemental tech memos. Use of the GWRS product water for injection at the Talbert Barrier for seawater intrusion and for surface spreading at Kraemer/Miller/Miraloma basins triggers quarterly monitoring of 35 permit specified groundwater monitoring wells. Meeting monitoring schedules at both the Talbert Barrier and recharge basins take precedence and require close coordination and scheduling with the Laboratory and other WQ programs to ensure maximum efficiency with sample loads and resources. Analytical capacity determines the maximum number of samples per designated week for intensive extraction methods, which limits the number of sites sampled. An approved (RWQCB, DPH and supported by GWRS Independent Advisory Panel) revised/reduced monitoring program commenced in January 2011, which greatly aid resources in both the WQ and Laboratory departments to accommodate new or focused District studies, other regulatory programs, and initiating 2014-2015 quarterly comprehensive monitoring at AM-10, the downgradient monitoring well from the future La Palma Basin project that will be receiving GWRS FPW for recharge.
- ◆ Federal Unregulated Contaminant Monitoring Rule Phase 3 (UCMR3): On behalf of basin Producers, OCWD has successfully met the monitoring and reporting requirements for the UCMR1 and UCMR2 programs, and completed the first year 2013 UCMR3 monitoring activities, which accounted for 48% of the program. The UCMR3 monitoring program is scheduled over three years and must be completed by December 2015. UCMR3 challenges for the WQ Dept. require close coordination with GWPs and the Laboratory to ensure (1) monitoring schedules are met, (2) all required quality assurance field samples are collected as required by specific methods, and (3) samples are cooled to 10 degrees at time of delivery to the Laboratory.
- ◆ North Basin Groundwater Protection Project (NBGPP) – Continue to implement monitoring activities at monitoring wells to track the volatile organics contaminant (VOC) plume and to provide information for the VOC remediation plan in the North Basin area of the District.
- ◆ South Basin Groundwater Protection Project (SBGPP): Continue to implement water quality monitoring activities at monitoring wells in southeastern Santa Ana to further investigate the extent of VOCs and perchlorate contamination.
- ◆ GWRS Metals Mobilization Study – Use of GWRS water, which is low in salts or total dissolved solids (TDS), for recharge into the groundwater basin may alter existing groundwater physicochemical equilibria. Metals that are currently bound to aquifer sediments may be released when low TDS product

water mixes with ambient established equilibria. With GWRS water delivered to Kraemer/Miller Basin, a monitoring program was initiated as recommended by the GWRS Independent Advisory Panel to analyze for trace metals (arsenic is metal of key concern) from selected wells in the vicinity and downgradient of the basins. Monitoring data show some metals are mobilized along the groundwater recharge flow path. Metals mobilization monitoring will continue downgradient of the recharge facilities that receive FPW (and upcoming new La Palma basin) to evaluate the effectiveness of the blending program, to support monitoring activities for the Stanford metals mobilization research studies, and to assess metals mobilization over a long-term and distance from the recharge basins. In addition, ambient water quality conditions are monitored in the vicinity of the Mid-Basin Injection project to establish a water quality baseline to evaluate metals mobilization post-injection in the future (discussed below). Arsenic mobilization has been observed at selected GWRS monitoring wells located at the Talbert Barrier. Metals mobilization monitoring frequencies (monthly, quarterly, etc.) are dynamic and adjusted as needed with review of incoming new data.

- ◆ GWRS Demonstration Mid-Basin Injection Project – The Demonstration Mid-Basin Injection (MBI) project will investigate the feasibility of injecting 100 percent GWR System final product water (one injection well) directly into the Principal aquifer by evaluating water quality located at two downgradient monitoring well sites (total 7 multi-cased wells) and nearby production wells. Data from the demonstration project will support the design and permitting of a future full-scale multi-well MBI project. The purpose of the two monitoring well locations is to monitor the effectiveness of the injection well and to track injection water. Each monitoring well site consists of depth specific wells (total of 7 single point wells at two well sites). WQ staff will continue to provide field resources to monitor water quality from these nested multi-depth monitoring wells to provide baseline water quality information and data on groundwater travel times to the nearest downgradient four production wells and water quality at the point of injection to point of extraction. Ambient groundwater quality monitoring at the monitoring wells and nearby production wells commenced in 2010, continues to be monitored quarterly, and tested for a comprehensive suite of analytes prior to and following injection of GWRS product water to serve as baseline to evaluate long-term water quality changes, if any. Monitoring wells will serve as future permit compliance locations if the project receives regulatory approval for the full-scale project. Monitoring well SAR-11, located on the SAR levee, was completed in fall 2010; SAR-10 monitoring wells (4 casings) and the injection well were completed in Spring 2012. The Mid-Basin Injection well is projected to be on-line in fall 2014 and will trigger enhanced monitoring at monitoring wells.
- ◆ OCWD Storm Water Permit – Provide field and technical support for the District's GWRS Industrial Storm Water permit to comply with EPA's National Pollutant Discharge Elimination System (NPDES) permit covering storm water management, discharges, water quality monitoring, and reporting requirements. Perform monitoring, site inspection tasks, and annual refresher

- training as approved in the District's Storm Water Pollution Prevention Plan (SWPPP) and WQ monitoring plan. Dry and wet (fall – winter) weather monitoring tasks are required under the permit, including preparation of an annual report. Staff will monitor the GWRS Expansion contractor's stormwater best management practices (BMPs) to address containment of excavation materials to avoid suspended solids exceedance in the District's on-site stormwater compliance samples.
- ◆ Santa Ana River Monitoring Program (SARMON) – Continue to implement a comprehensive surface and groundwater monitoring program recommended by the SARWQH study that includes an annual review and recommendations by the NWRI SARMON Independent Science Advisory Panel (IAP), including subcommittee members of GWRS IAP. Monitoring activities include sites on the Santa Ana River, Anaheim Lake, Santiago Basin, and selected downgradient monitoring wells from the recharge basins to provide data on travel time and to assess water quality changes. Monitoring activities are revised based on previous findings, including evaluating occurrence of Contaminants of Emerging Concern (CEC). In addition, flow into and out of the District's Prado basin wetlands are monitored to evaluate changes in water quality and to evaluate the effectiveness of the wetlands for treatment. Technical tasks include assisting with preparation of (1) the annual report summarizing SAR monitoring results for data collected from July 2013 through June 2014 and (2) presentations for the NWRI's IAP annual meeting. Continue to prepare and implement relevant monitoring programs for FY 2014-15 based on the 2013 IAP recommendations, as appropriate.
 - ◆ Stormwater Infiltration Study – In late 2010, Anaheim commenced a two year stormwater quality study approved by the SWRCB/RWQCB to assess the potential impacts to groundwater quality due to infiltration of stormwater. Water quality monitoring from the 2010-12 sampling events provided results from (1) stormwater run-off, (2) after treatment (absorbent filter and settling basin), (3) shallow infiltrated water collected from lysimeters at several depths, and (4) groundwater at two downgradient monitoring well locations. OCWD WQ staff continues to perform quarterly monitoring at the two monitoring wells to assess groundwater water quality changes from past seasons of stormwater infiltration. Monitoring was performed in FY2013-14 and will continue in FY 2014-15. Results of the study and post-study groundwater monitoring will provide valuable WQ information to evaluate future on-site stormwater infiltration projects and the potential impacts to groundwater.
 - ◆ Seawater Intrusion Program – Groundwater monitoring data indicate that seawater intrusion is migrating landward in the Sunset Gap and impacting a nearby Huntington Beach drinking water well. In FY2014-15, Hydrogeology is proposing 8 nested monitoring wells (total 38 well casings) and eleven single point wells in the Sunset and Bolsa Gaps to fill data gaps for assessing seawater intrusion. Fifteen monitoring wells will be destroyed that are obstructed and/or have well casing integrity issues (~50 years old constructed in saline environment). If Board approved, these new monitoring wells will be

- added to the seawater intrusion semi-annual monitoring program to better understand and delineate the seawater intrusion in these areas. Water levels will be measured bi-monthly to supplement water quality data.
- ◆ Riverbed Sediment Removal Studies – The Riverbed Filtration Demonstration and Cloth Filter Demonstration Projects were assessed as best potential treatment projects to remove sediment to increase percolation. These projects are located in the Forebay area (off-river area and adjacent to Riverview Basin) with baseline water quality monitoring initiated in 2012 to establish ambient conditions before project implementation. The Cloth Filter demonstration project came on-line in Fall 2012 and groundwater monitoring tasks were completed in 2013 to assess the overall water quality changes pre-, post-treatment, and after percolation as measured by water quality in the nearest monitoring well. Monitoring activities will continue in FY2014-15 at the newly completed subsurface collection system at the Riverbed Filtration Demonstration project and downgradient monitoring wells (AM-51/1 and AM-51A/1) to provide real-time data for project evaluation. The demonstration project is projected to commence in fall 2014 (rainy season).
 - ◆ East Newport Mesa Area and UCI-Marsh Well: Two areas of the basin have water quality data gaps that provide uncertainties with delineating aquifer correlations and constructing the annual Shallow aquifer water level (WL) contour maps. Hydrogeology is proposing to convert the existing UCI-Marsh well to a single-point monitoring well and to construct two new shallow wells adjacent to the UCI-Marsh well. Water quality and water level data will aid in delineating saline intrusion towards MCWD/IRWD wells, assist with geologic correlations in east Newport Mesa and SW Irvine area, and help fill in data gaps to construct the annual Shallow aquifer WL contour map. Similarly, in the East Newport Mesa area there is a large data gap for constructing the annual Shallow aquifer WL contour map, potential existence of an Alpha/Beta merge zone, and better understanding of the hydrogeology in the area (e.g., groundwater flow paths, etc.). Monitoring wells are proposed in strategic locations to provide water quality, water level, and geologic information. With Board approval, monitoring well construction and well retrofit activities are projected to commence spring 2014 with monitoring activities to begin in late 2014 and early 2015.
 - ◆ Prado Open Water Unit Process (POWUP) Wetlands Project: The POWUP research project is a collaboration between OCWD and the ReNUWIt National Science Foundation (NSF) Engineering Research Center (ERC) to evaluate an open pond design to treat SAR water compared to a vegetated (bulrushes and cattail plants) wetlands configuration. The two year study will include monitoring the periphyton wetland bottom community layer and water quality monitoring covering microbial, inorganic and organic analyses. Samples will be analyzed by Berkeley, Colorado School Mines, Stanford and OCWD. The purpose of the Prado research project is to evaluate alternative methods of wetlands treatment leading to enhanced water quality with reduced operations & maintenance requirements (open ponds vs vegetated).

- ◆ GWRS Focused Studies and Membrane Testing – Continuing from last year and building on current knowledge are planned focused water quality studies to evaluate treatment removal efficiencies and membrane integrity assessment (new and older membranes). Specific studies will focus on specific water quality assessments and may include use of external contract lab support for specific analyses such as bacteriophage monitoring and other microbial testing at specific process points to aid in possibly obtaining greater removal credit for the GWRS treatment system. The department will assist with monitoring tasks and coordination with external lab support, as needed.
- ◆ Planning and Coordinating Water Quality/Laboratory Workload: Several challenges facing the department to manage, track, schedule and coordinate the compliance and non-compliance monitoring activities are dependent on (1) Laboratory resources and analytical capacity, (2) enhanced GWRS monitoring activities, (3) Producer drinking water well testing schedules, (4) federal UCMR3 compliance monitoring requirements, and (5) other on-going District projects, research or focused studies, etc. These programs and available resources must be considered in weekly planning and assigning workload. The efficiency of the Water Quality field activities will be dependent on these factors, and resources to initiate monitoring schedules for newly constructed wells or locations for various projects (if approved; see below). Scheduling and coordinating workloads that maximize the Laboratory and Water Quality department's efficiencies are challenging (i.e., maximum samples per extraction methods, etc.) to meet the water quality data information needs for the various compliance and non-compliance monitoring programs and research investigations.
- ◆ Monitoring Activities for Other Projects or Investigative Studies: Pending Board approval, commitment or agency agreements (see below) several District projects, investigations or research endeavors have (2012-2014) or will commence that will require field and technical assistance from the Water Quality Department (see below).

Account Information	FY 2012-13 Actual	FY 2013-14 Budget	FY 2014-15 Proposed Budget
Salaries and Benefits	1,442,237	1,451,853	1,539,552
Services and Supplies	318,251	454,420	364,913
Total	\$1,760,488	\$1,906,273	\$1,904,465

I FY 2014-15 Major New Initiatives/Programs

Field support and resources may be needed to monitor water quality from existing locations or new monitoring wells to be constructed for the projects listed below, pending Board approval. These are listed as potential programs/projects for planning projections only.

- ◆ La Palma Basin Project: OCWD will be constructing a new recharge basin to receive GWRS FPW as part of a GWRS Permit Amendment. A new monitoring well (AM-52/1) will be drilled adjacent to La Palma Basin triggering WQ monitoring to establish baseline conditions prior to, and after delivery of FPW for recharge (estimated Spring 2015). In addition, comprehensive quarterly monitoring at the downgradient monitoring well AM-10/1 will commence as a GWRS compliance monitoring well.
- ◆ County of Orange Stormwater Infiltration Study – Glassell Site Retrofit: Similar to the Anaheim stormwater project to focus on containing stormwater, the County may be retrofitting an existing 10 acre office space site located in the City of Orange on Glassell St. to infiltrate stormwater on-site. The retrofit will include multiple EPA low impact development (LID) features to reduce stormwater run-off/pollutants and improve water quality. LID is a management approach and practices to contain stormwater as close as possible to its sources. Possible LID features include bioswales, modular wetlands, permeable paving, and a subsurface cistern to treat stormwater and to retain the majority of stormwater on-site. The County will be collaborating with OCWD and the City of Orange with specific aspects of the project, which may include water quality analysis and addressing groundwater quality before and after infiltration.
- ◆ Sediment Management in SAR: The Planning and Watershed Management Department is working with the Army Corps to address the sand deficit below Prado Dam in the SAR river bottom. A sandy river bottom enhances high recharge rates and provides material for OCWD to construct sand levees. WQ monitoring activities will be required when field work commences to redeposit sediment in the river below Prado Dam.
- ◆ Sunset Gap Seawater Intrusion: Water quality data are needed within the Bolsa and Sunset Gaps to assess the areal extent of seawater migration at locations where existing monitoring well casings are obstructed or have well integrity issues to provide quality data representative of ambient conditions. Locations within the Seal Beach Naval Weapons Station and Huntington Harbour area have monitoring wells (15 wells total) that will be destroyed due to well casing failures caused by age (approximately 50 years old) and corrosion issues from saline conditions. New monitoring wells (total 49 casings) are proposed for construction and will be monitored semi-annually.

II Core Activities

The Water Quality Group is primarily responsible for (1) implementing water quality monitoring programs to protect and evaluate basin conditions, including emerging contaminants; (2) providing technical and field support for compliance programs, District projects, and research investigations; (3) disseminating water quality information and assisting with expansion and update of the WRMS database (historic and new water quality data); (4) reviewing and commenting on relevant water regulatory and compliance issues [e.g., drinking water, stormwater, *de minimus* permits, etc.]; and (5) providing support to ensure that

the District complies with regulations pertaining to the Safe Drinking Water Act and Clean Water Act amendments.

Core activities include:

- ◆ Implementing surface and groundwater quality monitoring programs for (1) compliance with permits, mandated environmental and drinking water regulations, (2) District projects and research investigations, and (3) evaluating the ambient quality of the groundwater basin.
- ◆ Scheduling and sampling groundwater producer wells for compliance with state/federal drinking water regulations for regulated and unregulated chemicals; reviewing, approving and reporting chemical data electronically to the state on behalf of the groundwater Producers; assisting with data compilation for the groundwater Producers' Annual Consumer Confidence Report, Public Health Goals Report, Annual District Engineer's Report, GWRS Annual report, and SARMON Annual report.
- ◆ Implementing basinwide monitoring for constituents proposed for regulation and emerging chemicals of concern (CEC) to assess occurrence and distribution within the Orange County Groundwater Basin and potential impact to the groundwater Producers and OCWD.
- ◆ Overseeing and performing the compliance monitoring activities at groundwater monitoring wells specified in the GWR System permit and permit Amendments, including water used for blending, ultraviolet (UV)/H₂O₂ product water, and injected water; coordinating with contract labs for selected analyses not performed by OCWD's Main Laboratory (e.g., asbestos, dioxin, radioactivity, etc.). GWRS monitoring activities include both Forebay and Talbert Barrier locations, Mid-Basin Injection, and relevant research investigations associated with tracer and intrinsic studies to (1) establish groundwater flow paths and travel time to the nearest wells (potable and monitoring), (2) assess metals mobilization issues, joint research projects, and (3) assess treatment processes and changes in water quality after time underground, etc. through joint research endeavors.
- ◆ Implementing a surface and groundwater quality monitoring program to assure the continued safety of the Santa Ana River as source water for groundwater replenishment (SARMON monitoring activities).
- ◆ Ensuring compliance with the District's NPDES general *de minimus* dewatering permit and aquatic pesticide permit, including sampling, treatment of purged groundwater (as needed), data analysis, and preparing monthly compliance reports.
- ◆ Reviewing and approving new water quality data for the District's WRMS database; compiling and analyzing data for reports and internal staff, the Board, and groundwater Producers.
- ◆ Coordinating with the Regional and State Water Quality Control Boards to provide appropriate water quality data to assess compliance with Basin Plan objectives for the SAR, TMDL issues, and other water quality river issues relevant to protection of the OCWD groundwater basin.

- ◆ Performing semi-annual water quality monitoring of coastal wells to assess the extent of seawater intrusion; coordinating with Hydrogeology on reviewing and revising program as new data become available.
- ◆ Assisting with field data collection for the semi-annual basinwide water level monitoring program to identify threats to the basin (i.e., groundwater overdraft, seawater intrusion, etc.) and provide groundwater elevations of basin aquifers measured six times annually.
- ◆ Fulfilling water quality and water resources information requests from the public, groundwater Producers, and regulatory agencies; responding to special data requests for external site investigations and litigations.
- ◆ Tracking, reviewing and addressing new emerging contaminants of concern; evaluating basin water quality conditions for emerging contaminants, assessing management and response strategies, coordinating with Public Affairs and groundwater Producers with water quality information.
- ◆ Preparing reference materials and presentations on water quality issues; participating on advisory committees specific to water quality issues of concern to OCWD and groundwater Producers.
- ◆ Reviewing and commenting on proposed regulations such as federal and state maximum contaminant levels (MCLs), public health goals, unregulated chemicals, NPDES permits, emergency regulations, etc. relevant to the District and groundwater drinking water source monitoring.
- ◆ Responding to and coordinating with regulatory agencies on emergencies and hazardous materials spills, fire fighting run-off, etc. that may affect groundwater quality. Perform WQ monitoring as needed to assess potential discharge impacts to recharge facilities or groundwater.
- ◆ Assisting District staff with NPDES dewatering *de minimus* and aquatic pesticide spraying permit issues for specific projects.
- ◆ Assisting with preparation of regulatory compliance reports and other water quality reports.
- ◆ Continue to educate new staff on the history and value of monitoring sites and programs (transfer historical knowledge).

II Non-Core Activities

Non-core activities (secondary priority compared to core activities) conducted by the Water Quality Group include:

- ◆ Serving on water quality and project advisory committees for ACWA, WEROC, etc. on emerging water quality issues relevant and beneficial to OCWD as managers of the groundwater basin.
- ◆ Providing information and current status on water quality and regulatory issues to other agencies and committees.
- ◆ Assisting other water agencies in addressing water quality issues, emerging contaminants, and tracking and assist in preparing comments on proposed relevant drinking water-related regulations.

III Group Goals for 2014-15

- ◆ Administer Water Quality Monitoring Programs: Ensure samples are collected and analyzed for compliance with mandated drinking water quality regulations and regulatory permits, District projects and investigations, and evaluating the quality of the basin (e.g., seawater intrusion in coastal areas); evaluate new emerging chemicals of concern; coordinate with the Laboratory to implement new 2014-15 compliance monitoring requirements for drinking water sources and UCMR3, GWRS compliance monitoring locations, focused studies, and continue to coordinate with the Laboratory to ensure maximum use of resources for both departments.
- ◆ Data Management Activities: Ensure new data are reviewed with high quality assurance and approved into the WRMS database for end users; submit Producer compliance data electronically to the State Department of Public Health (DPH) database; prepare annual water quality schedules for DPH and groundwater Producers; prepare annual data summaries for groundwater producers for the Annual Consumer Confidence and triennial Public Health Goals reports; prepare annual water quality data summary for OCWD's Engineer's Report, GWRS and SARMON quarterly and/or annual reports; implement all reporting tasks for UCMR3 for GWPs drinking water sources.
- ◆ Water Quality Regulatory Activities: Review and comment on newly proposed state or federal drinking water standards (MCL), evaluate potential impacts to groundwater basin and coordinate with groundwater Producers; continue to track and comment on proposed non-drinking water regulations (e.g., state NPDES general permits, aquatic pesticide permit, etc.); monitoring federal and state regulatory schedules for upcoming proposed drinking water regulations – review and comment during public comment period.
- ◆ Implement the Santa Ana River Monitoring Program: Continue to implement the long-term Santa Ana River (SAR) Monitoring Program in joint effort with Regulatory Affairs. Manage and provide oversight to ensure monitoring activities are completed based on recommendations of the NWRI convened SAR Independent Advisory Panel (program reviewed annually).
- ◆ Talbert/Bolsa/Sunset Gaps Seawater Intrusion Monitoring: Implement the seawater intrusion program in the Talbert/Bolsa/Sunset Gaps as recommended by the Hydrogeology Group. Fifteen aging monitoring wells are planned for destruction in this fiscal year by Hydrogeology and constructing thirty-four new monitoring wells to aid in assessing the extent and areal distribution of seawater within these gaps. Water level (some locations measured six times per year) and semi-annual water quality monitoring activities are conducted to provide real-time data for Hydrogeology assessment to evaluate the landward migration of seawater and adjust monitoring activities based on findings.
- ◆ Water Quality Protection: Activities include tracking, reviewing and addressing new chemicals of concern, evaluating basin conditions or source waters potentially used for groundwater replenishment (e.g., perchlorate/chlorate in the Santa Ana River); monitor and review media and research reports;

coordinate with regulatory agencies on upcoming new water quality issues; provide field water quality monitoring support for Board approved projects that authorize construction of new monitoring wells for District projects and investigations (e.g., South Basin Groundwater Protection project, Sunset Gap, East Newport Mesa area, etc.).

- ◆ New Water Sources: Implement groundwater monitoring activities for short-term focused studies related to recharge enhancement (stormwater infiltration projects; river water sediment removal and percolation studies); provide compliance testing for newly constructed groundwater Producers' drinking water wells and new monitoring wells approved by the Board for specific water quality studies; evaluate new source waters for GWRS (e.g., possibly monitor flood control channel waters for diversion to OCSB for GWRS).
- ◆ Aquatic Weed and Pesticide Permit: Continue to coordinate with Forebay Operations to assess non-chemical methods to address pesticides (e.g., midges) and vegetative growth at the wetlands in lieu of chemical application. Non-chemical strategies avoid pre- and post-water quality monitoring and analysis of the applied aquatic pesticide, reduces need for regulatory reports, and potentially avoids issues of the District applying chemicals to areas potentially tributary to the river.
- ◆ Standard Operating Procedures (SOPs): Review and update department SOPs and conduct periodic refresher training.

Improved Water Quality Monitoring Efficiency: This activity includes:

- ◆ Assess new methods and strategies to increase field productivity without compromising quality of sample collection or integrity of sampled water;
- ◆ Improve single operator sampling equipment and procedures; revise and finalize standard operating procedures and implement processes to increase efficiency and productivity;
- ◆ Continue with evolving department-wide cross-training programs;
- ◆ Evaluate options to streamline specific monitoring programs for broader coverage, increase efficiency, and reduce sample load to the laboratory;
- ◆ Continue to research and improve equipment decontamination procedures to address higher concentrations of volatile organic compounds (VOCs) and chemicals that exceed limits/notification levels (e.g., 1,4-dioxane and perchlorate), which require treatment of purged water prior to discharge. New decontamination system configurations and types are routinely evaluated to improve efficiency and productivity to reduce the time needed to clean equipment between well locations; continue to evaluate sampling truck configurations to improve efficiency with mobile treatment units and transporting ancillary equipment to sample monitoring wells.
- ◆ Continue to evaluate methods to forecast optimum schedules to change-out spent carbon in mobile treatment units to avoid breakthrough and to address new CEC requiring removal prior to discharge to storm drains or tributary to state waters.

- ◆ Research new technologies for automating field data collection and documentation tasks.

IV Pending Activities

Major activities that are reduced, not being implemented or conducted include:

- ◆ Stormwater monitoring of the Santa Ana River and tributaries to OCWD's recharge facilities
- ◆ Non-point source water quality monitoring on the river and tributaries near OCWD's recharge facilities
- ◆ Implement a more enhanced quality assurance data review protocol to include data analysis and tracking of water quality chemicals of concern to identify areas of developing water quality problems (e.g., increase in color, seawater intrusion, volatile organics, SAR monitoring, upper watershed, etc.); provide timely notification to OCWD program managers and stakeholders; prepare semi-annual reports, as needed;
- ◆ Quarterly or monthly water quality monitoring of upper SAR watershed wastewater discharges; investigate water quality issues originating from the upper watershed that may potentially affect the Orange County groundwater basin (e.g., chlorate and other emerging constituents).
- ◆ Develop and prepare an annual Water Quality report of the basin (deferred for several years) – strive to prepare initial report with multi-department input in near future.
- ◆ Provide enhanced staff development (internal and external) and mentoring to take on higher-level duties and responsibilities; enhance and broadening cross-training to enhance flexibility and ability to respond to changing conditions.
- ◆ Active attendance and involvement with water associations and agencies on water quality issues relevant to OCWD and groundwater Producers.

V Staff Addition Needed for FY 2014-15

None

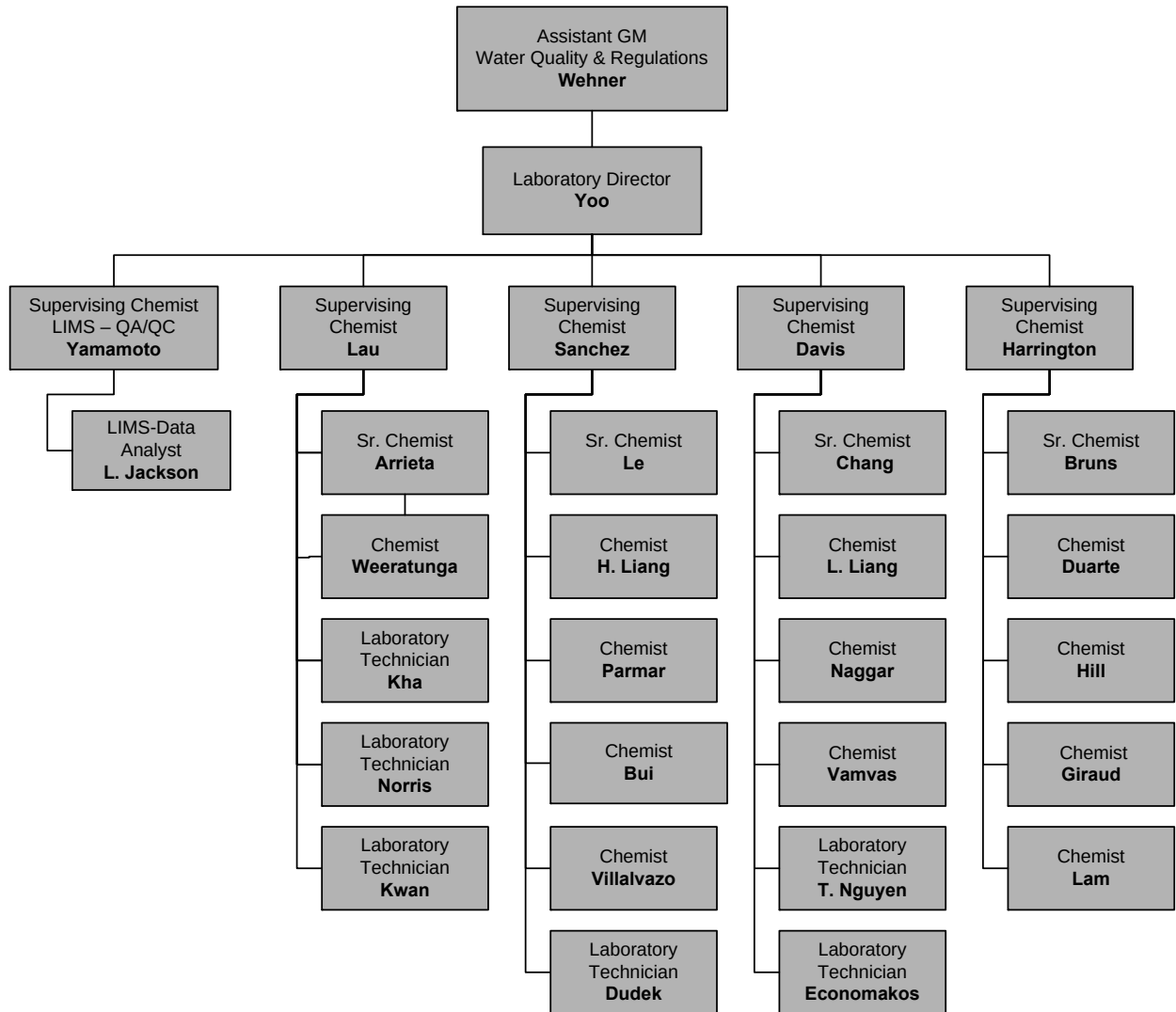
VI Future Issues

In the next several years, issues the District will need to consider the following issues and the associated resources and costs.

- ◆ Evaluate and purchase more efficient sampling equipment to improve productivity with field monitoring activities, treatment of purged groundwater, and replace aging vehicles, as needed.
- ◆ Provide field resource needs for the current District water quality-related litigations.
- ◆ Adapt to (1) increasing new regulations requiring new monitoring activities, (2) implementing new and relevant research investigations, (3) researching

- enhanced protocols for equipment decontamination, and (4) assuring high quality assurance with all field tasks and activities.
- ◆ Provide field support to monitor North Basin Groundwater Protection project (NBGWPP) monitoring wells and associated monitoring activities for the treatment facility in compliance with future treatment permit requirements.
 - ◆ South Basin Groundwater Protection Project (SBGPP): Future monitoring wells will be needed to provide WQ data to delineate the areal extent of contamination and to evaluate feasibility of an interim groundwater remediation/containment system.

ADVANCED WATER QUALITY ASSURANCE LABORATORY



Summary Information

Existing Staff – 29 FTEs

- 1– Laboratory Director
- 1 – Supervising Chemist LIMS - QA/QC
- 4 – Supervising Chemists
- 4 – Senior Chemists
- 12 – Chemists
- 1 – LIMS-Data Analyst
- 6 – Laboratory Technicians

Mission

Provide cost-effective analytical services to assess water quality and certify District permit conditions. Support applied research to the benefit of District projects, which evaluate both Basin and GWRS operating conditions. Laboratory services provide information on operations as well as current and future environmental regulations.

Key Issues for 2014-15

- ◆ GWR System Permit & Operational Support – The Advanced Water Quality Assurance Laboratory (AWQA-Lab) continues to generate operational and permit compliance data in support of the GWR system. Support of an increased number of groundwater monitoring wells linked to this process continues to provide workload on a wide range of analytical methods. Laboratory staff members continue to coordinate sample loads and investigations with the Water Production Group as well as other departments and OCSD. Specific investigations into mid basin recharge facilities and changing operational conditions related GWRS Initial expansion will continue during this budget cycle.
- ◆ GWR System Optimization Research & Development – The AWQA-Lab continues to support the GWR System's research & development efforts. Further investigations into enhanced removal efficiencies and plant optimizations will advance through proper analytical information. Projected efforts into UV performance and the Advanced Oxidation Process (AOP) will continue. Metals mobilization studies will require specific analytical support, along with RO membrane performance studies investigating Chemicals of Emerging Concerns (CECs), Nitrosamines, and/or 1,4-dioxane removals. Investigations into potential disinfection by-products (DBPs) formed during the GWRS AOP process will be a future area of analytical challenges. The lab will continue to investigate wastewater quality for OCSD Plant 1 and Plant 2 with OCSD laboratory to secure additional wastewater to support the final GWRS expansion project. Coordination of research investigations into the compliance monitoring lab will provide additional benefits to these GWRS expansion requirements.
- ◆ Chemicals of Emerging Concern (CECs) and Method Development – The AWQA-Lab has supported the development of chemicals of emerging concern (CECs); many of these targets require reporting to the low part per trillion (ppt) levels. Target selection has been based on feedback from a wide range of sources including USGS, EPA, and CDPH. Monitoring efforts have focused on targets that provide information and status on the performance of treatment processes. The majority of the CEC monitoring effort is supported by our LC/MS/MS (liquid chromatography/tandem mass spectrometer) system. We plan to add additional support methods to this system: EPA method 540– specific organic constituents. Method development and optimization on this system continues to be a challenge, as we must coordinate this effort to existing workloads. We continue to expand District analytical capabilities by replacing 8 years old LC/MS/MS system; it is necessary for the District to replace the LC/MS/MS system to ensure that the laboratory is capable to meet the detection sensitivity of targets of the required CECs by EPA and CDPH.

- ◆ Project Support & Basin Wide Monitoring – The AWQA-Laboratory provides compliance and monitoring support to a wide range of projects and basin programs. The Basin Groundwater Protection Programs continue to require laboratory support and has been expanded with additional wells and monitoring sites. Increased hydrogeology investigations towards potential contamination sources and remediation processes continue to generate additional sample loads within the laboratory. Basin projects and monitoring programs, including support of the Santa Ana River Monitoring (SARMON) studies, have continued to develop over the last several years. Constituents of Emerging Concern (CECs) will be a focus within the SAR system and from wastewater dischargers. Potential wetlands configuration studies may also address laboratory monitoring support of CECs and other appropriate surrogate performance targets. The laboratory's data is also supporting several District litigation efforts.
- ◆ Federal Unregulated Contaminant Monitoring Rule Phase 3 – UCMR3 – The District continues to support the federally mandated Unregulated Contaminant Monitoring Rule (UCMR3) program from 2013 to 2015, The AWQA-Lab is fully certified for 7 EPA methods to support analytical requirements under this program and continue the process of list 1 and 2 assessment monitoring for the total of 28 constituents using new EPA methods; 522, 524.3, 537, 539 and the existing methods; 200.8, 218.7 and 300.1. As within past UCMR programs, the required method performance and QA/QC documentation is critical to the success of this support. The AWQA-Lab and Water Quality Department successfully managed the first year load of UCMR3 program with less than 5% resampling and reanalysis request. In addition to the sample analysis for UCMR 3 program, EPA requires an acceptable quality control management plan for every batch of the samples. Laboratory resources within this budget cycle will be dedicated to develop technical expertise to generate fully acceptable QA/QC data packages to maintain the status of EPA approved laboratory for the entire UCMR 3 period.
- ◆ Improved Laboratory Productivity and Cost Containment – The AWQA-Laboratory team takes great pride within the development of cost efficient high quality processes. We continue to work closely with the purchasing department to further expand the automated reorder process for those products and reagents we continuously utilize within our analysis. Lab staff members work closely with our vendors to secure the best possible pricing on instruments, support, and supplies. We continue to develop our staff support around a flexible “team” structure through cross training schedule and team working environment, which has kept District labor demands at the lowest possible level. Staff members are rotated and cross trained through all methods of analysis, to ensure flexibility within analytical capabilities. Laboratory staff members continue to advance technological improvements with internationally recognized instrument vendors to further address cost effectiveness and exceptional laboratory services. Potential adjustments to monitoring frequencies will need to be properly coordinated through the lab to keep efficiencies at a high level. Sample load scheduling must be properly planned so that additional benefits to our monitoring programs can be achieved. We have also used the vendors to provide in-house training on the more sophisticated analytical

instrumentation. This has helped reduce our training expenses, and has promoted the District's image as a leader in water quality technology.

Account Information	FY 2012-13 Actual	FY 2013-14 Budget	FY 2014-15 Proposed Budget
Salaries and Benefits	3,216,417	3,303,062	3,554,180
Services and Supplies	1,170,650	1,351,000	1,444,550
Total	\$4,387,067	\$4,654,062	\$4,998,730

I FY 2014-15 Major New Initiatives/Programs

The laboratory is a service oriented department, and we continue to provide analytical support to a wide range of District programs. New initiatives and support will be based on specific project requirements within several departments and investigations.

- ◆ GWR System Research and Optimization – Treatment Investigations
- ◆ Monitoring support for Basin Protection Programs – new wells
- ◆ OCWD/OCSD Alignment for Regulatory Compliance and GWRS expansion
- ◆ OCWD Wetlands Treatment Investigations
- ◆ Litigation data support

II Core Activities

The Advanced Water Quality Assurance Laboratory utilizes cost-effective analytical services in support of all monitoring programs and projects required by the District. Water quality data generated by the laboratory provides critical analytical information, needed to make timely accurate decisions, for regulatory requirements as well as the direction and support of District policies. Our facility is designed as a compliance-monitoring laboratory certified with the State of California and US EPA.

Basic core laboratory activities include:

- ◆ Support basin wide monitoring programs, and provide both compliance and informational analytical data. Ensure proper method compliance for state and federal drinking water requirements. Protection of the basin and the SAR through analytical monitoring.
- ◆ Support and direction of the GWR System activities, for both permitted requirements and operational improvements.
- ◆ Support and direction of emerging contaminants and water quality issues, to address both GWR plant, mid injection well development and basin wide concerns.
- ◆ Procurement of needed analytical State Certifications with the CDPH, as well as development of any needed EPA methodology. Support federal monitoring programs as approved by District management – UCMR.

- ◆ Support of the Green Acres Project (GAP) facility for both permit requirements and operational feedback.
- ◆ Support and direction of the Talbert Barrier, a CDPH mandated monitoring requirement for the District.
- ◆ Support investigations in both treatment research and in-house analytical methodologies. Provide solutions to improve cost effectiveness - both within plant processes as well as with laboratory procedures.

III Non-Core Activities

The AWQA-Laboratory's support has always been a strictly core activity department without many non-required duties. This has been based on years of natural growth in workload, which has caused all non-essential tasks to be dropped. Non-core activities (secondary priority compared to core activities) conducted by the AWQA-Laboratory group include:

- ◆ Support of research and monitoring programs not directly benefiting District or laboratory processes.
- ◆ Support of public relations tours and NWRI investigations and studies.
- ◆ Support of Department of Homeland Security and CAMALnet support investigations for emergency response.

IV Group Goals for 2014-15

GWR System Operational, Research, and Compliance Support – Laboratory support of the GWR System is critical in maintaining compliance and permit goals. We will continue to support all process investigations that require analytical data. Continued focus on emerging targets and future investigations into AOP/UV disinfection by-products will be required. Total support of the GWRS system represents over a third of the workload received by our department. GWR research through all treatment steps will be required within this budget cycle.

Emerging Target Method Development – The laboratory continues to increase analytical capabilities into all water quality concerns. Investigations into new potential VOC targets have always been supported by our District laboratory. While most of the recent focus has been on large molecular weight CEC monitoring, there are still critical areas of support looking at low molecular weight targets, those that pose impacts to aquifers, and significant challenges to RO and UV removals. We continue to expand our analytical target lists and coordinate with OCSD source control on any potential concern. While the GWR system provides state of the art removal processes, the SAR system can be further influenced by these emerging concerns from wastewater dischargers. District staff members are committed to the continuous support within all emerging target support. We currently track for over 550 target compounds and this will continue to expand under this budget cycle.

Basin & SAR Monitoring Support – As above, wastewater discharge impacts and influence into SAR system will be a critical goals within this budget cycle. SAWPA CEC monitoring will continue and focus on a specific number of target analytes. Continued support of Basin protection programs will continue to require analytical support from the lab. We have also found support under these programs will usually require rush sample status, and quick data turnarounds. Samples taken under these programs also have challenged our processing as they represent extremely difficult matrices. The District's lab will continue to provide support within these monitoring programs addressing Basin and Santa Ana River conditions during this budget cycle.

Data Quality Improvements & LIMS Administration – We continue to expand one of the most cost effective software applications utilized at the District; the Laboratory Information Management System (LIMS). LIMS has been used to improve processes and documentation at the bench level, which has enhanced our CDPH-ELAP audits, which are linked to our certification. This system continues to provide early notification of water quality parameters exceeding set maximum contaminate levels (MCLs) and water quality notification levels (NLs). The entire laboratory team has contributed improvements during data reviews and the final data reporting process through the LIMS system. The laboratory reports over 400,000 target values into the WRMS system on an annual basis. Fortunately, the current LIMS, Aspen, manages AWQAL's data without any major restrictions. Many of the features that enable laboratory staff to enter, store, organize, verify, calculate, transfer and present this data were developed by District staff and consultants over the past 15 years. These custom features contribute to the quality of analytical data and the efficiency by which such data is produced. Laboratory staff has requested that all efforts be made to implement these custom features in the new LIMS. Due to the complexity of a LIMS and the complexity of operations at AWQAL, implementing these custom features in the new LIMS is not without risks. These risks are that the new LIMS may be significantly over budget, may significantly exceed the implementation deadline, and/or may lack significant key features. We will work with the LIMS Selection Consultant to schedule and attend demonstrations by prospective LIMS vendors. We will continue to enhance the utilization of this system to prepare for the future operating demand in a cost effective environment.

Applied Research Investigations & Improved Target Monitoring – Water Quality concerns have continued to address extremely low-level reporting, which is required in the UCMR 3 program. Specific targets addressing this concern have been at the forefront of District monitoring efforts: Arsenic, NDMA, hexavalent chromium, MTBE, perchlorate, bromate, etc. – continue to trend to lower than current reportable levels. Analytical investigations into proper instrument and method configurations continue to be a critical support factor. This trend will continue for the laboratory support, and must be weighed against required certification criteria and District needs. Additional hyphenated techniques may be needed to achieve these lower reportable levels, depending on target. This is an on-going support goal for the laboratory staff.

Coliphage in house testing - When the AWQAL facility was built, provisions were made for both a Coliform monitoring lab and a separate Coliphage lab (Rm. 123) within the facility. The Coliphage lab has not been implemented as of the end of 2013, but Management has asked us to go forward with bringing on line such a lab. The lab will bring this capability on line starting in mid-January 2014 with the R&D department. We would therefore propose hiring a temporary staffer (no more than 25 hours/week) to help us get online, get established with the method, and train our own staff in all aspects of the method. This person should have a background in microbiological analysis, and hopefully experience specifically with Coliphage analysis. If the sample load were to increase, we could keep him/her on for an extended period of time, however, should sample load stay at 6 per month, I would recommend releasing this person as we have enough OCWD staff trained to smoothly transition into taking over the analysis.

UCMR4 – Monitoring Support – The laboratory has completed 7 EPA method certifications and validation of the developed methods for the Unregulated Contaminant Monitoring Rule (UCMR3) program. The district lab now needs to prepare the method development tasks for UCMR4 program, which will be monitoring 28-30 new target compounds from the drinking water systems nationwide and the method certification process starts from FY2015-2016.

Optimization of Laboratory Efficiencies – Staff & Processes – The laboratory staff continues to work as a cohesive team, and support flexibility continues to be a required goal of our department. Staff training is a critical support issue and we continue to increase operational knowledge of our analytical systems. This has helped to expand coverage during our heaviest workloads. The District's laboratory also stresses process efficiencies and cost effectiveness. Staff members continue to investigate improvements to the supply ordering process and streamlining overall data analysis and reporting.

V Pending Activities

Major activities not being fully supported include:

- ◆ Outsourced monitoring – Bacteriophage, radioactivity, asbestos, and dioxin monitoring needs are all farmed out to specific contract labs. This is currently a cost efficient approach, as these water quality concerns do not require significant monitoring frequencies. Based on current inputs, phage testing does not appear to have an increased focus within District monitoring programs, which would require in-house monitoring. The AWQA-Lab has a specific designated space for phage analysis support, and if not required this area should be utilized for other District support requirements.
- ◆ Method Development – As we continue to increase analytical capabilities within overall monitoring support, it has been difficult to address future support requirements such as bringing on-line perfluorinated alkyl acids (PFAAs) and other EPA methods. A specific area of concern is based on CEC monitoring and the use of the LC/MS/MS system for the both drinking water and wastewater samples. Increased support loads on this system can generate workload backlogs, and thus will influence any additional method development support using this system. Proper

sample load projections must be utilized to determine these future analytical support requirements. It is difficult to support continued expansion of capabilities without adjustment to monitoring frequency or support resources, proper scheduling is the key to these method development issues.

- ◆ Research Activities and Agency Meetings – The Laboratory continues to support District research activities. However, it is critical that these support requirements be properly coordinating with laboratory resources. This budget cycle may provide some additional support windows for investigations, especially if compliance requirements can be reduced to annual samplings. Research demands focused on AOP, MF, RO, UV, peroxide, and coagulant studies can benefit from an early notification of these analytical needs. Issues concerning CEC monitoring and analysis of new targets moves quickly, thus it is critical for laboratory staff members to attend meetings with other agencies and researchers that are providing similar support. Information gained from such meetings has helped shape our support and target lists. Attending these informative meetings is based on workload requirements and compliance duties.
- ◆ CAMALnet (California Mutual Aid Laboratory network) & Department of Homeland Security Support – There are still efforts at the State and Federal levels to address water security issues, and the overall coordination of analytical support. Based on workloads and duties, we have not been an active player in supporting these groups. The development of specific methods to address potential targeting of water resources is currently not within our scope. The District's laboratory will continue to monitor the progress of these programs, through non-active participation of CAMALnet (California Mutual Aid Laboratory network) and Department of Homeland Security. This state level program includes active participation by CDPH and MWD addressing these water security/analysis related concerns.

VI Staff Additions Needed for FY 2014-15

None

VII Future Issues

In the next two to three years, issues the District will need to consider include:

- ◆ Continue laboratory support of the next unregulated contaminant monitoring rule (UCMR3), which is approved and directed by the District's Board. The District has completed monitoring requirements of the UCMR2 program in support of the producer needs during January 2008 and December 2010. The laboratory is now providing UCMR3 program, which is the next phase of the federal monitoring program designed to investigate new targets of interest. These targets may eventually have established federal drinking water requirements. UCMR3 monitoring started from January 2013; an annual program audit by EPA and the method compliance will be required within the next several budget cycles. Specific targets may require instrument configurations to meet the analytical sensitivity and reliability. Conditions may arise where we need to develop a more sensitive analytical method for ClO₄, sucralose and other synthetic chemical compounds.

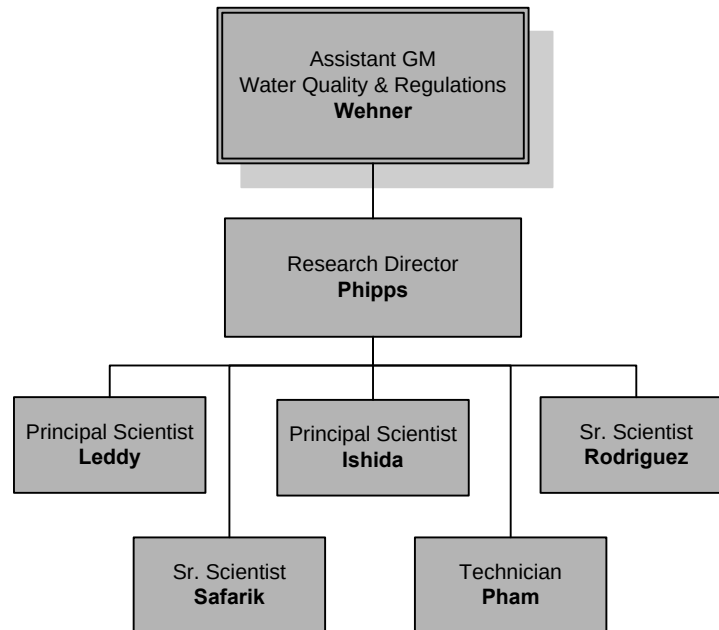
LC/MS/MS or IC/MS/MS systems could be utilized to achieve these lower reporting levels.

- ◆ As needed above, the geology department has expressed interest in monitoring specific targets at lower than current reportable levels. Perchlorate and Bromate are two such examples, where lower reportable levels would benefit monitoring programs by identifying the leading edge of contamination plumes, or an earlier notification of water quality concerns before exceeding an MCL. Other analytical methods are currently available that would provide enhanced sensitivity to address these needs, depending on target. Again, LC/MS/MS or IC/MS/MS could be utilized to achieve these lower levels of reporting. This would require the acquisition of these instruments to provide this enhanced monitoring support.
- ◆ We continue to get feedback from State officials and other laboratories that speciation of arsenic may be required as a future water quality monitoring criteria. As with the examples above, this would require other hyphenated techniques – liquid chromatography followed by HG-ICP/MS analysis to generate this level of data. We will continue to monitor this future requirement, which may require adjustment to our analytical capabilities.
- ◆ UV/AOP treatment within the GWR System continues to warrant further investigation and research. Disinfection By-Products (DBPs) specific to this treatment technology have not been fully studied or investigated. This is an area that should be developed as an “investigative” monitoring program.
- ◆ We continue to monitor and detect extremely low levels of Methyl Isothiocyanate (MITC) within the GWRS system and the monitoring wells close to the recharge basin. This target appears to form during chlorination, and is moderately removed within the treatment process. This target could be linked to source control issues, and the use of dithiocarbamate as an application to remove roots within sewer lines. The District has detected increased concentration levels of this target coming through the GWR System during specific times of the year. The laboratory continues to monitor and investigate these MITC issues.
- ◆ District continues to strengthen our interactions and communications with Orange County Sanitation District’s laboratory and source control programs. This relationship has benefited many of the water quality issues that have impacted our processes: NDMA formation study, 1,4-dioxane source control, chemicals of emerging concern (CECs), etc. We continue to see potential benefits in collaboration and regulatory alignment with OCSD divisions, as we further investigate new targets, GWRS performance and future expansion.
- ◆ Constituents of Emerging Concern (CECs) continue to receive political attention as a significant water quality issue. As our laboratory supports the monitoring of this issue, it is important to develop a proper priority setting process by which targets are brought on-line within our analytical monitoring programs. CEC monitoring requires significant analytical support and technical expertise using highly sensitive analytical system such as LC/MS/MS and GC/MS/MS, and an enhanced target selection process is needed to effectively keep analytical resources properly addressed. This is especially true as additional research in this field will continue to identify new

targets of concern, before CDPH and EPA can fully address them within any monitoring criteria.

- ◆ The laboratory's information management system (LIMS) has proved to be an outstanding tool for the reporting of water quality data from our facility. This cost effective software application continues to be customized to the needs of the District by our LIMS Administrator and Information Services Department. AWQAL currently uses a LIMS named Aspen created by Telecation, Inc. for a variety of sample analysis and reporting purposes. This system has been in operation for over 13 years. Aspen is fulfilling the laboratory's current requirements, and manages laboratory data efficiently and accurately. The AWQAL can rely on Aspen to provide LIMS functionality for at least 2-3 years with limited customization and flexibility. Technological advances are slowly pushing Aspen towards obsolescence due to the restricted improvements for the demands on the new analytical systems and the digital maintenance platform. A new version of Aspen is not being developed because Telecation, Inc. is no longer in business. A strong motivation for purchasing a new LIMS is to use a LIMS that is created and supported by a LIMS vendor who is currently a relevant participant in the LIMS marketplace. The first priority is to build all the functionality of Aspen into the new LIMS and transfer all data from Aspen into the new LIMS. In addition, potential cost savings and efficiency improvements can be obtained through the use of the new LIMS in combination with modern operating systems such as Windows 8, wireless networks with advanced security features, and recently introduced cost effective hardware such as the tablet PC and other similar devices. Managing AWQAL's data is a very complex task. In 2013, 30 Laboratory staff processed over 20,000 samples, reported over 400,000 test results to WRMS, and produced over 500,000 Quality Control test results. In 2013, over 10 million data points were added to LIMS. We continue to investigate potential product lines, which may enhance our data reporting process and analytical trouble shooting capability. The transition into future LIMS software selection will need to be effectively planned and coordinated through several vendors' pilot testing programs with the LIMS consultant to ensure analytical connectivity and improved laboratory efficiencies and measurable benefits.

RESEARCH AND DEVELOPMENT



Summary Information

Existing Staff – 6 FTEs

- 1 – Research Director
- 2 – Principal Scientists
- 2 – Senior Scientists
- 1 – Technician

Mission

Conduct applied research that supports and enhances the District's core operational needs.

Key Issues for 2014-15

- ◆ In cooperation with Water Production staff, continue research into reverse osmosis (RO) and UV/Hydrogen peroxide advanced oxidation process (AOP) issues at the Advanced Water Purification Facility (AWPF) that affect the Groundwater Replenishment System's efficiency in order to help decrease GWRS operation and maintenance (O&M) costs. Progress in these areas will be reported via participation in the Purification Research Enhancement Working Group (PuREWG).
- ◆ Work with Forebay Operations to provide support for Recharge Enhancement Working Group (REWG) projects to improve percolation efficiency by reducing percolation O&M costs and improving water yield. Support will consist of field sampling and laboratory analytical expertise. Key projects

supported by R&D this year will include the ongoing Sediment Transport Study as well as the Desilting Demonstration Project.

- ◆ Continue to provide microbial water quality data for county agencies, state regulators and federal agencies (USEPA) to assist in the development and implementation of total maximum daily loads (TMDLs) for microbial indicator organisms and pathogens. Provide microbial water quality support for the POWUP Study at Prado.
- ◆ Continue to seek collaborative partnerships with other research groups (academic and industrial) and funding agencies (NWRI, WaterReuse) capable of expanding the scope of water reclamation research at OCWD.

Account Information	FY 2012-13 Actual	FY 2013-14 Budget	FY 2014-15 Proposed Budget
Salaries and Benefits	833,297	838,206	882,925
Services and Supplies	98,122	127,070	150,320
Total	\$931,419	\$965,276	\$1,033,245

I FY 2014-15 Major New Initiatives/Programs.

- ◆ Non-Targeted GCxGC TOF-MS Analysis of Organic Compounds Across the AOP.
- ◆ Potential for Chlorine Advanced Oxidation in the AOP.
- ◆ Perforene RO Membrane Performance Study.
- ◆ POWUP Study Participation

II Core Activities

- ◆ Research promising technologies to improve water quality and to increase the efficiency of District water treatment and recharge operations.
- ◆ Provide support and implementation of strategies to increase capture and recharge of SAR flows, implement an updated SAR protection program, and evaluate and address emerging contaminants.
- ◆ Provide scientific and technical support to GWR System treatment processes and recharge and injection.
- ◆ Provide scientific/technical assistance to OCWD staff.
- ◆ Develop and evaluate new analytical methods.
- ◆ Seek external funding.
- ◆ Publish and present research findings.

III Non-Core Activities

- ◆ Participate in scientific advisory panels/research advisory boards.

- ◆ Provide consulting information to other water agencies, utilities and regulatory agencies.

IV Group Goals for 2014-15

GRANT FUNDED RESEARCH:

SANTA ANA RIVER AND WATERSHED GRANT FUNDED PROJECTS:

- ◆ Middle Santa Ana River Pathogen Total Maximum Daily Load Study (9955**)
– This joint study with SAWPA with the support of San Bernardino County Flood and Riverside County Flood to evaluate pathogenic sources in the Santa Ana River Watershed will continue as a support role for *Bacteroides* analysis. As with last year, the analysis will be presence/absence (P/A) for *Bacteroides* and if needed the concentrations will be determined. Samples from the upper SAR will be analyzed for *Bacteroides thetaiotaomicron* (a human waste-specific indicator organism).
- ◆ Inter-Laboratory Validation of a Culture/qPCR Method to Detect *E. coli* in Freshwater (9980) – This project, which was deferred in FY 2013-2014 due to federal budget issues, will be performed co-operatively with other voluntary participants and will consist of a validation study for a new method of *E. coli* detection that combines culture methods with quantitative PCR (qPCR) techniques for rapid quantification of live organisms in fresh water matrices. The validation study will consist of two phases: 1) a practice phase to familiarize R&D staff with the assay protocol, and 2) the validation itself involving analysis of field samples. Most of the reagents will be provided for the study by the USEPA, so that only staff time will be needed for the project.
- ◆ Prado Open Water Unit Process (POWUP) Wetland Monitoring and Research Program (Prado ERC POWUP) Support (9983) - Unit process wetlands provide a means for increasing the attenuation of trace organic contaminants and nutrients through consideration of mechanisms of chemical removal and the effects of wetland design, operation and maintenance on system performance. This joint project through the ReNUWIt ERC at Stanford is addressing the use of unit process wetlands at a larger scale by using OCWD Prado Wetlands to treat a broader variety of chemical contaminants. Parameters that will be monitored are: total microbial communities, water quality parameters including AOC, trace organic chemicals, and pathogen indicators. The monitoring program will go through three (3) phases and will continue for approximately two (2) years. OCWD R&D will contribute to the research by monitoring microbial community structure and AOC concentrations using the Rapid Bioluminescent AOC method.

NON GRANT-FUNDED RESEARCH:

GWR SYSTEM O&M (9952):

- ◆ Task 1: Groundwater Replenishment System Support – R&D will continue engaging in short-term research activities on an ad-hoc basis to assist the

Water Production and Engineering Department in solving problems arising during operation of the AWPf. Examples of research under this activity from FY 13-14 included:

- o Assisting Engineering and Water Production staff to elucidate mechanisms of and solutions to the problem of erosion of the GWRS Transfer Pipe lining.
- o Assisting Water Production in evaluating hazing of the UV lamp sleeves in the Trojan UVPhox reactors.
- o Autopsy (microbial and chemical analysis) of fouled MF and RO membranes from the AWPf.
- o Providing controls and sampling apparatus for the GWRS phage study
- o Molecular biological analysis and AOC analysis of water samples from monitoring wells.
- o Report and presentation to the NWRI IAPs regarding SARMON activities and all microbial water quality and advanced oxidation performance associated with GWRS.

The R&D Department will also continue to assist Water Quality to provide biochemical and biological data from monitoring wells impacted by GWR System finished product water (FPW) to comply with requests by the NWRI IAP, the RWCB or the CDPH.

- ◆ Task 2: MF Performance/Fouling Research* - MF research during this fiscal year will include:
 - o MF Antifouling Coating Study – A \$10,000 collaborative study with Dr. Kai Loon Chen in the John Hopkins University Department of Geography and Environmental Engineering to investigate the feasibility of coating the spongiform internal matrix of hollow fiber MF membranes with multilayered polyelectrolyte compounds as a barrier against adhesion of colloidal foulants.
 - o PVDF Membrane Autopsy – R&D support of Water Quality in testing new PVDF MF membrane modules, including SEM/EDX and physicochemical analysis pre- and post-mortem.
- ◆ Task 3: Characterization/Mitigation of RO Fouling in the AWPf* – This activity will continue investigations of RO fouling mechanisms aimed at characterization of the accumulation of material on the RO membranes in the AWPf and on the correlation between accumulation and loss of membrane performance. Staff will continue with attempts to establish statistical correlations between one or more plant operational parameters and observed historic degradation of RO membrane performance (the decay rate of the normalized specific membrane flux) in order to define which water quality parameters serve as predictors of membrane lifetime, including loading of biocide (total chlorine) and chemical species known to participate in membrane fouling by precipitation. Observations begun during the previous year, including monitoring of RO feed water quality through the RO trains, will continue. Membrane behavior will be characterized by data obtained at four

key points in the RO train (the beginning of the 1st stage, 2nd stage and 3rd stage and end of the 3rd stage), and will include RO fouling kinetic studies using multiple test cell platforms to relate surface fouling to increase delta-P. Data will be examined by multivariate methods in order to identify the principal mechanisms responsible for RO performance loss in the AWPf. Studies this fiscal year will include:

- o Repeating the RO Membrane Fouling Study – The RO fouling study will be completed in FY 2014-2015 in order to confirm the observations made in the original study, and correlate deposition of materials on the RO membrane and spacer with decay of normalized specific product flux during RO membrane fouling.
- o Application of Advanced Multivariate Methods to Construct an RO Process Model – This is a \$20,000 collaborative project between R&D and Advanced Data Mining, International (ADMi) that will utilize historical water quality and operational data from the AWPf in order to construct a complex mathematical process model capable of describing 1st stage RO performance using advanced artificial intelligence (AI) methodologies. The model will identify key parameters influencing membrane performance and predict optimal operating conditions that reduce energy consumption and optimize operating cost.
- o Perforene RO Membrane Testing – Six month duration project comparing performance of Lockheed's new graphene-based Perforene membrane to a standard high-performance polyamide RO membrane (ESPA2) on the AWPf's RO feed water. Testing includes evaluation of both immediate performance, and long-term performance that will capture the membrane's ability to resist fouling. Water flux and rejection of a host of organic and inorganic analytes will be performed.
- o Performance Evaluation of a New Nanocomposite Polymer Thin Film Membrane – R&D staff will collaborate with Dr. David Jassby of the University of California, Riverside Department of Chemical and Environmental engineering to evaluate performance of a new fouling-resistant electrically conductive carbon nanotubule composite thin film RO membrane.
- ◆ Task 4: Stability of Thin-Film Composite Membranes Against Hydrogen Peroxide and Monochloramine During Desalination of Advanced Treated Water – This project will continue work investigating the feasibility of using H₂O₂ as a biocide for inhibition of biological fouling of reverse osmosis membranes in lieu of combined chlorine species (chloramines). Providing work at Stanford indicates feasibility of utilizing hydrogen peroxide as a disinfectant, work at OCWD during this period will focus on membrane exposure tests using flat sheet material to evaluate resistance of polyamide membranes used in the AWPf to H₂O₂.
- ◆ Task 5: Advanced Oxidation Plant (AOP) Studies* – Research aimed at measuring the capabilities of the Trojan Technologies UVPhox UV/AOP

reactor train through analysis of water quality and system operational parameters will continue. Previous research has indicated that advanced oxidation is affected by UV dosage, hydrogen peroxide dosage, the presence of chlorine species and the presence of bicarbonate. Within the water matrix in the AWPf, UV irradiation and $\cdot\text{OH}$ radicals derived from hydrogen peroxide are not solely responsible for bringing about oxidation; combined chlorine species present may also play a significant role. Research this FY will utilize pilot scale and full-scale investigations aimed at elucidating the scope of organic compounds processed in the AOP and the products produced as well as the potential for interaction between the various oxidative mechanisms in OCWD's UV/H₂O₂ AOP using target compounds (1,4-dioxane). Planned studies include:

- o H₂O₂/Chloramine Matrix Pilot Studies – Using the R&D UV/H₂O₂ AOP pilot test facilities to simulate UVPhox operation, investigate AOP of 1,4-dioxane at varying H₂O₂ and combined chlorine levels.
- o Non-Targeted GCxGC TOF-MS – A collaborative project with Dr. Eunah Hoh of San Diego State University Graduate School of Public Health (\$10,000) using a non-targeted approach by dual GC time of flight mass spectroscopy (GCxGC TOF-MS) in order to determine the scope of organic constituents in the UV feed water to the AWPf Trojan UVPhox reactors, and the subsequent compounds in the product water following advanced oxidation. This project has potential for future NIH funding.
- o Potential for Chlorine Species Advanced Oxidation – Investigation of performing chlorine radical advanced oxidation process (AOP) in the AWPf Trojan UVPhox reactors. This project represents a potential WaterReuse Tailored Collaboration between OCWD and Dr. Stephen Mezyk from the Department of Chemistry and Biochemistry at California State University, Long Beach (\$25,000).
- o Investigation of the UV Fluorescence Decay Observed Across the UV/H₂O₂ AOP – Further investigation of the observed loss of fluorescence observed across the AWPf Trojan UVPhox AOP. Investigation will use Dr. Hoh's data in order to identify potential fluorophores in the UV feed and product waters.
- ◆ Task 6: Development and Optimization of a *Bacteroides* Human-Specific Fecal Contamination Assay using Quantitative PCR (qPCR) – *Bacteroides thetaiotaomicron* is a human-specific fecal indicator organism that is currently being evaluated by the EPA as an additional fecal standard (legacy fecal standards are not human-specific). The OCWD R&D Department is one of the laboratories involved in seminal research to develop PCR methods capable of specifically detecting *Bacteroides*. Currently, our methods can detect this *Bacteroides* semi-quantitatively. More recently, *Methanobrevibacter*, a methanogen found in the human intestine and a putative sewage marker has been proposed as a potential indicator of human fecal contamination. R&D will continue work to develop and optimize qPCR

assays capable of completely quantifying both *Bacteroides thetaiotaomicron* and human-specific species of *Methanobrevibacter* in surface water, groundwater and wastewater samples. These assays will be highly useful for source tracking human fecal and sewage contamination.

- ◆ Task 7: Potential Mobilization of Metals During AWPf Recharge/Injection – R&D staff will continue to review field data and provide statistical analysis for Water Quality and Health and Regulatory staff to monitor mobilization of metals during longer term infiltration/injection of GWRS FPW into the groundwater basin. R&D staff will also provide oversight as required for the Stanford arsenic mobilization laboratory study. Of special interest in FY 2014-2015 will be following the monitoring well arsenic data from the GWRS Mid-Basin Injection Demonstration Project.

TALBERT BARRIER O&M (9908):

- ◆ Injection Well Fouling Issues – R&D staff will continue to provide ad hoc support for Barrier Operations, including microscopic, biological and biochemical analysis, as well as numerical analysis of field data as necessary.

FOREBAY O&M (9920):

- ◆ Task 1: Recharge Enhancement Working Group (REWG) Support – Research staff at the Field Research Laboratory (FRL) will continue to provide scientific assistance and analytical support for implementation and performance analysis of recharge enhancement projects developed as an outcome of the REWG during the fiscal year, including:
 - o Sediment and water sampling using grab and autosample methods
 - o Basin sediment compositional analysis (particle size distribution by wet sieving methods)
 - o Soil permeametry
 - o Characterization of suspended solids contributing to basin fouling (including particle size distribution and microscopic identification)
 - o Percolation kinetic determination (using laboratory sediment columns)
 - o Water quality analyses (suspended solids, organic content, protein/carbohydrate/chlorophyll content, DO, redox potential)
- ◆ Task 2: Forebay Solids Monitoring Program – This project was conceived as a 5-year (multi seasonal) monitoring program aimed at determining the quality and quantity of total suspended solids (TSS) that are impinging on the District's recharge facilities and how this changes seasonally over the span of several years. Extension of the program has been necessary due to successive dry years in order to capture data from a "wet" year in the study. As before, monitoring will take place at key points in the Santa Ana River (SAR), the off-river facilities and the terminal recharge basins. Water samples from these points will be procured at intervals during base flow and

storm flow conditions and analyzed for TSS, turbidity, particle size distribution and % organic content. Understanding the spatial and temporal distribution of this material will greatly improve the District's ability to predict future percolation capacity and the extent of sediment removal necessary for maintenance of sustainable recharge capacity.

- ◆ Task 3: Desilting Demonstration Project Phase III Support – Second year of a two year project assessing the field-scale recharge efficiency of SAR water desilted by two schemes: a cloth-fabric filter silt removal plant which will provide recharge water to Riverview Basin and a subsurface passive collection unit placed below the Off-River Facilities that will provide recharge water to Olive Basin. During this phase of the project, R&D staff will provide management guidance as required and analytical support in the form of water sample collection and analysis for suspended constituents to determine the effectiveness of each of the desilting schemes.

ADVMET (9953):

- ◆ Task 1: Seeking Collaborative Research and grant funding* – continue to seek collaborative research by partnering the research facilities at OCWD with water research groups such as the NWRI, the UCLA ReNUWiT NSF ERC, the UCI Urban Water Research Center and the UIUC Water CAMPWS to as well as with academic and industrial laboratories to promote development of new water purification technology. Continue to seek funding from WRF, WRRF, EPA, U.S. Bureau of Reclamation and other sources as is available to support research projects.
- ◆ Task 2: Research and Development of Advanced Analytical Methods Useful for Current and Future research activities* - development of new analytical methods as required for support of projects.
- ◆ Task 3: Participation in PACs and Advisory Committees for FY 2014-15 –
 - o Enhancing the Value of Molecular Methods to the Water Industry (Water Research Foundation 4238) – OCWD staff will continue to participate in the PAC for this project aimed at assessing the capability of molecular methods compared to traditional growth-based methods for monitoring and quantifying *E. coli* in finished drinking water.
 - o Development of Bio-analytical Techniques to Assess the Potential Human Health Impacts of Recycled Water (WRF-10-07). OCWD Staff will participate in the PAC for this project aimed at assessing *in vitro* or short-term *in vivo* bio-analytical assays to identify those with the greatest promise in assessing human health impacts of recycled water.

V Pending Activities

- ◆ Influence of Combined Chlorine Exposure on MF Efficiency – It is generally thought that exposure to combined chlorine improves MF efficiency by reducing biological fouling. There appears to be a paucity of direct quantitative evidence supporting this hypothesis. Moreover, recent studies

indicate that nanoparticulate pore plugging and not biological fouling is the primary mechanism leading to reduction in MF performance in the AWPf. This relatively short-term study (three months) is proposed to quantify the actual impact that combined chlorine species have on the long-term MF fouling in the AWPf by utilizing the two pilot MF units in parallel to compare the rate of flux decay and time to CIP in the presence and absence of combined chlorine under nominal AWPf operating conditions. Besides clarifying the actual role combined chlorine plays in affecting water production efficiency, this study may suggest alternative addition strategies for microbicides that may improve reduce operating costs and expand the potential for use of alternative disinfection chemistries (such as hydrogen peroxide). This project is deferred until the pilot-scale MF facilities on the Pilot Research Center become available.

- ◆ Pilot Evaluation of Pre-Coagulation on the Efficiency of Water Production by MF/RO* – When the Pilot Research Center is available, perform pilot-scale testing using Sumaclear 700 pretreatment to determine optimum pretreatment concentration of this coagulant and its effects on pilot-scale RO membrane performance.
- ◆ Computational Fluid Dynamic (CFD) model of the Trojan UVPhox Reactor Train - When sufficient data concerning the major participating oxidative species are known, staff from R&D work with Dr. Joel Ducoste from the Department of Civil, Construction and Environmental Engineering at North Carolina State University to construct a computational fluid dynamic (CFD) model of the Trojan UVPhox reactor train capable of predict the destruction of current and future organic contaminants using their radical oxidative rate constants.
- ◆ Comparison of the Rapid Assimilable Organic Carbon (AOC) Method with BDOC Analysis of Water Samples – R&D staff will continue to utilize the rapid bioluminescent AOC method to evaluate OCWD surface water, groundwater wastewater, reclaimed water and Prado Wetland treated water samples. In addition, if possible staff will work with City of Raleigh-EM Johnson Water Plant to transfer the rapid bioluminescent AOC method to the EM Johnson Water Plant for monitoring of AOC and compare AOC concentrations from both facilities with BDOC measurements which will be performed by EM Johnson Water Plant. The accumulation of data and comparing AOC concentrations with BDOC measurements will help validate the rapid AOC assay as possibly a more sensitive alternative to BDOC measurements.
- ◆ Bacteriophage Testing Facility Support – If desired by the Advanced Water Quality Assurance Laboratory (AWQAL), the R&D Department will assist in implementation of a bacteriophage testing facility, including staff training, setup and quality control assessment.

VI Staff Addition Needed for FY 2014-15

None

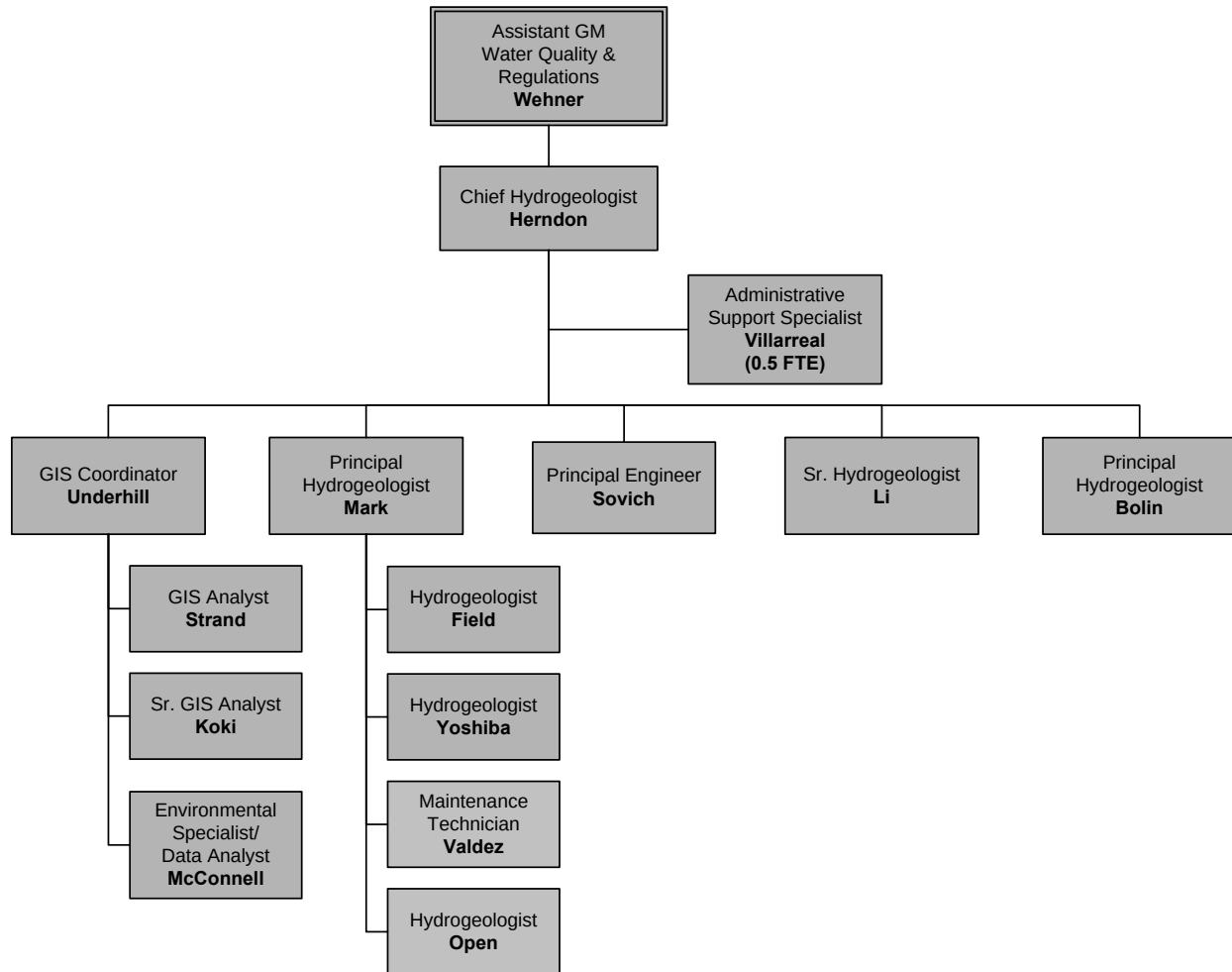
VII Future Issues

- ◆ Proposed expansion of the current MF/RO Pilot Testing Facilities – R&D currently has several medium- to long-term projects on hold due to a lack of access to the current MF-RO Pilot Testing Facilities. It is clear that additional facilities are going to be required if R&D is to investigate any of these projects that require testing at pilot scale either with MF alone, or MF/RO combined.
- ◆ Evaluation of new technologies capable of improving water reclamation efficiency through integration into the AWPf facility, including:
 - o Sensing methodologies capable of real-time or near-real time assessment of the RO and AOP barriers to contaminants of public health concern.
 - o Next generation MF and RO membranes for the AWPf.
 - o New or improved AOP methodologies (e.g., catalytic AOPs).
 - o New chemical treatment techniques capable of enhancing MF and RO effectiveness and reducing operating costs.
- ◆ Evaluation of new methodologies capable of enhancing recharge efficiency, including
 - o Implantable remote sensing systems to monitor distribution of percolation in recharge facilities.
 - o Basin cleaning methodologies capable of enhancing basin performance, including deep basin BCVs and “self-cleaning” groundwater recharge systems (e.g., cross-flow systems).
- ◆ Evaluation of new and novel methods of surface and groundwater quality assurance, including:
 - o Molecular biological methodologies for virus and bacterial pathogen detection.
 - o New solid-state, real-time detection methodologies for biological and chemical species of public health concern.
 - o Water treatment technologies for improvement of SAR water quality prior to infiltration.
 - o Long-term effects of GWR System product water recharge on the groundwater basin.

** Legacy grant funded projects or projects with guaranteed funding

* Projects with potential for grant funding

HYDROGEOLOGY



Summary Information

Existing Staff - 13.5 FTE

- 1 – Chief Hydrogeologist
- 1 – Principal Engineer
- 2 – Principal Hydrogeologists
- 1 – Senior Hydrogeologists
- 3 – Hydrogeologists
- 1 – GIS Coordinator
- 1 – Senior GIS Analyst
- 1 – GIS Analyst
- 1 – Environmental Specialist/Data Analyst
- 1 – Maintenance Technician

0.5 – Administrative Support Specialist (shared with Regulatory Affairs)

Mission

Define the physical characteristics of basin aquifers, determine groundwater flow pathways, and provide analyses and recommendations necessary to manage groundwater production, recharge, groundwater quality protection and remediation, seawater intrusion, and water levels within the Basin.

Key issues for 2014-15

- ◆ Construct the North Basin Groundwater Protection Project.
- ◆ Increase capacity of the Alamitos Seawater Barrier by installing additional injection wells to control seawater intrusion.
- ◆ Complete construction of seawater intrusion monitoring wells in Sunset Gap.
- ◆ Evaluate measures to remediate MTBE contamination at selected sites.
- ◆ Evaluate measures to remediate chlorinated solvent and perchlorate contamination in the South Basin area.

Account Information	FY 2012-13 Actual	FY 2013-14 Budget	FY 2014-15 Proposed Budget
Salaries and Benefits	1,569,413	1,552,802	1,671,285
Services and Supplies	133,286	214,600	196,500
Total	\$1,702,699	\$1,767,402	\$1,867,785

I FY 2014-15 Major New Initiatives/Programs

- ◆ Per Board approval in 2013, staff is proceeding with installation of 17 injection wells to increase the capacity of the Alamitos Seawater Barrier. The need for these wells was demonstrated by the finding of seawater intrusion between existing injection wells from monitoring wells and corroborated with a groundwater flow model. Four monitoring wells will also be installed to monitor the performance of the additional injection wells.
- ◆ Based on results of the CPT investigations and other data, staff plans to evaluate remedial measures to contain and remove chlorinated volatile organic compounds and perchlorate in the South Basin area.
- ◆ Based on results of CPT and sonic drilling investigations, staff anticipates developing remedial measures proposals to address MTBE at selected locations within the basin.

II Core Activities

The objectives of the Hydrogeology group are to define the physical characteristics of basin aquifers, determine groundwater flow pathways, and provide analyses and recommendations necessary to manage groundwater

production, recharge, quality, and water levels within the basin. Core functions include:

- ◆ Groundwater level monitoring and calculation of basin storage, including support for the Annual Engineer's Report.
- ◆ Refinement and operation of the basin groundwater flow model used to evaluate the effects of basin management alternatives, proposed well fields, recharge projects, and pumping variations.
- ◆ Evaluation of the Talbert and Alamitos seawater barrier performance.
- ◆ Evaluation of seawater intrusion in the Bolsa and Sunset gaps.
- ◆ GIS map production and database support for projects, planning, reports, and presentations.
- ◆ Enhancement and maintenance of the Water Resources Management System (WRMS).
- ◆ Technical support and assistance for the groundwater producers.
- ◆ Preparation of the monthly Water Resources and annual Santa Ana River Watermaster reports. Funds for contracting with the U.S. Geological Survey to collect SAR flow measurements are budgeted annually. These measurements are essential for preparation of the Watermaster reports, storage operations at Prado Dam, and calculation of recharge volumes.
- ◆ Basinwide water level monitoring program of over 200 wells and trend analysis.
- ◆ Review and evaluation of site-specific groundwater contamination investigations and cleanups overseen by regulatory agencies.
- ◆ Hydrogeologic analysis of recharge project feasibility studies.
- ◆ Evaluation of RA/BEA exemption requests.

III Non-core Activities

None

IV Group Goals for 2014-15

The following programs are highlighted as major activities encompassed within or in addition to the core group activities listed above:

North Basin Groundwater Protection Project – Staff anticipates proceeding with construction of the water conveyance pipelines and treatment facility.

South Basin Groundwater Protection Project – Staff will be evaluating remedial measures to contain and remove chlorinated VOCs and perchlorate contamination.

MTBE Investigation and Remediation – Staff will be evaluating measures to remediate MTBE contamination at selected locations.

WRMS and Basin Model Upgrades – Maintenance and upgrades to the Water Resources Management System (WRMS) and basin flow model are performed primarily by in-house staff with next year's goal to update user interface software and cross section making software.

Alamitos Gap Seawater Intrusion – Construction of 17 injection wells and 4 monitoring wells to strengthen the Alamitos Barrier.

Sunset Gap Seawater Intrusion – Complete construction of 4 new and 2 replacement monitoring wells to investigate the extent of seawater intrusion.

Newport Mesa Hydrogeologic Characterization – Evaluate data from 10 new monitoring wells constructed in early 2014 to investigate the hydraulic connection between the Shallow and Principal aquifers in the area south of the 405 Freeway.

Litigation Support – Provide support as needed for the MTBE, North Basin, and South Basin cost recovery actions.

Basin Hydrogeologic Characterization – Refine/update basin-wide geologic cross-sections based on substantial amounts of new data collected since 2000. Cross sections are routinely used in a variety of basin analyses, including water quality evaluations and designing new production wells.

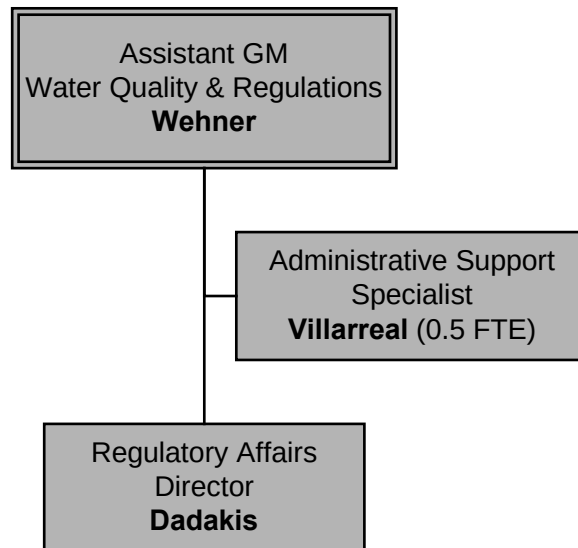
V Staff Addition Needed for FY 2014-15

None

VI Future Issues

In the next two to three years, issues involving the Hydrogeology group that the District will need to consider include:

- ◆ Long-term expansion alternatives of the Alamitos Seawater Barrier
- ◆ Evaluation of seawater intrusion control alternatives in Sunset Gap
- ◆ Operation and monitoring of the North Basin Groundwater Protection Project
- ◆ Implementation of South Basin Groundwater Protection Project and MTBE remediation systems
- ◆ Continued maintenance and evaluation of aging monitoring well network, including plans for refurbishment and replacement as necessary

REGULATORY AFFAIRS**Summary Information****Existing Staff – 2.5 FTE**

- 1 – Assistant General Manager – Water Quality & Regulations
- 1 – Regulatory Affairs Director
- 0.5 – Administrative Support Specialist (shared with Hydrogeology)

Mission

Help to assure reasonable regulation of District projects and programs through interface with regulatory agencies, acquisition of necessary permits, and implementation of water quality monitoring and research programs to support district goals and compliance with regulatory requirements.

Key issues for 2014-15

- ♦ Complete amendments to RWQCB Permits for GWRS and GAP to allow for GWRS Initial Expansion, non-potable GWRS connections, use of La Palma Basin, reduced subsurface residence time, and no blending obligation while seeking reduced monitoring and more flexible operating requirements
- ♦ Coordinate preparation and submittal of 2014 GWRS Annual Report and 2013-14 Annual SAR Water Quality Report
- ♦ Lead preparations for the 2014 annual meetings of the NWRI Independent Advisory Panels for the GWRS and SAR Monitoring
- ♦ Continue SARI Line/OCSD Plant No. 2 Water Quality study in support of Final GWRS Expansion feasibility assessment

- ◆ Support site acquisition and permitting effort for additional mid-Basin injection well sites (e.g., ARTIC site) to recharge GWRS water
- ◆ Continue to facilitate the Plant Enhancement Working Group (PEWG), a new internal multi-department working group focused on new ideas and enhancements to improve GWRS operational efficiency and water quality. Analogous to the existing Recharge Enhancement Working Group (REWG) that seeks to improve the performance of the District's recharge facilities, the PEWG will be a forum to facilitate cross-departmental collaboration and help prioritize the District's shorter-term optimization efforts and longer-term research needs related to GWRS.
- ◆ Continue to manage and support laboratory investigation of GWRS water post-recharge/injection water quality dynamics with Stanford University, with an emphasis on limiting/reducing the mobilization of metals

Account Information	FY 2012-13 Actual	FY 2013-14 Budget	FY 2014-15 Proposed Budget
Salaries and Benefits	496,238	508,297	538,963
Services and Supplies	206,208	241,000	204,550
Total	\$702,446	\$749,297	\$743,513

I FY 2014-15 Major New Initiatives/Programs

Oversee and facilitate collaboration between District and the ReNUWIt National Science Foundation (NSF) Engineering Research Center (ERC) on the experimental open-water test cells at the District's Prado Wetlands Facility. The purpose of the Prado research project is to test out new concepts in wetlands treatment which may lead to enhanced water quality with lesser operations & maintenance requirements.

II Core Activities

The Regulatory Affairs Group is primarily responsible for the District's permits with the RWQCB, the DPH and the Orange County Health Care Agency (OCHCA) and assuring compliance with all monitoring and quality requirements.

Core activities include:

- ◆ Manage Water Quality and Technology Group, which includes the Laboratory, Water Quality, Regulatory Affairs, and Research & Development.
- ◆ Obtain permits and negotiate conditions for District projects and facilities from health and regulatory agencies; RWQCB, CDPH, OCHCA
- ◆ Assure compliance with permit conditions, including monitoring and reporting to regulatory agencies
- ◆ Coordinate between OCWD Laboratory, OCSD Laboratory and OCSD Environmental Compliance/Source Control staff to identify compounds of

concern for regulation by the Source Control Program, including testing needs and concentration limits

- ◆ Evaluate requests for OCWD participation, collaboration, and/or contribution to external research centers and/or projects
- ◆ Continue to support Engineering Department with management of Demonstration Mid-Basin Injection Project, with an emphasis on data collection during post-construction testing to support development and permitting of a future full-scale project
- ◆ Coordinate with NWRI on management of Independent Advisory Panels appointed for GWRS and SAR monitoring
- ◆ Evaluate recommendations from the NWRI GWRS Independent Advisory Panel (IAP) and prioritize implementation
- ◆ Review sampling and analysis for the Santa Ana River and follow up on recommendations from the SARWQH Study and the SARMON NWRI IAP.
- ◆ Serve as primary liaison between with the SAWPA Emerging Constituents Workgroup
- ◆ Development and ongoing review of water quality sampling and analysis associated with the pilot testing of Passive System and Cloth Filter-based SAR Sediment Removal projects
- ◆ Support Planning & Watershed Management Department requests for regulatory approval to GWRS water for hydraulic injection testing and the testing of new pilot scale recharge and infiltration systems
- ◆ Participate in optimization process for GWRS to improve treatment efficiency and product water quality
- ◆ Coordinate with OCWD and OCSD Operations staff to improve understanding of links between secondary treatment and GWRS product water quality
- ◆ Coordinate with regulatory agencies and other water agencies regarding monitoring requirements for CECs
- ◆ Provide consultation to other OCWD groups (e.g., Public Affairs), MWDOC, and the groundwater producers on water quality, health and regulatory issues affecting District projects or programs
- ◆ Assist in review and development of legislation regarding water quality requirements and reclamation
- ◆ Manage and coordinate OCWD participation in external research projects with in-kind commitments of providing water quality samples, historical data, and review of draft reports
- ◆ Assist Public Affairs staff with the development and review of technical information to be included in District brochures and the enhanced hallway panels, kiosks, and displays

III Non-Core Activities

Non-core activities (secondary priority compared to core activities) conducted by the Regulatory Affairs include:

- ◆ Serve on NWRI Board, WaterReuse Research Foundation (WRF) Board, Water Research Foundation (formerly AWWARF) Tailored Collaboration Review Committee, Southern California Salinity Coalition Board, Industrial Advisory Board of ReNEWIt NSF ERC, Orange County Water Association (OCWA) Board, Orange County Chapter of WaterReuse CA Board, and as OCWD liaison with Water Environment Research Foundation (WERF)
- ◆ Participate in Expert Panels for NWRI regarding water recycling and reuse projects planned by other agencies
- ◆ Serve on Project Advisory Committees (PACs) for AWWARF, WERF and WRF funded projects and coordinate service of other staff on such PACs
- ◆ Provide presentations to Water Education Foundation and other groups regarding water quality, health and regulatory issues
- ◆ Assist other water agencies in addressing water quality issues related to groundwater recharge with recycled water

IV Group Goals for 2014-15

- ◆ GWRS and GAP Permit Amendments – Successfully complete amendments to RWQCB Permits for GWRS and GAP to allow for GWRS Initial Expansion, non-potable GWRS connections, use of La Palma Basin, reduced subsurface residence time, and no blending obligation while seeking reduced monitoring and more flexible operating requirements
- ◆ GWRS Annual Report – Manage preparation of the annual report to regulatory agencies on the seventh year performance of GWRS and results from testing required by the permit
- ◆ Supplement to GWRS Annual Report - With the assistance of the Water Production and Water Quality Departments, prepare report containing additional detailed analysis of GWRS performance as requested by NWRI GWRS Independent Advisory Panel
- ◆ Santa Ana River Monitoring – Manage the water quality sampling and analysis for the SAR in follow up to the SARWQH Study and the recommendations of NWRI's SAR Monitoring Advisory Panel, and prepare the 2013-2014 SAR Water Quality Report
- ◆ Demonstration Mid-Basin Injection – Evaluate post-construction data collection and analysis for full-scale project development and permitting
- ◆ Full-Scale Mid-Basin Injection – Support property acquisition activities and related permitting
- ◆ GWRS Water Stabilization Studies – Support contracted Stanford University researcher performing laboratory studies by providing soil and water samples, GWRS water quality data, and recharge basin/injection well operational

- information; review interim results and draft reports, and otherwise direct research to obtain GWRS operation parameters, especially for post-treatment stabilization to limit and/or reduce aquifer metals mobilization.
- ◆ Enhanced GWRS Source Control – Continue to coordinate with OCSD on the development and implementation of a formal Response Plan to prevent contaminants from adversely affecting GWRS as a part of OCSD's commitment to enhanced source control efforts
 - ◆ North Basin Groundwater Protection Project – Provide technical support for the North Basin Groundwater Protection Project and guidance relative to regulatory requirements for recharge of product water
 - ◆ South Basin Groundwater Protection Project – Provide technical support for the South Basin Groundwater Protection Project and guidance regarding regulatory alternatives for cleanup and reuse of contaminated groundwater
 - ◆ Laboratory Groups - Since monitoring needs exceed resources in Water Quality and Laboratory Groups, programs and projects must be continually evaluated and prioritized
 - ◆ R&D for District Critical Needs – Through PEWG and other avenues, coordinate the Research & Development Department efforts with the most critical research needs for the District, including recharge enhancement, MF/RO optimization, UV-AOP optimization and microbial characterization of SAR recharge waters.

V Pending Activities

Major activities that are not being implemented include:

- ◆ Develop annual water quality report card on the groundwater basin
- ◆ Develop more comprehensive water quality testing program to assure adequate data for assessment of emerging contaminants, threats to producer wells and seawater intrusion

VI Staff Addition Needed for FY 2014-15

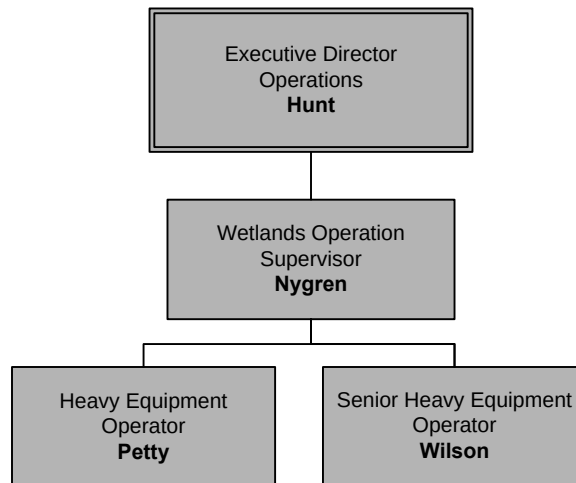
None

VII Future Issues

In the next one to three years, issues that the District will need to consider include:

- ◆ Evaluation of obstacles to the use of water from OCSD Plant No.2 (and SARI line) as a source water for GWRS
- ◆ Additional locations for GWRS water recharge or injection
- ◆ Evaluation of new technologies to enhance treatment in the GWRS and to improve energy efficiency and reduce chemical costs.

- ◆ New and more stringent drinking water standards for contaminants like perchlorate, hexavalent chromium, arsenic, and disinfection by-products of new concern.
- ◆ Possible applications of groundwater recharge regulations to the use of SAR water for recharge.
- ◆ Enhanced monitoring and possible treatment requirements for the discharge of brine to the OCSD outfall associated with GWRS
- ◆ Expanded source water assessment obligations that could include the entire SAR watershed and all potential contaminating activities in the watershed.

WETLANDS OPERATIONS**Summary Information****Existing Staff – 3 FTEs**

- 1 – Wetlands Operation Supervisor
- 1 – Senior Heavy Equipment Operator
- 1 – Heavy Equipment Operator

Mission

- ♦ Operate and maintain the Prado Wetlands to provide natural water quality treatment of Santa Ana River flows behind Prado Dam.
- ♦ Provide operational oversight and maintenance of district property within the Prado Basin.
- ♦ Provide logistical and operational support for research activities.
- ♦ Provide operational support for Natural Resources division.
- ♦ Coordinate operations with tenant recreational use.

Key Issues for 2014-15

- ♦ Implement operational strategy to maintain optimal treatment retention time.
- ♦ Provide logistical support for OCWD collaborative research project with the Engineering Research Center.
- ♦ Continue to implement improvements to ponds, conveyance channels, and SAR levee infrastructure.
- ♦ Implement replacement of California bulrush with alkali bulrush in pond E-1.
- ♦ Develop and implement pheasant field and surrounding levee structure grading and vegetation plan.

Account Information	FY 2012-13 Actual	FY 2013-14 Budget	FY 2014-15 Proposed Budget
Salaries and Benefits	378,240	370,792	379,765
Services and Supplies	246,245	328,850	207,450
Total	\$624,486	\$699,642	\$587,215

I FY 2014-15 Major New Initiatives/Programs

- ◆ Adjust operational strategy by de-watering designated ponds to maintain optimal treatment retention time due to reduced SAR baseflow.
- ◆ Provide logistical support for OCWD collaborative research project with the Engineering Research Center.
- ◆ Coordinate legal and geological analysis to determine the feasibility of pumping 5,000 af/y from the Chino basin.
- ◆ Introduce alternative species of bulrush, *Schoenoplectus maritimus* in pond E-1 and monitor growth cycle.
- ◆ Implement outfall and access road improvements to mitigate impact of nuisance flow from River Road Bridge culvert onto district property.
- ◆ Implement vegetation management strategy which uses newly acquired deck mower to harvest vegetation in de-watered ponds.

Core Activities

The Wetland Operations group is primarily responsible for the management and operation of the wetland facilities that provide natural water quality treatment of SAR flows behind Prado Dam. The group also supports the Natural Resources group by providing operational oversight and maintenance of OCWD property within the Prado Basin.

Core activities include:

- ◆ Provide natural water treatment of SAR flows through constructed wetlands in the Prado Basin;
- ◆ Evaluation of water quality parameters to optimize wetlands operations for maximum nitrate removal;
- ◆ Maintenance of the levees, roads and conveyance piping within the wetlands;
- ◆ Reconstruction of earthen structures and conveyances following storm events to ensure 50 percent of river flows through wetlands;
- ◆ Support of district approved research projects.

II Non-Core Activities

Non-core activities conducted by the Wetlands Operations group include:

- ◆ Oversight and operational support of wetlands research projects.
- ◆ Collection and analysis of pond water quality data.
- ◆ Establishment and monitoring of alternative vegetation in pond E-1.
- ◆ Support of the District's education and outreach program by providing tours of the wetlands system.
- ◆ Support of volunteer functions, such as open houses and group tours.

III Group Goals for 2014-15

Implement Operational Strategy for Optimal Water Treatment Retention Times:

Adjust ponds operations to de-water approximately 100 acres of ponds to reduce system volume thus maintaining optimal treatment retention time due to reduced SAR baseflow.

Modify Vegetation Management Techniques:

Use OCWD equipment to mow dry vegetation in de-watered ponds.

Provide Logistical Support for Collaborative Research Project:

Operate and maintain pond infrastructure per design specifications in support of research project with the Engineering Research Center.

Improvements to Wetlands Infrastructure:

- Install conveyance by-pass pipe and valve at Pond E-4
- Re-build access crossing at sewage plant outfall.
- Grade and repair levees in and around pheasant field.

Implement River Road Bridge Outfall and Access Road Improvements:

Construct extension apron at Road Bridge culvert to divert nuisance street runoff flow from Bluff Street mitigation area.

Introduce Alternative Species of Bulrush:

Colonize internal levees in Pond E-1 with *Schoenoplectus maritimus* and monitor growth cycle.

Investigate feasibility of pumping 5,000af/y of groundwater from the Prado Basin:

Determine the geological and legal aspects of pumping deepwell groundwater from the basin as outlined in the 1969 judgment.

IV Activities Not Being Addressed Due to Insufficient Resources

Major activities that are not being conducted include:

- ◆ Re-establishment of damaged or destroyed monitoring wells to determine the movement of groundwater under the wetland ponds.
- ◆ Establish SAR streambed gauging station at River Road Bridge.

V Pending Activities

Major activities that are not being implemented include:

None

VI Staff Addition Needed for FY 2014-15

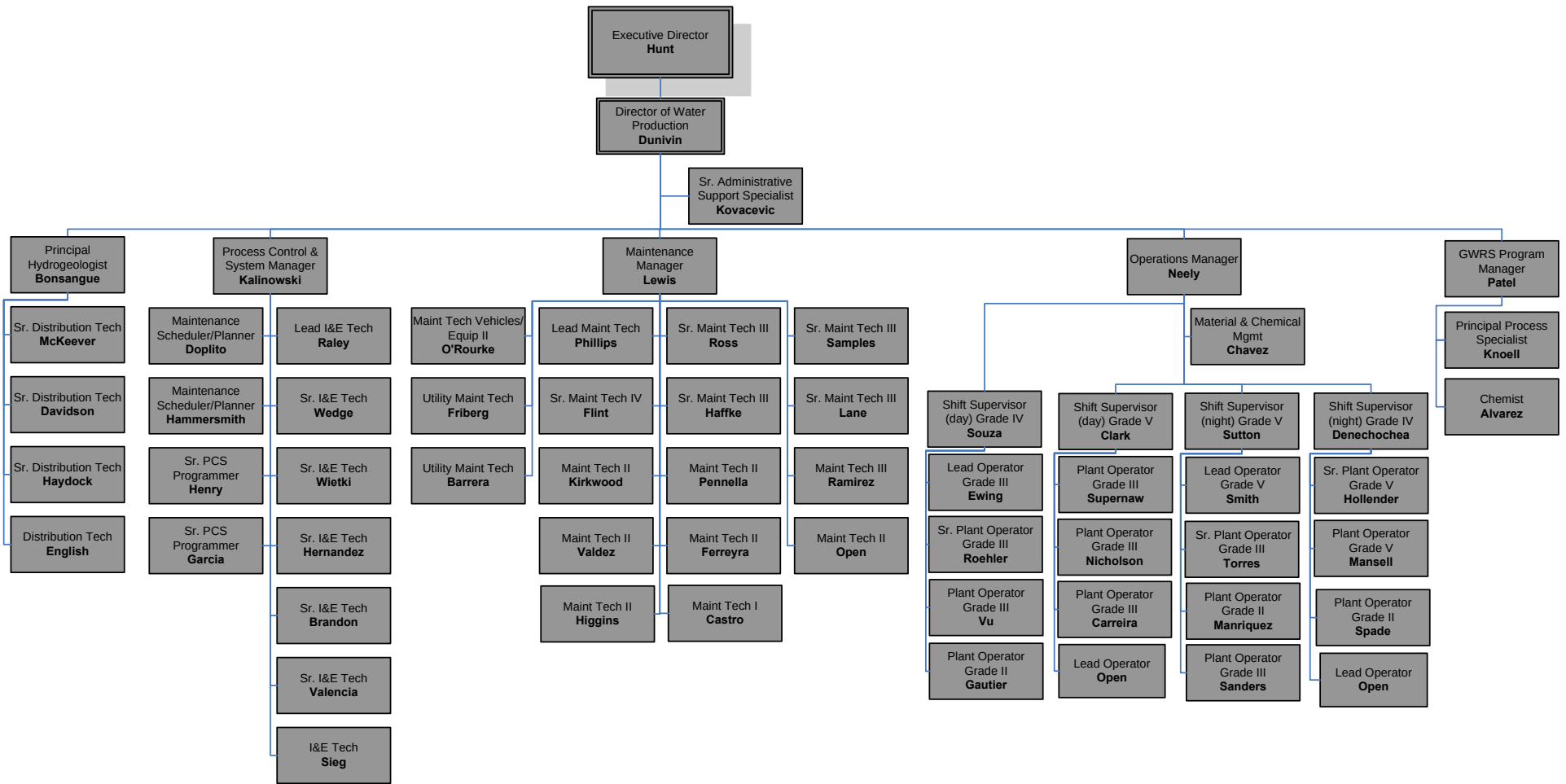
None

VII Future Issues

In the next one to two years, issues the District will need to consider include:

- ◆ Replacement of non-tier 3 compliant equipment at Prado which includes a dump truck and a D-6 Bulldozer.
- ◆ Replacement of diversion channel control structure

WATER PRODUCTION/GROUNDWATER REPLENISHMENT SYSTEM



Existing Staff – 63 FTEs

- 1 – Executive Director of Operations
- 1 – Director of Water Production
- 1 – Senior Administrative Support Specialist
- 1 – Principal Process Specialist
- 4 – Supervisors (Operations Manager, GWRS Program Manager/Process Manager, Process Control & System Manager and Maintenance Manager)
- 20 – Operators
- 14 – Maintenance Technicians
 - 1 – Vehicle and Equipment Technician
 - 2 – Utility Maintenance Technicians
 - 2 – Maintenance Scheduler/Planners
 - 1 – Material and Chemical Management Technician
 - 7 – Instrumentation & Electrical Technicians
 - 2 – Process Control System Programmers
 - 1 – Chemist
- 1 – Principal Hydrogeologist
- 3 – Senior Distribution Technicians
- 1 – Distribution Technician

Mission

Operations and maintenance (O&M) of the GWRS Advanced Water Purification Facility (AWPF), Talbert Barrier and Green Acres (GAP)

Key Issues for 2014-15

- ◆ Maximize operation of GWRS processes to:
 - Plan and begin commissioning and startup of the GWRS expansion with the contractor with the goal of being fully operational in the first quarter of 2015.
 - Produce 80,000 acre feet of water.
 - Work with GWRS Initial Expansion contractor to reduce plant downtime as a result of construction activity.
 - Send all non-barrier production to Miraloma and Kraemer/Miller basins.
 - Reduce the water treatment unit cost by spreading the system's fixed costs over the maximum possible production.
- ◆ Reduce GWRS processing costs through:
 - Optimization of MF backwash and cleaning regimes.
 - Optimization of RO cleaning regimes.

- Optimization of RO acid and antiscalant addition to reduce cost and prevent scaling of RO membranes in 3rd stage of RO units.
 - Continue to work on goal of reducing sulfuric acid use for RO treatment to as close to natural pH as feasible. Progress to date has saved approximately \$1,600,000 per year.
 - Effective procurement and use of chemicals.
 - Energy use reduction, load shifting to less expensive nighttime hours where possible, and participation in demand response programs that offset the cost of electricity.
 - Lifespan extension of both MF and RO membranes.
 - Continue efforts to maximize UV lamp life to 12,000 hours.
 - Continue to replace older RO membranes in phased and planned approach to maintain water quality with the purchase of 3 sets of 1,050 RO membrane elements.
- ◆ Manage GWRS assets by:
- Continued implementation of a robust preventative maintenance program using the Maximo computerized maintenance management system (CMMS).
 - Staff is work on updating GWRS update the work plans in the CMMS to reflect knowledge gain with 6 years of experience operating the treatment plant.
 - Continued development of staff capabilities to make both minor and major mechanical and electrical repairs on equipment and facilities. These internal capabilities assure fast response, quality repairs and lower cost.
 - Delivery of non-corrosive water into distribution system by effective lime post treatment with confirmatory testing.
 - Protection of injection wells by delivery of low particle water.
 - As the District accepts equipment form the contractor for the GWRS Initial Expansion manage warranty claims and contractor required repairs.
- ◆ Support the initial expansion of the GWRS by:
- Providing program and construction management staff support.
 - Oversee construction contractor and construction manager's day to day activities.
 - Coordinate construction efforts against the need to maintain daily operations of the GWRS.
 - Oversee commissioning and start up of the new processes equipment associated with the GWRS Initial Expansion.

Account Information	FY 2012-13 Actual	FY 2013-14 Budget	FY 2014-15 Proposed Budget
Salaries and Benefits	7,614,123	7,274,344	7,326,254
Services and Supplies	15,003,782	16,136,250	17,489,200
Total	\$22,617,905	\$23,410,594	\$24,815,454

I FY 2014-15 Major New Initiatives/Programs

- ◆ Continue to monitor changes in the MF membrane backwash and cleaning intervals to increase process efficiency and production.
- ◆ As the RO membranes age, investigate methods to effectively clean them extend their life to 5 years without reducing salt rejection effectiveness and to control energy use.
- ◆ Develop key performance factors that help identify and predict MR and RO membrane end of life conditions.

II Core Activities

- ◆ O&M of the 70 mgd increasing to 100 mgd GWRS AWPf.
- ◆ O&M of the 102 well Talbert Injection Barrier
- ◆ O&M of the GAP treatment plant.
- ◆ GWRS engineering and research aimed at maintaining and optimizing treatment plant performance and the Talbert Barrier.
- ◆ Administering the joint OCWD & OCSD GWRS Steering Committee meetings.
- ◆ Oversee the development, construction, and startup of the initial expansion of the GWRS.
- ◆ Facilitate monthly OCWD and OCSD Joint Operation Committee meetings.

III Non-Core Activities

- ◆ Participate in technology transfer on advanced treatment with other water districts, consultants, public agencies, and industry organizations.
- ◆ Provide technical support on various wellhead treatment systems throughout Santa Ana Watershed.
- ◆ Provide technical support as needed to the Water Quality, Engineering, Hydrogeology, Public Relations and Health & Regulatory Departments.
- ◆ Provide facility maintenance support for OCWD's Fountain Valley facilities.
- ◆ Provide support to set up meetings and events.

- ◆ Provide instrumentation and electrical support to OCWD's recharge and Prado operations.
- ◆ Provide data collection and monitoring support for the Research & Development Department.
- ◆ Provide technical updates and participate in meetings with the GWRS Independent Advisory Panel.
- ◆ Provide assistance with GWRS tours for the Publics Affairs Department as necessary.

IV Group Goals for 2014-15

GWRS –

1. Produce up to 80,000 acre feet of water for recharge and injection.
2. Continue efforts to control net production cost to less than \$500 per acre foot.
3. Continued development of the CMMS for the GWRS adding new equipment associated with the GWRS Initial Expansion.
4. Continued development of data bases to help staff monitor the individual process performance of the MF, RO and UV treatment systems.
5. Oversee the successful construction and startup of the Initial Expansion of the GWRS.

GWRS Engineering/Research Center –

1. Provide bench and pilot scale evaluations of major process changes before implementation in the full scale GWRS.
2. Evaluation of the MF and RO operating strategies, cleaning protocols, and chemical usages to increase production, reduce operating cost, and extend asset life.
3. Evaluate commercially available RO technology and membranes in anticipation of future large scale replacements.
4. Evaluate the impact of feedwater quality on MF and RO membrane performance and Talbert Barrier wells through the operation of various remote membrane/filter monitoring systems and additional water analysis.
5. Provide support as needed to the OCWD lab, R&D, and other District departments.
6. Support the science, technology and practice of water reuse through providing researchers site access to conduct studies funded by the WaterReuse Research Foundation and others.
7. Participate in technology transfer initiatives, including serving as project advisors and presenting information at conferences and symposiums.

8. Continue collaborating with membrane manufacturers such as Dow FilmTec , Hydranautics and others to establish an application center to streamline the testing of the very latest membrane technology.
9. Develop statistical parameters for process control for critical control points in keeping with recommendations from the GWRS Independent Advisory Panel.

OCSD —

1. Continue with joint operations meetings with OCSD plant operations and source control and OCWD staff to ensure both agencies are knowledgeable of issues with each other's operations.
2. Operate and maintain the interim primary backwash water flow equalization project with OCSD staff.
3. Coordinate outages to OCSD and OCWD plant processes as a result of the construction of the Initial Expansion of the GWRS.
4. Coordinated day to day operation and optimization of the new 15 million gallon volume flow equalization storage tanks.

CDPH and the RWQCB —

1. Prepare an Annual Report on the GWRS operation with District staff and oversight consultant.
2. Assist the District's Health and Regulatory department in amending the current permits to include the Initial Expansion of the GWRS.

Talbert Barrier —

1. In conjunction with the barrier staff continue evaluating the corrosivity and injection well fouling propensity of the GWRS finished product water.

V Pending Activities

Begin the task of preparing the O&M staff to operate the new GWRS Initial Expansion Facilities

VI Staff Addition Needed for FY 2014-15

Add two operators to fill out night shifts in preparation to operate the GWRS expansion.

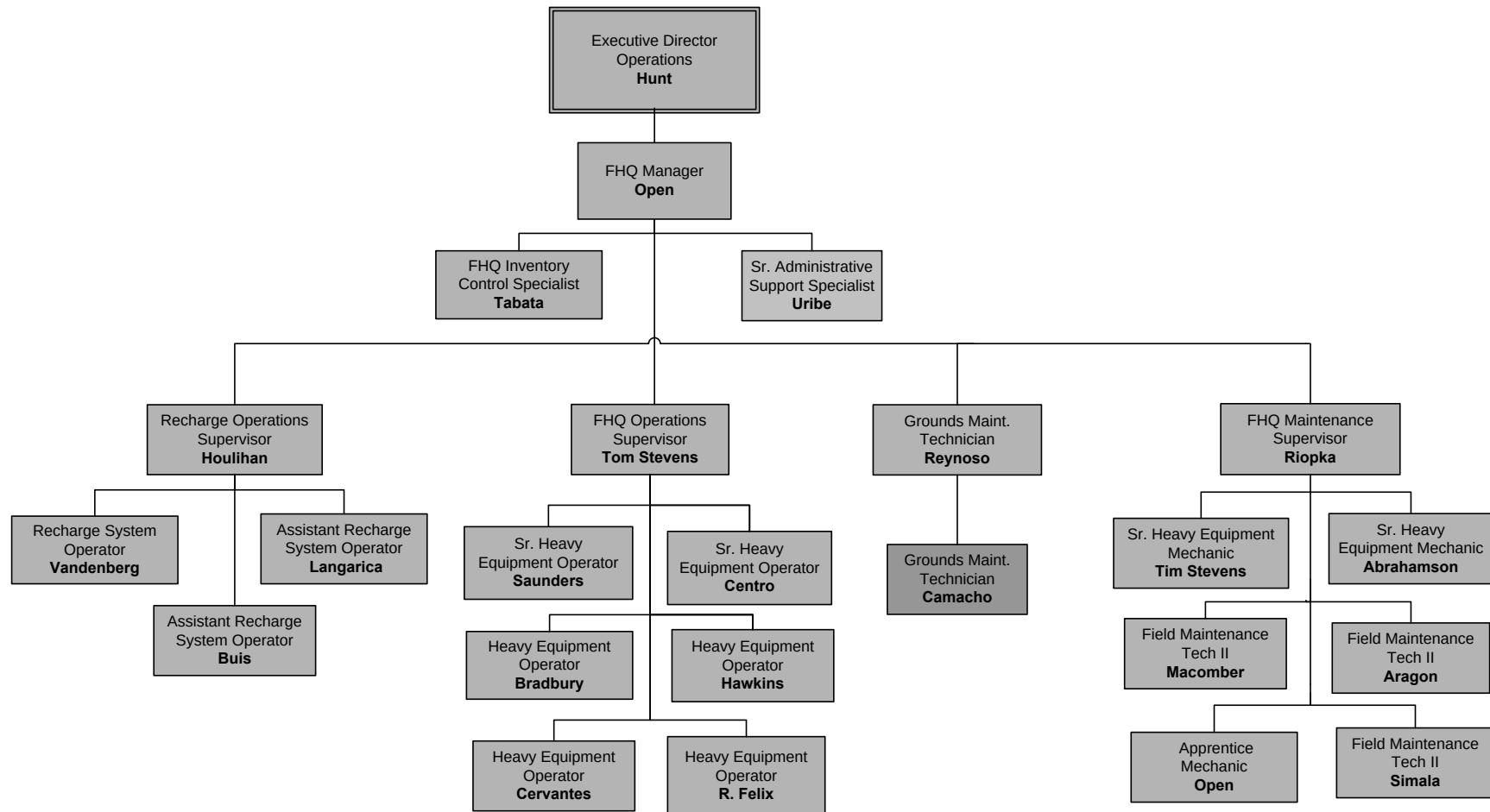
VII Future Issues

In the next two years, issues the District will need to consider include:

1. Support the construction and startup of the Initial Expansion of the GWRS.
2. Optimization of the GWRS AWPf treatment process to lower operational costs, including operation of new flow equalization facilities.

3. Develop MF and RO membrane replacement strategies.
4. Process optimization and adjustment of preventative maintenance requirements as necessary.
5. Continue forward-looking review of water treatment technologies and opportunities to optimize current GWRS membrane and advanced oxidation treatment processes.
6. Continue to monitor energy issues to ensure the lowest possible power expenditures for the GWRS.
7. Develop staffing plan and needs for the GWRS Initial Expansion.
8. The start-up, operation, maintenance and optimization of the Districts first mid-basin injection well.

RECHARGE OPERATIONS



Summary Information

Existing Staff – 23 FTEs

- 1- Field Headquarters Manager
- 1- Senior Administrative Support Specialist
- 1- Field Headquarters Operations Supervisor
- 1- Field Headquarters Maintenance Supervisor
- 1- Recharge Operations Supervisor
- 1- Recharge System Operator
- 2- Assistant Recharge System Operators
- 3- Field Maintenance Technicians
- 1- Senior Heavy Equipment Mechanics
- 2- Senior Heavy Equipment Operators
- 4- Heavy Equipment Operators
- 2- Grounds Maintenance Technicians
- 1- Apprentice Diesel Mechanic
- 1- Field Headquarters Inventory Control Specialist

Mission

Replenish the Groundwater Basin by operating the District's surface water recharge facilities in the cities of Anaheim and Orange and managing the Prado Dam conservation pool.

Key issues for 2014-15

- ◆ Operating recharge system while accommodating construction projects that replace aging infrastructure and improve our recharge capacity. Projects include:
- ◆ Optimize and design replacement weirs 1&2 and flume/weir in Desilting system.
- ◆ Geotechnical survey of Santiago Pits to evaluate slope stability.
- ◆ Continue with inspection of Santiago Pipeline to determine integrity.
- ◆ Design of Santiago basin intertie.
- ◆ Construction of Fletcher Basin including turnout to SAR from Riverview.
- ◆ Evaluate status of aging infrastructure and equipment and develop a well-defined and measured program of upgrades and replacements.
- ◆ Managing vegetation in a manner that accommodates both the seasonal habitat needs of nesting birds and the use of the land for groundwater recharge.
- ◆ Optimize the design of the new La Palma Basin and support its construction.

Account Information	FY 2012-13 Actual	FY 2013-14 Budget	FY 2014-15 Proposed Budget
Salaries and Benefits	2,311,104	2,409,195	2,363,128
Services and Supplies	1,570,030	1,769,700	1,939,300
Total	\$3,881,134	\$4,178,895	\$ 4,302,428

I FY 2014-15 Major New Initiatives/Programs

- ◆ None

II Core Activities

The Recharge Operations group is responsible for replenishing the groundwater basin by operating and maintaining the surface water conveyance system, storage and recharge facilities and managing the conservation pool behind Prado Dam.

III Non-Core Activities

- ◆ Comply with environmental regulators while performing core activities.
- ◆ Supporting District's education and outreach program by providing tours of the District's recharge system.
- ◆ Providing data and information to outside agencies and organizations.
- ◆ Support selected research and development efforts aimed at improving recharge capacity.

IV Group Goals for 2014-15

Optimize capture of Santa Ana River base flows.

Maximize diversion and capture of storm flows.

Maximize recharge based on available supplies while simultaneously accommodating maintenance and construction - Specific constraints in FY2014-15 include several planned construction and repair projects.

Manage vegetation in a manner that complies with regulatory requirements without hampering recharge efforts. Incorporate Natural Resources into daily recharge operations in compliance with the regional general permit (RGP).

Increase the ability of the recharge system to efficiently divert storm flow. With declining SAR base flows, it is critical to increase the diversion of peak storm flows. This can be done by pre-season draining and/or cleaning of receiving basins, upgrade of trash racks to increase maximum diversion capacity, and increase capture in Warner system during peak events to alleviate the rate limiting constraint in the Warner Transmission pipeline.

Evaluate status of infrastructure and adopt the same computerized maintenance management program (MAXIMO) now in use at the GWRS. Use the new tool to

improve Preventative Maintenance (PM) procedures and tracking of all maintenance activities.

V Pending Activities

Work with Engineering on design of new La Palma basin.

VI Staff Addition Needed for FY 2014-15

None

VII Future Issues

- ◆ Continue to retrofit and replace selected heavy equipment in compliance with new diesel emissions regulations. The cost of equipment upgrade and replacements is substantial. R&R fund reserves have therefore been identified and set aside to accommodate this long term compliance program.
- ◆ Rehabilitation of the deep recharge basins, namely Anaheim Lake, Kraemer Basin and Warner Basin, will be required to sustain their percolation capacity and improve poor drainage that has been caused by years of sand removal from the basin bottoms and the accumulation of clogging material in the basin sidewalls. Data is currently being collected to assess the scope of rehabilitation and potential costs.
- ◆ Assisting with work required to comply with the Regional General Permit (RGP). This work will consist of earthwork in Mills Pond and other areas to make them suitable for the required mitigation.
- ◆ Evaluate the technical and economic feasibility of sand washing plant
- ◆ Compliance with CARB on-road emission requirements
- ◆ Add sand and re-grade basin bottoms for improved pump drainage
- ◆ Replacement of aging rolling stock

Section 4

Debt Service Fund

DEBT SERVICE

The District uses debt to fund capital projects approved by the Board. The purpose of the Debt Service is to budget and set aside monies necessary to make principal and interest payments on the District's short and long-term debt.

Total gross debt service payments are budgeted at \$33,539,389 for FY 2014-15 as shown on Table 1. This amount also reflects estimated revenues and payments related to the District's swap transactions. The components of the budgeted debt service payments are as follows:

- \$12.68 million for fixed rate debt;
- \$6.37 million for variable rate debt & commercial paper;
- \$1.27 million net swap payment;
- \$8.50 million for low interest State Loans;
- \$4.00 million for GWRSE State Loan reserve fund;
- \$0.71 million for debt administration.

In November 2002, the Board approved a comprehensive long-term debt program with a number of goals including:

- To provide funding for the GWR System and other capital projects;
- To provide the lowest cost of funds;
- Take advantage of low interest rates and the District's variable rate debt capacity; and
- Provide the lowest predictable RA

In FY 2007-08 the Board adopted an updated Plan of Finance which provided for repaying some of the District's highest cost fixed rate debt using low interest state loan reimbursement monies and for execution of two interest rate swap transactions. The overall impact on the District's debt structure was to lower the District's overall cost of debt outstanding; reduce the District's variable rate exposure using an interest rate swap; and reduce the duration of the existing debt outstanding by approximately two years.

The District's policy of using long-term debt to fund capital projects was established in October 2000 and calls for the following:

- Preliminary project expenses related to direct research are to be paid from the General Fund and cannot be financed with long-term debt;
- Project expenses for such items as feasibility reports, pilot studies, engineers reports, compliance with CEQA and project design and construction may be capitalized and funded with long-term debt; and
- Project expenses that are capitalized and funded with long-term debt and which do not lead to construction of a project will require an adjustment by the Accounting Department to pay off the long-term debt incurred using cash reserves.

**TABLE 1
DEBT SERVICE BUDGET
FY 2014-15**

	<u>Principal</u>	<u>Interest</u>	<u>Debt Administration cost</u>	<u>Total</u>	<u>Outstanding Debt Balance</u>
<u>Certificates of Participation</u>					
2005B COP fixed rate	\$1,825,000	\$1,228,750 (1)	\$0	\$3,053,750	\$26,845,000
2009A COP fixed rate	\$595,000	\$6,396,900	\$0	\$6,991,900	\$127,295,000
2013A COP fixed rate	\$0	\$2,635,000	\$0	\$2,635,000	\$53,000,000
2003A COP variable rate	\$0	\$3,569,913 (2)	\$0	\$3,569,913	\$129,815,000
Subtotal	\$2,420,000	\$13,830,563	\$0	\$16,250,563	\$336,955,000
<u>SWAPS - \$82.55 Million</u>					
OCWD Payments - fixed at 3.314%		\$2,735,707	\$0	\$2,735,707	
OCWD Revenues - .56 LIBOR plus .23% - Estimates		(\$1,461,135) (3)	\$0	(\$1,461,135)	
<u>State Loans</u>					
GAP Phase II	\$264,692	\$25,639	\$0	\$290,331	\$650,980
GWR System C-06-4462-110	\$394,376	\$86,705	\$0	\$481,082	\$3,925,355
GWR System C-06-4462-120	\$162,786	\$42,975	\$0	\$205,761	\$2,017,018
GWR System C-06-4462-130	\$144,733	\$36,981	\$0	\$181,713	\$1,787,103
GWR System C-06-4462-140	\$222,887	\$56,633	\$0	\$279,521	\$2,750,522
GWR System C-06-4462-150	\$5,326,142	\$1,513,932	\$0	\$6,840,074	\$78,641,253
GWR System C-06-4462-160	\$175,346	\$44,434	\$0	\$219,780	\$2,163,234
GWR System C-06-4463-110	\$0	\$4,000,000	\$0	\$4,000,000 (4)	\$92,728,574
Subtotal	\$6,690,962	\$5,807,299	\$0	\$12,498,261	\$184,664,037
<u>Commercial Paper Payments</u>	\$2,667,181	\$136,400 (5)	\$0	\$2,803,581	\$24,612,819
<u>Debt Administration</u>			\$ 712,412	\$ 712,412	
TOTAL EXPENDITURES	<u>\$11,778,143</u>	<u>\$21,048,834</u>	<u>\$712,412</u>	<u>\$33,539,389</u>	<u>\$546,231,856</u>

(1) Anticipated savings of \$150,000 on 2005B COP refunding.

(2) Assumes 2.75% interest rate.

(3) Assumes LIBOR equal to variable rate of 2.75%.

(4) GWRS Initial Expansion State Loan restricted reserve fund - \$9.2 million required by the construction completion date of the project.

(5) Assumes 0.5% interest rate.

Debt Administration Fees FY 2014-15

	<u>Fee</u>	<u>Annual Amount</u>
1	Quarterly Letter of Credit Bank Fee with Bayern LB \$48.995 M x 0.17%	\$83,292
2	Citigroup Quarterly 2003A Remarketing Fee \$129.8 M x 0.075%	\$97,350
3	2003A CitiBank N.A. Letter of Credit \$131.9 M x 0.33%	\$435,270
4	Annual Rating Agency Fees: Fitch, Moody's and Standard & Poors	\$31,500
5	Bond Counsel/Financial Advisor/Arbitrage Service	\$30,000
6	US Bank Trust Commercial Paper Draw Fees and Quarterly Certificate Fees	\$10,000
7	Union Bank of California Quarterly COP Trust Fees	\$25,000
	Total	<u><u>\$712,412</u></u>

Section 5

Other Post Employment Benefits

OTHER POST EMPLOYMENT BENEFITS

The Government Accounting Standards Board Statement 45 (GASB 45) has addressed how state and local governments should account for and report their costs and obligations related to retiree healthcare benefits (Other Post Employment Benefits – OPEB). The statement generally requires employers to account for and report the annual cost and outstanding obligations and commitments for these benefits. The GASB standards require that the long-term cost of retiree health care be determined and accrued on an actuarial basis. The results of the valuations must be disclosed on the District's financial statements.

The budget estimate below is based on the biannual actuarial study conducted for the District in May 2013 to determine the annual costs to provide the retiree medical benefit. The Board has directed funding this liability to our PARS trust per the actuarial study.

Annual OPEB Cost for the budget year 2014-15	\$1,322,758

The District's actual cost to pay medical premiums for retired employees will be paid out of the PARS trust. This annual cost is estimated at \$400,000

Section 6

Water Purchase

WATER PURCHASE

The proposed FY 2014-15 water budget calls for the purchase of 40,000 acre-feet of Metropolitan Water District (MWD) untreated full service water to help support the recommended 72% Basin Production Percentage (BPP). By purchasing this water and recharging it into the groundwater basin, the Groundwater Producers avoid paying for treated MWD full service water which currently cost \$890/acre-foot. The MWD treatment surcharge is currently \$297/acre-foot and is projected to increase to \$343/acre-foot by January 2015. The Producers do incur about a \$65/acre-foot marginal energy cost to pump this water out of the ground. However there is an overall \$232/acre-foot savings (\$890 - \$593 - \$65) to the service territory which will increase as the MWD treatment surcharge increases.

The District had \$21.9 million in the water replenishment fund at the start of FY2013-14 and this amount is expected to decrease to zero due to additional authorized water purchases by the Board by June 30, 2014.

The groundwater basin accumulated overdraft is projected to be approximately 322,000 acre-feet on June 30, 2014. This projection increases to 370,000 acre-feet after excluding the 48,000 acre-feet of water in the MWD conjunctive use program storage account. The overdraft is 197,000 acre-feet from the District's target accumulated overdraft of 125,000 acre-feet. The general maximum desired balance in the water fund is to have sufficient funding available to be able to purchase 50% of the water needed from MWD to refill the groundwater basin to the 125,000 acre-foot target. This amounts to 98,500 acre-feet (197,000 acre-feet x 50%) which is estimated to cost \$65.7 million using MWD untreated full service rate.

Estimated June 30, 2014 Accumulated Overdraft		322,000 af
OCWD Target Accumulated Overdraft		<u>125,000 af</u>
	Difference	197,000 af
	50% of Difference	98,500 af
2014-15 MWD untreated full service rate including \$80/af for RTS and Capacity Charge (587.5+80)		\$667.5/af
Necessary water fund balance to purchase 98,500 af of water (\$667.5/af x 98,500af)		\$65.7 million
Estimated June 30, 2014 Water Fund Balance		\$0 Million

The accompanying table provides a detailed summary of the Water Purchase Budget for FY 2014-15. MWD's rates are expected to generally increase on January 1, 2015 by 1.5 to 3%. For budgeting purposes the cost per acre-foot for MWD water is an average of the existing and expected 2015 rates. The specific water purchase items in the table include:

1. The District anticipates purchasing approximately 2,000 af of water from the City of Long Beach for injection into the Alamitos Barrier. The cost of this water is \$5/af above the cost of MWD Tier I water plus the Readiness-To-Serve and Capacity Charge paid by the City of Long Beach to MWD. The total cost for this water is \$1,014/af.
2. The District has budgeted to purchase 40,000 af of untreated full service non-interruptible MWD water for recharge at the District's field headquarters in the City of Anaheim. Purchasing this water helps support a higher Basin Production Percentage.
3. MWDOC charges OCWD a surcharge based upon a rolling eight-year historical average of the annual volume of water deliveries. The estimated surcharge for FY 2014-15 is \$2/af.
4. The District incurs a Capacity Charge fee on any purchase of MWD non-interruptible water supplies (i.e., OC-44 connection supplies or untreated non-interruptible water). The Capacity Charge is administered by MWDOC and is now billed monthly to the District as a flat fee. The Capacity Charge for FY 2014-15 will be approximately \$300,000.
5. The District also incurs a Readiness-To-Serve charge on any purchase of MWD treated non-interruptible water supplies (i.e., OC-44 connection supplies or untreated non-interruptible water). The fee is expected to be approximately \$300,000 in FY 2014-15.

The total Water Purchase budget expense for FY 2014-15 is \$26.3 million.

**Fiscal Year 2014-15 Budget for Water Purchase
(July 1, 2014 to June 30, 2015)**

Item #		Volume (AF)	2014-15 Unit Cost \$/af ⁽¹⁾	MWDOC Surcharge \$/af	Total Cost Amount
1	Alamitos Barriers Injection from Long Beach Water Dept ⁽²⁾	2,000	\$1,014	n/a	\$2,028,000
2	Untreated Non-interruptible MWD water ⁽³⁾	40,000	\$588	n/a	\$23,520,000
	Sub-total	42,000			\$25,548,000
3	The MWDOC increment is based upon an 8-year average of previous deliveries		\$2.00		\$150,000
4	MWD/MWDOC Capacity Charge ⁽⁴⁾				\$300,000
5	Readiness-to-serve charge is based upon an 4-year average of previous OC-44 connection supplies ⁽⁵⁾				\$300,000
	Total	42,000			\$26,298,000

NOTES

- (1) Average of 2014 and 2015 rates
- (2) Assumes Treated Non-interruptible rate to increase from \$890/af to \$925/af: Average is \$907/af
Unit cost includes \$5/af City of Long Beach fee plus \$102/af RTS and Capacity Charge paid by Long Beach
- (3) Assumes untreated non-interruptible rate to decrease from \$593/af to \$582/af for CY 2015
- (4) MWD/MWDOC Capacity Charge is billed monthly by MWDOC as a flat fee
- (5) Readiness-to-serve (RTS) charge is calculated and provided by MWDOC

Section 7

Basin Equity Assessment

BASIN EQUITY ASSESSMENT (BEA) BUDGET

The objective of the BEA program as authorized by Section 31.5 of the Orange County Water District Act is to make possible more effective management of the groundwater basin, and to equalize water costs within the District.

BEA collections for FY 2014-15 are estimated at \$1,750,000, which applies to pumping in excess of the basin production percentage (BPP). The District sets the BEA based upon the price of Metropolitan Water District water.

BEA revenue is used to offset the cost of MWD replenishment water. Predicting BEA revenue is difficult as it is determined by: (1) groundwater producers who decide to pump above the BPP; (2) groundwater producers participating in water quality projects that receive partial BEA exemptions for pumping above the BPP; and (3) smaller private party pumping.

BEA revenues expected for pumping above the BPP	\$1,750,000

Section 8 Capital Improvement Program

Debt and PAYGO Funded Projects

CAPITAL IMPROVEMENT PROGRAM

The fiscal year (FY) 2014-15 Capital Improvement Program (CIP) is provided on the following pages. The CIP projects are funded by debt proceeds, grants, litigation settlements, state loans and \$5 million from operating revenues. The assets created by the CIP projects typically have a useful life of between five to seventy years.

The total proposed CIP cost for the FY 2014-15 budget is \$74.31 million and it includes 17 projects. The life span of various CIP projects varies from project to project and it can be three years or longer. The District will fund \$5 million of the \$74.31 million dollar CIP budget from the operating revenues. This District practice is very useful in keeping the debt service cost to the minimum and maintaining debt service coverage targets.

The CIP is primarily driven by the following objectives: (1) increasing the District's recharge capacity to allow for increased sustainable production out of the groundwater basin; (2) protecting water quality by removing contaminated groundwater from the basin and providing additional wetlands treatment for Santa Ana River flows; and (3) protecting the coastal portion of the groundwater basin.

Budgeting of project expenditures does not authorize staff to proceed with a project. Each budgeted project must be individually reviewed and formally approved by the Board via the preparation of an Engineer's Report. In addition, the Board would need to approve the design and the construction contracts as/if the project progresses forward.

The expenditures for each project are shown in the fiscal year they are anticipated to occur in. The District has many multi-year projects that require several years to process and construct. Table 8-1 provides a broad summary of the projects in the CIP. A brief description and status of each project are provided on the attached Capital Projects Information sheet.

**TABLE 8-1
SUMMARY OF PROJECTS IN CAPITAL IMPROVEMENT PROGRAM**

PROJECT TYPE	OBJECTIVE
WATER SUPPLY	PROVIDE FOR INCREASED GROUNDWATER PRODUCTION AND CREATE SUPPLIES WHERE ECONOMICAL AS COMPARED WITH MWD RATES.
	Construct facilities to increase recharge capacity and percolation rates to allow for increased groundwater pumping
	Improve existing facilities to increase percolation rates
	Create new water supply
WATER QUALITY	PROTECT THE QUALITY OF THE GROUNDWATER BASIN SUPPLIES.
	Protect groundwater in north basin by extracting and treating wells threatened by VOC contamination in Anaheim and Fullerton
	Protect groundwater in south basin by extracting and treating wells threatened by VOC contamination in Santa Ana
COASTAL IMPROVEMENTS	MITIGATE FOR EXISTING AND PROJECTED FUTURE PROBLEMS ALONG THE COAST.

PROJECT TYPE	OBJECTIVE
	Construct barrier facilities to prevent seawater intrusion

The cost information for multi-year debt and operating reserve funded projects is summarized in Table 8-2.

The OCWD staff works closely with the Board of Directors in processing capital projects. Formal Board approval is required at various stages of a project's life as shown below:

1. Inclusion in OCWD annual budget;
2. Issuance of Request for Proposals for hiring of consultants for fees greater than \$20,000 to assist in processing project documents;
3. Awarding consultant contracts greater than \$20,000;
4. Approval of Feasibility Study Report, if so directed by General Manager;
5. Approval of necessary CEQA documents;
6. Approval of project Engineer's Report;
7. Approval of any agreements (i.e. grant funding, interagency);
8. Approval of advertising construction contracts;
9. Award of construction contracts;
10. Approval of change orders greater than 5% of construction budget; and
11. Approval of Notice of Completion

The District primarily uses long-term debt to fund capital projects. The District policy for using long-term debt was established in October 2000. The policy calls for the following:

- ◆ Preliminary project expenses related to direct research are to be paid from the General Fund;
- ◆ Project expenses for such items as feasibility reports, pilot studies, engineer's reports, compliance with CEQA, and project design and construction may be capitalized and funded with long-term debt; and
- ◆ Project expenses that are capitalized and funded with long-term debt and to which do not lead to construction of a project will require an adjustment by the Accounting Department to pay off the long-term debt incurred using cash reserves.

Section 8
Capital Improvement Project

TABLE 8-2
FISCAL YEAR 2014-15
CAPITAL IMPROVEMENT PROGRAM SUMMARY

	OCWD Water Treatment Facility Renovation												
	Fiscal Year		Salaries	Benefits	Salaries & Benefits	Pre-design	Design	Construction	Total				
	ACCOUNT NO: COST CODE						02000	03000	40010				
	Grand Total		2014-15	1,572,169	564,664	2,136,833	1,170,000	900,000	70,103,500	74,310,333			
		2015-16	0	0	0	0	2,050,000	19,700,000	21,750,000				
		2016-17	0	0	0	0	0	13,180,000	13,180,000				
JDE PROJECT ID NO.	Project Name	Project Description								Project Details	Dept.		
C11001	Hallway Education Panel/Water Education Corridor Project	Existing hallway of the Administration Building will be modified to include new interactive displays that will teach visitors about the different aspects of water; it will serve as a mini visitor center.	2014-15				-			130,500	130,500	The design team of Discovery Science Center, Cinnabar and New Water Resources is creating interactive displays demonstrating many aspects of groundwater management, water infrastructure in California, water quality monitoring and testing, water recycling, overall operations at OCWD facilities and other water related subject matter. The project will become part of the District's tour program.	1012
			2015-16				-				-		
			2016-17				-				-		
	3-Year Project Total							130,500					
C14001	OCWD Website Redesign	The design and development of a new OCWD website	2014-15				-		100,000		100,000	The project will include design, development, staff training and project management. The current OCWD website is in need of major improvements including, but not limited to, the streamlining of existing information; the overall functionality for visitors to access public records; making the site compatible with smart phone and tablet devices; and the incorporation of the latest website technology available. With the Water Education Corridor Project due to be completed in late 2014, there is an excellent opportunity to incorporate the new hallway educational collateral into the website to better demonstrate the District's functions, services and value.	1012
			2015-16				-				-		
			2016-17				-				-		
	3-Year Project Total							100,000					
C14002	Watershed and Wildlife Exhibit	Renovation and construction of Watershed and Wildlife Exhibit in the existing courtyard area of the Administration Building, featuring amassed collection of habitat specimen	2014-15				-	20,000			20,000	The courtyard would be modified to contain a native plant garden and structure to contain the wildlife specimens the District has accumulated over many decades. The structure will include interactive displays and will be served as the waiting area and starting point for District tours.	1012
			2015-16				-		50,000		50,000		
			2016-17				-			180,000	180,000		
	3-Year Project Total							250,000					
C11002	JD Edwards Financial System Upgrade & Maximo Computerized Maintenance Management System Upgrade	Upgrade the JD Edwards and Maximo hardware and software.	2014-15				-			500,000	500,000	Upgrade the hardware/software for the JD Edwards Enterprise One Financial System purchased in 2003 and used to support the District's Accounting and Purchasing functions; upgrade the hardware/software for the Maximo Computerized Maintenance Management System purchased in 2005 and used to help manage the assets used in and the maintenance functions in support of the Advanced Water Production Facility, and upgrade the integration between the systems.	1016
			2015-16				-				-		
			2016-17				-				-		
	3-Year Project Total							500,000					
Estimated Total Capital Cost: \$1,230,500													
Estimated Total Capital Cost: \$100,000													
Estimated Total Capital Cost: \$250,000													
Estimated Total Capital Cost: \$500,000													

Section 8
Capital Improvement Project

TABLE 8-2
FISCAL YEAR 2014-15
CAPITAL IMPROVEMENT PROGRAM SUMMARY

				Fiscal Year	Salaries	Benefits	Salaries & Benefits	Pre-design	Design	Construction	Total		
		ACCOUNT NO: COST CODE						02000	03000	40010			
5	GWRSIE	GWR System Initial Expansion	Expansion of GWRS by 30 MGD to 100 MGD thereby increasing production by 31,000 AFY	2014-15	1,094,761	405,374	1,500,135			58,000,000	59,500,135	Construction of a 30 MGD expansion to the existing AWPFF plant. Construction started on October 20, 2011 and will last until January 2015. The project includes construction of two new 7.5 million gallon flow equalization tanks with pump station. The project is expected to increase production by 31,000 acre feet per year.	1050
				2015-16			-			7,000,000	7,000,000		
				2016-17			-				-		
		Estimated Total Capital Cost: \$143,000,000 (\$1,000,000 grant from DWR through SAWPA)		3-Year Project Total							66,500,135		
6	C10002	Fletcher Basin	Convert an OCFCD (Orange County Flood Control District) owned basin into a recharge facility by excavating dirt and constructing inlet/outlet structures and a pipeline.	2014-15	46,423	17,043	63,466			2,000,000	2,063,466	Coordination work with OCFCD began in FY09-10 in order to develop the flood control facility into a usable recharge facility. The project design is complete. Construction will likely begin and end in FY14-15.	1070
				2015-16			-			1,000,000	1,000,000		
				2016-17			-				-		
		\$6,100,000 (Expecting Grant funding & County reimbursement totaling \$2.76M)		3-Year Project Total							3,063,466		
7	C09002	Mid Basin Injection Demonstration Project - Phase II Equipping	Equipping new injection well to demonstrate the effectiveness of injecting GWRS water into the basin	2014-15	34,497	12,852	47,349			1,500,000	1,547,349	The well equipping construction work began in FY13-14 and will be completed during FY14-15.	1070
				2015-16			-			500,000	500,000		
				2016-17			-				-		
		Estimated Total Capital Cost: \$6,600,000		3-Year Project Total							2,047,349		
8	C09005	Prado Sediment Management Demonstration Project	Demonstration project to remove material deposited behind Prado Dam and sluice the material downstream	2014-15	15,824	5,553	21,378		300,000	1,000,000	1,321,378	The environmental work necessary to obtain agency approvals for the project is in progress. Design of the dredging system will be completed in FY13-14 and construction to follow immediately thereafter.	1070
				2015-16			-			3,000,000	3,000,000		
				2016-17			-			3,000,000	3,000,000		
		Estimated Total Capital Cost: \$9,600,000		3-Year Project Total							7,321,378		
9	C13007	La Palma Recharge Basin	Construction of a new 17 acre recharge basin adjacent to OCWD's existing recharge facilities in Anaheim	2014-15	56,879	20,321	77,200	50,000	500,000	-	627,200	Excavation of a 17-acre site to convert it into a recharge basin. Construction should begin in FY 2014-15.	1070
				2015-16			-			3,200,000	3,200,000		
				2016-17			-			2,000,000	2,000,000		
		Estimated Total Capital Cost: \$34,100,000 (Including land cost)		3-Year Project Total							5,827,200		
10	C14003	Santa Ana GAP Reservoir Site Improvements	Construct split face masonry wall along west and south perimeter of GAP Reservoir site.	2014-15						350,000	350,000	Construct an eight foot high split face masonry wall along the west and south perimeter of the GAP Reservoir site totaling 950 lineal feet and a 32 foot wrought iron vehicle access gate. Install artificial ivy on exterior walls to protect against graffiti.	1070
				2015-16							-		
				2016-17							-		
		\$350,000 (City of Santa Ana to reimburse 1/3 of the cost)		3-Year Project Total							350,000		

Section 8
Capital Improvement Project

TABLE 8-2
FISCAL YEAR 2014-15
CAPITAL IMPROVEMENT PROGRAM SUMMARY

			Fiscal Year	Salaries	Benefits	Salaries & Benefits	Pre-design	Design	Construction	Total		
ACCOUNT NO: COST CODE							02000	03000	40010			
11	C14004	Mid Basin Injection Expansion	2014-15	-	-	-	300,000	-		300,000	Once the Mid Basin Demonstration Project has been operating and the anticipated injection rates verified, the expansion can commence. The Centennial Park has adequate spacing for the injection wells and staff would expect to start the CEQA and design phase in FY14-15.	1070
			2015-16			-		2,000,000	-	2,000,000		
			2016-17			-			6,000,000	6,000,000		
		Estimated Total Capital Cost: \$20,000,000								3-Year Project Total	8,300,000	
12	C12003	Alamitos Barrier Improvement Project	2014-15	111,943	36,291	148,234			5,000,000	5,148,234	Install 17 injection wells at 8 locations, 4 monitoring wells, and 4 shallow piezometers to close gaps in existing seawater barrier; approx. 7% of the total cost will be paid by LA County Dept of Public Works.	1075
			2015-16			-			5,000,000	5,000,000		
			2016-17			-			2,000,000	2,000,000		
		Estimated Total Capital Cost: \$12,250,000								3-Year Project Total	12,148,234	
13	C13005	Sunset Gap Seawater Intrusion Monitoring Wells	2014-15	85,278	29,108	114,386			1,050,000	1,164,386	Construct 4 multi-depth monitoring wells.	1075
			2015-16			-				-		
			2016-17			-				-		
		\$1,200,000								3-Year Project Total	1,164,386	
14	C08007	South Basin Groundwater Protection Project	2014-15	61,603	18,145	79,749	500,000			579,749	Based on results of recent cone penetration test (CPT) investigations, develop work plans (cost and schedule) for additional investigation, and conduct remedial alternatives feasibility study.	1075
			2015-16			-				TBD		
			2016-17			-				TBD		
		Estimated Total Capital Cost: TBD								3-Year Project Total	TBD	
15	C13006	East Newport Mesa Groundwater Investigation	2014-15	-	-	-			573,000	573,000	Construct 10 monitoring wells and convert UCI Marsh well to a monitoring well.	1075
			2015-16			-				-		
			2016-17			-				-		
		\$573,000								3-Year Project Total	573,000	
16	C09004	MTBE Remediation	2014-15	50,943	15,195	66,139	300,000			366,139	Based on results of cone penetration test (CPT) and sonic drilling investigations, develop work plans (cost and schedule) for additional investigation and conduct remedial alternatives feasibility study.	1075
			2015-16			-				TBD		
			2016-17			-				TBD		
		Estimated Total Capital Cost: TBD								3-Year Project Total	TBD	
17	C07016	North Basin Groundwater Protection Project - Injection Wells	2014-15	14,016	4,782	18,798		-	-	18,798	Construction of injection wells, excluding vaults and dedicated submersible back flushing pumps.	1075
			2015-16			-		-	-	-		
			2016-17			-		-	-	-		
		Estimated Total Capital Cost: TBD								3-Year Project Total	18,798	

Section 9

New Equipment (Fixed Assets) Summary

New Equipment Budget Funded by Operating Revenues

EQUIPMENT (FIXED ASSETS) SUMMARY

This section describes the equipment items proposed for FY 2014-15.

There are 19 equipment items listed in Table 9-1. These items will be funded using operating revenues.

There is a total of two road vehicles included in the equipment list (Table 9-1). Both are replacement vehicles. All vehicles comply with the Vehicle Replacement Policy established by the District in May 2006.

TABLE 9-1
FY 2014-15 PROPOSED EQUIPMENT BUDGET
FUNDED BY OPERATING REVENUES

	Item Name	Item Description	Department	Budget Amount
	General Manager's Office (1010)			
1	Scanner	Replacement of a 10 plus year old scanner that is out of date for parts. The new scanner will be a faster and more updated piece of equipment to produce more documents needed for Finance, Purchasing, and Hydrogeology departments.	General Manager's Office (1010)	10,000
	E14.17110.1010	Total	General Manager's Office (1010)	\$ 10,000
	Public Affairs (1012)			
2	Shed for Tour Carts	Purchase and assemble a Tuff Shed to house two electric tour vehicles. Each tour vehicle is approximately \$15,000 and they are being exposed to weather elements, including coastal, salty breezes that cause rust. The shed will help protect the carts to maximize the number of years in operation. Protecting them from the elements also results in keeping them clean and ready to go at any given notice. The Tuff Shed will also include electric outlets so the vehicles may be charged nightly.	Public Affairs (1012)	8,500
	E14.17110.1012	Total	Public Affairs (1012)	\$ 8,500
	Information Services (1016)			
3	Audio Visual Improvements	Audio visual improvements in Boardroom (lobby speakers and program timer) and Conference Room C2 (miscellaneous and recording).	Information Services (1016)	35,000
4	Tape Drive	Tape drive system for network server backups; replaces one of the older tape drive systems.	Information Services (1016)	23,000
	E14.17110.1016	Total	Information Services (1016)	\$ 58,000
	Purchasing (1022)			
5	Pallet Racking	Additional pallet racking for incoming spare parts for the GWRS Expansion.	Purchasing (1022)	7,500
	E14.17110.1022	Total	Purchasing (1022)	\$ 7,500
	Water Quality (1036)			
6	AMS Port-A-Reel	The AMS Port-A-Reel system is a complete and versatile groundwater pumping system that enables Water Quality staff to access many types of groundwater monitoring locations. The new AMS Port-A-Reel unit will replace an older Port-A-Reel unit that has been used for more than a decade. The Port-A-Reel systems manufactured by AMS have been used by the WQ Department for more than 10 years and have been very reliable. The AMS Port-A-Reel is one of the vital pieces of monitoring equipment used by the Water Quality Department for pumping and sampling groundwater monitoring well locations.	Water Quality (1036)	10,500
	E14.17110.1036	Total	Water Quality (1036)	\$ 10,500
	Laboratory (1038)			
7	Ion Chromatography Mass Spectrometry (IC-MS)	EPA Method 314.0 for the analysis of perchlorating IC-Conductivity Detector was established in 1999. Due to the potential interference in the perchlorate analysis with EPA 314.0, EPA Method 331.0 using IC-MS could solve the analytical problems from the unknown matrix samples.	Laboratory (1038)	200,000
8	Automated Nitrogen Analyzer	Need a combined ammonia/organic nitrogen distillation, titration, and digestion unit, which would eliminate suppressed sample result problem and improve analytical data quality.	Laboratory (1038)	75,000
9	Gas Chromatography (GC)	Need to replace the 13-year-old Gas Chromatography with dual electron capture detectors for EPA 551 (haloacetonitrile) and EPA 552 (haloacetic acids).	Laboratory (1038)	60,000

TABLE 9-1
FY 2014-15 PROPOSED EQUIPMENT BUDGET
FUNDED BY OPERATING REVENUES

	Item Name	Item Description	Department	Budget Amount
10	Automated SPE System	Need an additional automated Solid Phase Extraction (SPE) system to support CEC's and UCMR3 sample preparation demand.	Laboratory (1038)	55,000
11	Sample Concentrators	Need two sample concentrators to replace over 20-year-old concentrators for organic sample preparation.	Laboratory (1038)	30,000
12	Generator-Precision Hydrogen 200CC (100-230V)	Purchase a hydrogen generator to remove hydrogen gas cylinders in the laboratory and use hydrogen gas instead of helium as a GC column carrier gas to reduce the cost of helium supply.	Laboratory (1038)	15,000
13	Scientific Refrigerator	Need to replace an over 20-year-old unit.	Laboratory (1038)	9,000
	E14.17110.1038	Total	Laboratory (1038)	\$ 444,000
	Water Production (1050)			
14	Replace Truck T-92	Pick-up truck (Ford F-250 with service bed) to replace truck T-92, 1997, 114,000 miles, electrical issues, starter issues. This truck is 4X4 and has been used off-road extensively.	Water Production (1050)	49,000
15	Peroxide Analyzer	Purchase two UV peroxide analyzers to measure the peroxide residual before and after UV treatment. Detectors will be used to help control peroxide dose and reduce costs.	Water Production (1050)	17,000
16	Confined Space Gas Analyzer	New gas analyzers for personnel in confines spaces with dock station and software with 4 detectors.	Water Production (1050)	12,000
	E14.17110.1050	Total	Water Production (1050)	\$ 78,000
	Engineering (1070)			
17	Trimble Geo 7	Trimble Geo 7 Series Premium Centimeter Kit with TerraSync Centimeter Edition. This new GPS unit will replace the older and outdated equipment. This unit will provide real time survey data accurate to within one centimeter.	Engineering (1070)	16,000
	E14.17110.1070	Total	Engineering (1070)	\$ 16,000
	Hydrogeology (1075)			
18	Downhole Video Camera for Injection and Monitoring Wells	Replaces 15-year-old 4-inch diameter well video camera that is malfunctioning and produces a poor-quality image (severe static). Repair of old camera was attempted on multiple occasions but to no avail.	Hydrogeology (1075)	20,500
	E14.17110.1075	Total	Hydrogeology (1075)	\$ 20,500
	Natural Resources (1080)			
19	Replace Prado Truck	Replace T-81 Prado truck, 4 wheel drive, power/air, open U joints, with racket bar behind cab, 8 feet bed. It is 19 years old, 130,000 miles, and unreliable.	Natural Resources (1080)	30,000
	E14.17110.1080	Total	Natural Resources (1080)	\$ 30,000
		Grand Total for Equipment Funded by Operating Revenues		\$ 683,000

Section 10

Replacement and Refurbishment Fund

REPLACEMENT AND REFURBISHMENT BUDGET

The District has over \$871 million in assets excluding construction in progress that will need to be replaced or refurbished at some point in the future. To prevent additional pressure on the Replenishment Assessment, a replacement and refurbishment model was developed in 1998, which included all District assets and used engineer's estimates for the useful life of each asset. This model is capable of forecasting future costs and required revenue streams and is updated annually.

The Replacement and Refurbishment (R&R) fund was originally funded in FY 1998-99 with \$15 million from the District Replacement Reserves and \$20 million from the Orange County bankruptcy proceeds.

In 2004 the R&R program was downsized to only include infrastructure type assets. The amount of money annually transferred into the R&R program was reduced from \$4.5 million annually to \$2.8 million. The annual transfer amount has been growing by 7% annually to provide sufficient funds to meet future expected R&R expenses. The fiscal year 2014-15 contribution is planned to be \$12.77 million.

An update to the R&R Model was made in 2007 and the changes included:

1. All infrastructure replacement cost have been updated.
2. The R&R Fund balance was set at the current amount of \$70 million with an expected interest earnings rate of 5% over the next 30 years.
3. The inflation rate was increased from 3% to 3.5% to reflect recent increases in construction material.
4. The cost of repairing and refurbishing the Talbert barrier injection wells has been moved out of the R&R program and into the District's general fund.
5. The cost of major lab equipment costing greater than \$100,000 has been moved into the R&R program.

Another update to the Model was conducted in 2011 and the changes include the following:

1. Eliminated the replacement of the Green Acres Project's conventional filtration technology as it will be replaced by an expansion of the microfiltration treatment of GWRS.
2. The Basin Cleaning Vehicles (BCV) was removed from the R&R Model as the BCV Program was discontinued.
3. Pump stations electrical and pumps were separated from buildings as they were previously treated as a single unit in the R&R Model.
4. Transferred \$10 million in reserves from the R&R Fund to the Operating Fund.

Actual expenditures from the fund vary significantly each year depending upon which District assets have reached the end of their useful life and need to be replaced or

which assets can have their lives extended by refurbishing them. In FY 2014-15, the proposed R&R expenses include five major items.

- Replace Burris Pump Station (\$5,068,171).
- Santiago intertie/repair of transfer structure between Blue Diamond and Bond Basins (\$2,012,792)
- 3,150 RO membranes to replace 3 RO subunits (\$1,374,000).
- Replace monitoring wells OCWD-BSO6A, OCWD-BSO8, and OCWD-HH4 with two new monitoring wells (\$845,000).
- OCWD Administration Building replacement and upgrade of HVAC equipment and systems (\$750,000).

The actual proposed expenditures for FY 2014-15 are \$15.0 million.

Section 10
Replacement and Refurbishment

FISCAL YEAR 2014-15
PROPOSED REPLACEMENT & REFURBISHMENT FUND REQUESTS

#	Project ID	Item	Description	Department	Salaries & Benefits	Project Cost	Total Project Cost	Asset Class	Refurbishment or Replacement	Asset Age
Safety & Risk Management (1034)										
1	R14001	Field Security Cameras	Replace field security cameras. Many are no longer operating.	Safety & Risk Mgmt (1034)	-	90,000	90,000	Other	Replacement	Varying
			TOTAL	Safety & Risk Mgmt (1034)	\$ -	\$ 90,000	\$ 90,000			
Water Production (1050)										
2	R14002	3,150 RO Membranes to Replace 3 RO Subunits	Replace RO membrane elements in 3 RO subunits in the on going membrane replacement program.	Water Production (1050)		1,374,000	1,374,000	RO, MF units	Replacement	7 yrs.
3	R14003	OCWD Administration Building Replacement and Upgrade of the HVAC Equipment and Systems	Replace 23-year-old HVAC system with an energy efficient system. The existing system has become more costly to maintain. Work would include 2 chillers, 1 boiler, 3 roof top AC units and replacement of the computer room AC with a roof mounted one and a new energy management system.	Water Production (1050)		750,000	750,000	Other	Replacement	23 yrs.
4	R11003	Chemical Resistant Protective Coatings in Various Areas of the Plant	The chemical resistant coatings in various areas of the plant have cracked and exposing concrete to chemicals. Coating needs to be removed and replaced. Still testing coatings.	Water Production (1050)		350,000	350,000	Buildings	Refurbishment	8 yrs.
5	R14004	Refurbish or Replace Mechanical and Electrical Equipment	These funds are to refurbishment or replacement of GWRS or GAP mechanical and electrical equipment that unexpectedly fails.	Water Production (1050)		250,000	250,000	Pipe/Pipeline, Pumps, Wells, RO, MF Units	Replacement or Refurbishment	Varying
6	R07002	On Going Refurbishment of the Administration Building	Refurbish and replace carpet and paint in Board Room and Conference Room C-3.	Water Production (1050)		150,000	150,000	Buildings	Replacement or Refurbishment	23 yrs.
7	R14005	Green Acres and GWRS Distribution Emergency Pipeline Repairs	These funds allow for the refurbishment or replacement of Green Acres or GWRS distribution pipeline assets that unexpectedly fail.	Water Production (1050)		75,000	75,000	Pipe/Pipeline	Refurbishment	Varying
8	R14006	Refurbish and Replacement of Fountain Valley Building Mechanical, Electrical and Structural Items	These funds are for the refurbishment and or replacement of existing Fountain Valley building, mechanical, electrical and structural systems that unexpectedly fail.	Water Production (1050)		65,000	65,000	Buildings	Replacement or Refurbishment	Varying
9	R14007	Rebuild GAP High Pressure Feed Pump	Rebuild GAP high pressure feed pump No 1. Last rebuilt was done in 2003.	Water Production (1050)		40,000	40,000	Pumps	Refurbishment	23 yrs.
10	R14008	Pump - Deep Well No. 3	Pull pump for inspection and rebuild as necessary.	Water Production (1050)		23,000	23,000	Pumps	Refurbishment	39 yrs.
11	R14009	Pump - Deep Well No. 4	Pull pump for inspection and rebuild as necessary.	Water Production (1050)		23,000	23,000	Pumps	Refurbishment	39 yrs.
			TOTAL	Water Production (1050)	\$ -	\$ 3,100,000	\$ 3,100,000			
Recharge Operations (1060)										
12	R14010	D7E Dozer Replacement	Replace Tier 0 dozer with new D7E.	Recharge Operations (1060)		700,000	700,000	Heavy Equipment > \$50,000	Replacement	19 yrs.
13	R14011	Repower CAT 627E Scraper	Repower CAT 627E Scraper.	Recharge Operations (1060)	-	275,000	275,000	Heavy Equipment > \$50,000	Replacement	25 yrs.
14	R14012	Miller Basin Cable Replacement	Miller Basin cable replacement and pump reconditioning	Recharge Operations (1060)		240,000	240,000	Pumps	Replacement	20 yrs.
15	R14013	Santiago Pump Station Improvements	Santiago Pump Station improvements: tieback anchor, canopy, wash-down system, ladder/catwalk	Recharge Operations (1060)	-	150,000	150,000	Buildings	Refurbishment	1 yr.
16	R13014	Update Florescent Lights at FHQ	Update florescent lights at FHQ offices, shops, and canopies.	Recharge Operations (1060)	-	90,000	90,000	Other	Replacement or Refurbishment	25 yrs.
17	R12019	Road	Asphalt repair on service roads	Recharge Operations (1060)	-	75,000	75,000	Parking Lots/Roads	Refurbishment	Varying
18	R14014	Cloth Filter Catwalk	Cloth filter catwalk	Recharge Operations (1060)		45,000	45,000	Other	Refurbishment	2 yrs.
19	R14015	Isolation Valve @ Santiago	Repair of isolation valve for air vac for Santiago pipeline at Tustin/Collins	Recharge Operations (1060)		45,000	45,000	Pipe/Pipeline	Replacement	24 yrs.
20	R14016	Shop Doors	Replace three heavy equipment shop doors and operators.	Recharge Operations (1060)		45,000	45,000	Buildings	Replacement	20 yrs.
21	R14017	Repair Field Research Trailer	Paint, and repair Field Research Trailer.	Recharge Operations (1060)		45,000	45,000	Buildings	Refurbishment	20 yrs.
22	R12020	Fencing	Replace or repair fence around District property caused by vandalism, and, or other damage. Fence repair at Warner, Richfield, and OC-28.	Recharge Operations (1060)	-	30,000	30,000	Fences/Walls	Replacement or Refurbishment	Varying
23	R13016	Replace Electrical at Warner Outflow Gate	Replace unsafe and obsolete components.	Recharge Operations (1060)	-	30,000	30,000	Other	Replacement	40 yrs.
24	R14018	Roof Repair at 5-Coves Pump Station	Repair roof at 5-Coves pump station.	Recharge Operations (1060)		25,000	25,000	Buildings	Refurbishment	20 yrs.
25	R14019	FHQ Canopy	Refurbish FHQ canopy and shop repair.	Recharge Operations (1060)		10,000	10,000	Buildings	Refurbishment	20 yrs.
			TOTAL	Recharge Operations (1060)	\$ -	\$ 1,805,000	\$ 1,805,000			

Section 10
Replacement and Refurbishment

FISCAL YEAR 2014-15
PROPOSED REPLACEMENT & REFURBISHMENT FUND REQUESTS

#	Project ID	Item	Description	Department	Salaries & Benefits	Project Cost	Total Project Cost	Asset Class	Refurbishment or Replacement	Asset Age
Wetland Operations (1062)										
26	R14020	Prado Field Office Security System	Upgrade existing security to add cameras and 8 channel DVR.	Wetland Operations (1062)	-	6,500	6,500	Other	Replacement or Refurbishment	14 yrs.
			TOTAL	Wetland Operations (1062)	\$ -	\$ 6,500	\$ 6,500			
Engineering (1070)										
27	R12034	Burris Pump Station	Replacement of existing aging Burris Pump Station	Engineering (1070)	68,171	5,000,000	5,068,171	Pumps	Replacement	25 yrs.
28	R11015	Santiago Intertie/Repair of Transfer Structure Between Blue Diamond and Bond Basins	Replacement of failed transfer pipeline between Blue Diamond and Bond Basins caused by very high releases from Villa Park Dam in December 2010	Engineering (1070)	12,792	2,000,000	2,012,792	Recharge Basins	Refurbishment	23 yrs.
29	R13023	Weirs 1&2 with Flume Replacement Project	Replacement of damaged weir 1 and weir 2. Replacement of flume on Off-River System.	Engineering (1070)	39,521	400,000	439,521	Other	Replacement	41 yrs.
30	R12008	Imperial Headgates Rehabilitation Project	Replacement of the Imperial Headgates trash rack system, diversion gates, flow meters, control room roofing, electrical system, safety improvements, repairs to the diversion structure and upgrade of the gate actuators and control systems.	Engineering (1070)	26,071	400,000	426,071	Other	Refurbishment	22 yrs.
31	R13029	Talbert West End & GAP Pipelines Cathodic Protection Project	Corrosion studies completed in 2011 and 2013 recommended that the Talbert West End Barrier Pipeline and GAP Pipeline need cathodic protection to further prevent corrosion.	Engineering (1070)	-	370,000	370,000	Pipe/Pipeline	Refurbishment	10 yrs.
32	R14021	Center Levee Corrugate Metal Transfer Pipes Repair Project	Ten corrugate metal transfer pipes (CMP) along the Center Levee are deteriorating and need to be lined to maintain structural integrity.	Engineering (1070)	15,194	300,000	315,194	Pipe/Pipeline	Refurbishment	25 yrs.
33	R14022	Admin Building Fire Alarm Panel Replacement	Existing parts are discontinued and no longer supported and the system is antiquated. Replacement of the fire alarm panel is necessary and will conform to newer equipment on campus.	Engineering (1070)	-	90,000	90,000	Other	Replacement	23 yrs.
34	R14023	GAP Distrubution System Repairs	Replace low traffic rated vaults, leaky and broken valves, buried valve cans, and broken cathodic protection test stations.	Engineering (1070)	-	50,000	50,000	Pipe/Pipeline	Replacement or Refurbishment	23 yrs.
35	R14024	Replace Three Monitoring Well Vaults and Lids	Wells AM-9/1, AM-10/1, and AM-14/1 vaults and lids have deteriorated and are no longer secure and structurally sound.	Engineering (1070)	-	50,000	50,000	Wells (all types)	Replacement	24 yrs.
36	R14025	Conrock Warner Drain Tube Refurbishment Project	The lower drain tubes convey water from Conrock to Warner Basin during basin refills and allow quick draining of Conrock Basin during dewatering events. There is a 24" and a 36" diameter pipe. Neither pipe has a headwall/outlet structure to keep debris from blocking the valves. Also, the 36" pipe needs to be extended to accomodate future slope work. The valves are aging and require replacement with electric actuators.	Engineering (1070)	-	30,000	30,000	Pipe/Pipeline	Refurbishment	25 yrs.
			TOTAL	Engineering (1070)	\$ 161,749	\$ 8,690,000	\$ 8,851,749			
Hydrogeology (1075)										
37	R12030	Replace Monitoring Wells OCWD-BSO6A, OCWD-BSO8, and OCWD-HH4 with Two Monitoring Wells. Approved by Board in September 2013.	Seawater intrusion monitoring wells BSO6A and BSO8 are corroded and suspected of vertical leakage; well HH4 is no longer needed; all 3 wells will be destroyed and replaced with 2 optimally located monitoring wells.	Hydrogeology (1075)	-	845,000	845,000	Wells (all types)	Replacement	51 yrs.
38	R14026	Bolsa and Sunset Gap Seawater Intrusion Monitoring Well Replacement	Two seawater intrusion wells are more than 50 years old and are heavily corroded and structurally unstable. Water level and quality data from these wells are no longer reliable. The replacement wells will be PVC that is corrosion resistant.	Hydrogeology (1075)	-	303,000	303,000	Wells (all types)	Replacement	51 yrs.
			TOTAL	Hydrogeology (1075)	\$ -	\$ 1,148,000	\$ 1,148,000			
			R&R GRAND TOTAL		\$ 161,749	\$ 14,839,500	\$ 15,001,249			

Section 11

Cost Center Details

Detail Cost Center General Fund Budget
Acronyms and Abbreviations

**GENERAL FUND BUDGET
COST CENTER DETAIL**

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GENERAL FUND OPERATING BUDGET FY 14-15
GENERAL MANAGER'S OFFICE (1010)

JDE Account Number	Description	General	Total
	ACTIVITY CODE	9900	
	SALARIES & BENEFITS		
1010.50104	REGULAR SALARIES	495,106	495,106
1010.50106	REGULAR O/T SALARIES	1,000	1,000
1010.50210	PAYROLL TAXES	8,186	8,186
1010.50202	RETIREMENT	82,602	82,602
1010.50204	HEALTH INSURANCE	59,720	59,720
1010.50206	WORKERS' COMPENSATION	5,007	5,007
	SALARIES & BENEFITS TOTAL	651,621	651,621
1010.51102	DISTRICT MEMBERSHIPS		
	AMERICAN GROUNDWATER TRUST	500	500
	AMERICAN MEMBRANE TECHNOLOGY ASSOCIATION	700	700
	AMERICAN WATER WORKS ASSOCIATION (AWWA)	1,500	1,500
	ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA)	27,000	27,000
	BUILDING INDUSTRY ASSOCIATION OF SOUTHERN CALIFORNIA	650	650
	CAL DESAL	5,000	5,000
	CAL STATE FULLERTON DEMOGRAPHICS 4 x \$10,000	40,000	40,000
	CALIFORNIA SPECIAL DISTRICTS ASSOCIATION (CSDA)	5,000	5,000
	CALIFORNIA GROUNDWATER COALITION	9,500	9,500
	CHAMBERS OF COMMERCE (24)	7,200	7,200
	GROUNDWATER GUARDIAN	2,500	2,500
	GROUNDWATER FOUNDATION	100	100
	GROUNDWATER RESOURCES ASSOCIATION (GRA)	200	200
	INDEPENDENT SPECIAL DISTRICTS ASSOCIATION (ISDOC)	250	250
	INTERNATIONAL UV ASSOCIATION	250	250
	ORANGE COUNTY TAXPAYERS ASSOCIATION	2,000	2,000
	PROFESSIONAL MEMBERSHIPS (ASCE & WEF)	550	550
	REGIONAL STORMWATER TASK FORCE	1,000	1,000

GENERAL FUND OPERATING BUDGET FY 14-15
GENERAL MANAGER'S OFFICE (1010)

JDE Account Number	Description	General	Total
	ACTIVITY CODE	9900	
1010.51102	DISTRICT MEMBERSHIPS (CONTINUED)		
	SANTA ANA RIVER FLOOD PROTECTION AGENCY (SARFPA)	1,200	1,200
	SOUTHERN CALIFORNIA ALLIANCE OF PUBLICLY OWNED TREATMENT WORKS	3,000	3,000
	SOUTHERN CALIFORNIA SALINITY COALITION (NWRI)	10,000	10,000
	SOUTHERN CALIFORNIA WATER COMMITTEE	5,000	5,000
	SOUTHWEST MEMBRANE OPERATORS ASSOCIATION	300	300
	UTILITY BRANDING NETWORK	5,000	5,000
	WATER ADVISORY COMMITTEE OF ORANGE COUNTY (WACO)	100	100
	WATER EDUCATION FOUNDATION	3,500	3,500
	WATER RESEARCH FOUNDATION	100,000	100,000
	WATEREUSE ASSOCIATION	10,000	10,000
	WATEREUSE RESEARCH FOUNDATION	25,000	25,000
	DISTRICT MEMBERSHIPS TOTAL	267,000	267,000
1010.51104	SUBSCRIPTIONS		
	ADMINISTRATIVE PROFESSIONAL	130	130
	SUBSCRIPTIONS TOTAL	130	130
1010.51112	SPECIAL DISTRICT EXPENSES (SPONSORSHIPS)		
	SAWPA OWOW CONFERENCE	3,000	3,000
	CALIFORNIA WATEREUSE CONFERENCE	5,000	5,000
	MISCELLANEOUS SPONSORSHIPS	10,000	10,000
	SPECIAL DISTRICT EXPENSES (SPONSORSHIPS) TOTAL	18,000	18,000
1010.51192	TECHNICAL TRAINING		
	STAFF TRAINING	750	750
	TECHNICAL TRAINING TOTAL	750	750

GENERAL FUND OPERATING BUDGET FY 14-15
GENERAL MANAGER'S OFFICE (1010)

JDE Account Number	Description	General	Total
	ACTIVITY CODE	9900	
1010.51301	TRAVEL/CONFERENCE/MILEAGE		
	ACWA SPRING CONFERENCE, SACRAMENTO	1,500	1,500
	ACWA FALL CONFERENCE, SAN DIEGO	1,200	1,200
	SACRAMENTO LEGISLATIVE TRIPS (6)	4,800	4,800
	WASHINGTON DC LEGISLATIVE TRIPS (2)	3,000	3,000
	29TH ANNUAL WATEREUSE SYMPOSIUM, DALLAS	1,500	1,500
	WATEREUSE RESEARCH ANNUAL CONFERENCE, PHOENIX	1,200	1,200
	WATEREUSE RESEARCH BOARD MEETING, WASHINGTON, DC	1,500	1,500
	WATEREUSE CALIFORNIA ANNUAL CONFERENCE, SAN FRANCISCO	1,200	1,200
	TRAVEL/CONFERENCE/MILEAGE TOTAL	15,900	15,900
1010.51501	OFFICE EXPENSE - GENERAL		
	BULK OFFICE AND CONSUMABLE SUPPLIES	63,500	63,500
	FED EX	500	500
	MINUTE MAN	1,000	1,000
	MAIL DISPATCH	5,000	5,000
	POSTAGE	30,000	30,000
	OFFICE EXPENSE - GENERAL TOTAL	100,000	100,000
1010.51531	SHIRTS - LOGO		
	SHIRTS - LOGO	300	300
	SHIRTS - LOGO TOTAL	300	300
1010.51565	RENT EQUIPMENT - GENERAL		
	TOSHIBA E-1105 & E-5540CT COPY MACHINES LEASE (MAIN COPY ROOM)	25,800	25,800
	COPY CENTER C35 (MAIN COPY ROOM)	1,500	1,500
	COPY CENTER C35 (SM COPY ROOM)	1,500	1,500
	DC420AC COPIER (FHQ)	1,500	1,500
	DC420AC COPIER (LAB/MAINT)	1,500	1,500
	DC420AC COPIER (OPERATIONS)	1,500	1,500
	DC535H COPIER (LARGE COPY ROOM)	1,500	1,500
	DC535H COPIER (ANNEX)	1,500	1,500

GENERAL FUND OPERATING BUDGET FY 14-15
GENERAL MANAGER'S OFFICE (1010)

JDE Account Number	Description	General	Total
	ACTIVITY CODE	9900	
1010.51565	RENT EQUIPMENT - GENERAL (CONTINUED)		
	DC535H COPIER (WATER PRODUCTION)	6,000	6,000
	MAKEREADY SOFTWARE	6,000	6,000
	SCANNER	6,000	6,000
	DC535H COPIER (LAB)	6,000	6,000
	NEOPOST POSTAGE MACHINE	13,000	13,000
	RENT EQUIPMENT - GENERAL TOTAL	73,300	73,300
1010.53001	PROFESSIONAL SERVICES - GENERAL		
	MANAGEMENT CONSULTING	39,500	39,500
	PROFESSIONAL SERVICES - GENERAL TOTAL	39,500	39,500
1010.53005	PROFESSIONAL SERVICES - LEGAL		
	PILLSBURY WINTHROP	10,000	10,000
	RUTAN & TUCKER, LLP	350,000	350,000
	PROFESSIONAL SERVICES - LEGAL TOTAL	360,000	360,000
1010.56012	INTERAGENCY AGREEMENTS		
	ACOE WATER CONSERVATION MAINTENANCE FEE	90,000	90,000
	LOCAL AGENCY FORMATON COMMISSION (LAFCO)	33,000	33,000
	NATIONAL WATER RESOURCE INSTITUTE (NWRI)	50,000	50,000
	OCFCD WATER CONSERVATION MAINTENANCE FEE	33,000	33,000
	SAWPA	330,000	330,000
	WATER EMERGENCY RESPONSE ORGANIZATION OF ORANGE COUNTY (WEROC)	53,128	53,128
	INTERAGENCY AGREEMENTS TOTAL	589,128	589,128
1010.57004	MAINTENANCE EQUIPMENT - GENERAL		
	EQUIPMENT REPAIRS	100	100
	MAINTENANCE FOR FOLDING MACHINES	200	200
	MAINTENANCE FOR PUNCH MACHINE	100	100
	MAINTENANCE/BLADE FOR PAPER CUTTER	100	100
	MAINTENANCE EQUIPMENT - GENERAL TOTAL	500	500
	GENERAL MANAGER'S OFFICE GRAND TOTAL	2,116,129	2,116,129

Section 11
Cost Center Detail

GENERAL FUND OPERATING BUDGET FY 14-15
PUBLIC AFFAIRS (1012)

JDE Account Number	Description	General	Youth Education	Water Hero Program	Water Summit	Water 101	Tours	GWRSIE	Total
	ACTIVITY CODE	9900	1206	9926	9959	9962	9963	9973	
	SALARIES & BENEFITS								
1012.50104	REGULAR SALARIES	504,844	16,206	10,418	13,117	41,347	62,341	22,668	670,941
1012.50106	OVERTIME SALARIES	75	-	-	-	-	1,425	-	1,500
1012.50210	PAYROLL TAXES	9,417	235	151	190	600	925	329	11,846
1012.50202	RETIREMENT	78,441	2,698	1,735	2,184	6,884	10,617	3,774	106,334
1012.50204	HEALTH INSURANCE	69,974	2,536	1,897	1,534	5,859	10,467	3,205	95,472
1012.50206	WORKERS' COMPENSATION	5,104	164	105	132	418	724	229	6,876
	SALARIES & BENEFITS TOTAL	667,856	21,840	14,306	17,157	55,107	86,498	30,205	892,968
1012.51301	TRAVEL/CONFERENCE/MILEAGE								
	WASHINGTON D.C. - 1-2 TRIPS	4,500							4,500
	ACWA CONF (1 - SPRING AND FALL), D.C. AND MONTEREY, CA	3,000							3,000
	LOCAL ONE-DAY CONFERENCES (10)	2,000							2,000
	SACRAMENTO (12)	6,000							6,000
	MISCELLANEOUS TRAVEL EXPENSES (MILEAGE)	2,200							2,200
	WATERUSE CONFERENCES/COMMITTEE MEETINGS, CA & NATIONAL (3)	3,000							3,000
	PRSA CONFERENCE, SAN FRANCISCO (LOCATION VARIES) (FULL REG. IS \$1,000)	4,000							4,000
	TRAVEL/CONFERENCE/MILEAGE TOTAL	24,700	-	-	-	-	-	-	24,700
1012.51305	PUBLIC INFORMATION TOURS								
	PUBLIC TOURS & GROUNDWATER ADVENTURE TOUR (BI-ANNUAL OR MULTIPLE SMALL GROUPS)						12,000		12,000
	OC WATER 101, STATE OF THE GW BASIN & SPEAKERS BUREAU						5,000		5,000
	PUBLIC INFORMATION TOURS TOTAL	-	-	-	-	-	17,000	-	17,000
1012.51204	MISCELLANEOUS EXPENSE								
	LEGISLATIVE EVENTS AND ACTIVITIES (MWD OC DC EVENT AND OCWD DC EVENT)	2,500							2,500
	MISCELLANEOUS EXPENSE TOTAL	2,500	-	-	-	-	-	-	2,500
1012.53001	PROFESSIONAL SERVICES - GENERAL								
	ANNUAL REPORTS (GRAPHIC SUPPORT)	2,500							2,500
	ENS RESOURCES (FEDERAL ADVOCACY)	70,000							70,000
	JAMES F. MCCONNELL (FEDERAL ADVOCACY)	70,000							70,000
	OCWD & GWRS WEBSITE (UPKEEP)	6,000							6,000
	TOWNSEND PUBLIC AFFAIRS (STATE ADVOCACY)	90,000							90,000
	PROFESSIONAL SERVICES - GENERAL TOTAL	238,500	-	-	-	-	-	-	238,500
1012.51501	OFFICE EXPENSE - GENERAL								
	AWARDS (SUBMITTALS)	600							600
	PHOTOGRAPHY SERVICES	7,400				3,000	6,000		16,400
	CRISIS COMMUNICATION	2,000							2,000
	MEDIA ACTIVITIES (CLIP SERVICE W/MEDIA CONTACT DB/ PRESS PACKETS, ADS)	15,000							15,000
	LICENSING TO POST/REPRINT ARTICLES	1,500							1,500
	OFFICE EXPENSES	11,000							11,000
	FLIER DISTRIBUTION (WALKING MAN CONTRACT)	3,000							3,000
	PURCHASE DATABASE LISTS	2,000							2,000
	P.R. CONSULTANT (GROUNDWATER CONTAMINATION CLEAN UP PROJECT)	50,000							50,000
	WATER ADVISORY COMMITTEE OF ORANGE COUNTY	3,000							3,000
	OFFICE EXPENSE - GENERAL TOTAL	95,500	-	-	-	3,000	6,000	-	104,500

Section 11
Cost Center Detail

GENERAL FUND OPERATING BUDGET FY 14-15
PUBLIC AFFAIRS (1012)

JDE Account Number	Description	General	Youth Education	Water Hero Program	Water Summit	Water 101	Tours	GWRSIE	Total
	ACTIVITY CODE	9900	1206	9926	9959	9962	9963	9973	
1012.51104	SUBSCRIPTIONS								
	LEGISLATIVE AND OTHER PUBLICATIONS	2,500							2,500
	SUBSCRIPTIONS TOTAL	2,500	-	-	-	-	-	-	2,500
1012.51102	MEMBERSHIP								
	PROFESSIONAL MEMBERSHIPS (PRSA - NATIONAL AND ORANGE COUNTY CHAPTERS)	650							650
	MEMBERSHIP TOTAL	650	-	-	-	-	-	-	650
1012.51192	TECHNICAL TRAINING								
	PROFESSIONAL DEVELOPMENT	3,000							3,000
	TECHNICAL TRAINING TOTAL	3,000	-	-	-	-	-	-	3,000
1012.56012	GWRS (NO LONGER SHARED)								
	GWRS AWARD SUBMITTALS, EVENTS & CONFERENCE MATERIALS	3,000							3,000
	ANNUAL OCWD-OCSD JOINT EMPLOYEE EVENT OR OPEN HOUSE	16,000							16,000
	GWRS GROUP TOURS & SPEAKERS BUREAU	16,000							16,000
	GWRS COLLATERAL (WEB, BAGS, PENS, 12-PAGE WF STYLE & GENERAL PUBLIC BROCHURE)	25,000							25,000
	GWRS TOTAL	60,000	-	-	-	-	-	-	60,000
1012.51112	SPECIAL DEPARTMENT EXPENSE								
	OCWD BROCHURES, FOLDERS & COLLATERAL	4,000				2,000	4,000		10,000
	GWRSIE DEDICATION	20,000							20,000
	EMPLOYEE EVENTS	10,000							10,000
	NEIGHBORHOOD FLIERS	2,500							2,500
	MARKETING (EVENT TABLING PROGRAM ADS/SPONSORSHIPS, BLOGS)	6,000							6,000
	OC WATER HERO PROGRAM (RE-VAMP PROGRAM)			20,000					20,000
	SPONSORSHIP FOR CHILDREN'S FOUNDATION OF OC GIFT OF HISTORY		15,000						15,000
	SPECIAL DEPARTMENT EXPENSE TOTAL	42,500	15,000	20,000	-	2,000	4,000	-	83,500
1012.51119	SPECIAL DEPARTMENT EXPENSE - OC WATER SUMMIT								
	OC WATER SUMMIT - OPERATING COSTS				84,000				84,000
	SPECIAL DEPARTMENT EXPENSE - OC WATER SUMMIT TOTAL	-	-	-	84,000	-	-	-	84,000
	MISCELLANEOUS REIMBURSEMENT - OC WATER SUMMIT								
1012.51119.250	OC WATER SUMMIT - SPONSOR REIMBURSEMENT				(70,000)				(70,000)
1012.51119.170	MWDOC COST SHARE				(7,500)				(7,500)
	MISCELLANEOUS REIMBURSEMENT - OC WATER SUMMIT TOTAL	-	-	-	(77,500)	-	-	-	(77,500)
1012.51116	SPECIAL DEPARTMENT EXPENSE - CWF								
	CHILDREN'S FESTIVAL		198,000						198,000
	SPECIAL DEPARTMENT EXPENSE - CWF TOTAL	-	198,000	-	-	-	-	-	198,000
	MISCELLANEOUS REIMBURSEMENT - CWF								
1012.51116.250	CHILDREN'S FESTIVAL (\$70,000 SPONSORS)		(70,000)						(70,000)
1012.51116.140	CHILDREN'S FESTIVAL (\$10,000 GRANTS WE WILL APPLY FOR)		(10,000)						(10,000)
	MISCELLANEOUS REIMBURSEMENT - CWF TOTAL	-	(80,000)	-	-	-	-	-	(80,000)
	PUBLIC AFFAIRS GRAND TOTAL	1,137,706	154,840	34,306	23,657	60,107	113,498	30,205	1,554,318

GENERAL FUND OPERATING BUDGET FY 14-15
INFORMATION SERVICES (1016)

JDE Account Number	Description ACTIVITY CODE	General 9900	Total
	SALARIES & BENEFITS		
1016.50104	REGULAR SALARIES	891,655	891,655
1016.50210	PAYROLL TAXES	12,929	12,929
1016.50202	RETIREMENT	148,461	148,461
1016.50204	HEALTH INSURANCE	121,881	121,881
1016.50206	WORKERS' COMPENSATION	9,006	9,006
	SALARIES & BENEFITS TOTAL	1,183,932	1,183,932
1016.52501	COMMUNICATION		
	ANSWER NET AND CONFERENCING SERVICE	2,500	2,500
	CELLULAR TELEPHONE & WIRELESS SERVICES	54,000	54,000
	INTERNET SERVICE - FOUNTAIN VALLEY & PRADO	30,000	30,000
	PHONE SERVICE (PHYSICAL CIRCUITS, DID LINES, LONG DISTANCE, ETC.)	65,000	65,000
	REPLACEMENT PHONES	3,500	3,500
	MISCELLANEOUS COMMUNICATIONS	5,000	5,000
	COMMUNICATION TOTAL	160,000	160,000
1016.51301	TRAVEL/CONFERENCE/MILEAGE		
	MILEAGE (FIELD HQ, PRADO)	500	500
	TRAVEL/CONFERENCE/MILEAGE TOTAL	500	500
1016.51501	OFFICE EXPENSE - GENERAL		
	GENERAL OFFICE EXPENSE (SHIPPING, FEDEX)	2,000	2,000
	OFFICE EXPENSE - GENERAL TOTAL	2,000	2,000
1016.51510	HARDWARE/SOFTWARE		
	HARDWARE & SOFTWARE PURCHASES FOR DEPTS, PROGRAMMER TOOLS FOR IS	35,000	35,000
	COMPUTER REPLACEMENTS - QTY 38 COMPUTERS	39,500	39,500
	WINDOWS OPERATING SYSTEM UPGRADES QTY 59	9,000	9,000
	TAPES, STORAGE MEDIA, OFFSITE & OTHER DATA SERVICES	15,000	15,000
	REPLACEMENT BATTERIES FOR UPS	2,000	2,000

GENERAL FUND OPERATING BUDGET FY 14-15
INFORMATION SERVICES (1016)

JDE Account Number	Description	General	Total
	ACTIVITY CODE	9900	
1016.51510	HARDWARE/SOFTWARE (CONTINUED)		
	PRINTERS - QTY 7	2,100	2,100
	NETWORK HARDWARE (SWITCHES, ROUTERS, WIFI ACCESS POINTS, KVM, PANELS)	10,000	10,000
	KEY CARD ACCESS FOR A/V RM (QTY 2); ELEC RM (QTY 1) ; COMPUTER RM (QTY 3)	30,000	30,000
	HARDWARE/SOFTWARE TOTAL	142,600	142,600
1016.57004	MAINTENANCE EQUIPMENT - GENERAL		
	MAINTENANCE AGREEMENTS FOR EXISTING HW & SW	340,000	340,000
	MAINTENANCE AGREEMENTS FOR NEW HW & SW	20,000	20,000
	MAINTENANCE AGREEMENTS FOR HALLWAY AUDIOVISUAL	25,000	25,000
	REPAIR EXISTING CABLING (NETWORK, TELEPHONE, COPPER, ETC.)	5,000	5,000
	REPAIR EXISTING EQUIPMENT (WORKSTATIONS, PRINTERS, AUDIO/VISUAL, ETC.)	10,000	10,000
	MAINTENANCE EQUIPMENT - GENERAL TOTAL	400,000	400,000
1016.53001	PROFESSIONAL SERVICE - GENERAL		
	NETWORK SECURITY ASSESSMENT	10,000	10,000
	PROFESSIONAL SERVICE - GENERAL TOTAL	10,000	10,000
1016.51102	MEMBERSHIP		
	USER GROUP MEMBERSHIP	500	500
	MEMBERSHIP TOTAL	500	500
1016.51192	TECHNICAL TRAINING		
	ONGOING SOFTWARE TRAINING FOR IS DEPARTMENT	4,000	4,000
	PC SOFTWARE TRAINING FOR ALL DEPARTMENTS	4,000	4,000
	TECHNICAL TRAINING TOTAL	8,000	8,000
	INFORMATION SERVICES GRAND TOTAL	1,907,532	1,907,532

GENERAL FUND OPERATING BUDGET FY 14-15
BOARD ADMINISTRATION (1018)

JDE Account Number	Description	General	Total
	ACTIVITY CODE	9900	
	SALARIES & BENEFITS		
1018.50104	REGULAR SALARIES	295,708	295,708
1018.50118	DIRECTORS' FEES	252,088	252,088
1018.50210	PAYROLL TAXES	7,943	7,943
1018.50202	RETIREMENT	91,208	91,208
1018.50204	HEALTH INSURANCE	198,276	198,276
1018.50206	WORKERS' COMPENSATION	5,533	5,533
	SALARIES & BENEFITS TOTAL	850,757	850,757
1018.51301	BOARD TRAVEL/CONFERENCE/MILEAGE		
	ACWA, AWWA, ADA, NWRA, ASCE, CRWUA, OCCOG, WATEREUSE, AND MISC. CONFERENCES	26,300	26,300
	BOARD TRAVEL/CONFERENCE/MILEAGE TOTAL	26,300	26,300
1018.51012	LEGAL ADVERTISING		
	LEGALLY REQUIRED NOTICES AND REPORTS, I.E. PUBLIC HEARINGS, ETC.	3,000	3,000
	LEGAL ADVERTISING TOTAL	3,000	3,000
1018.51501	OFFICE EXPENSE - GENERAL		
	BOARDROOM AND BOARDROOM KITCHEN, REFRESHMENTS FOR BOARD AND COMMITTEES	15,000	15,000
	BOARDROOM SUPPLIES	700	700
	FILING FEES	100	100
	NOTARY SUPPLIES	200	200
	REFERENCE MATERIALS	200	200
	STAMPS & OFFICE SUPPLIES	1,000	1,000
	OFFICE EXPENSE - GENERAL TOTAL	17,200	17,200

GENERAL FUND OPERATING BUDGET FY 14-15
BOARD ADMINISTRATION (1018)

JDE Account Number	Description	General	Total
	ACTIVITY CODE	9900	
1018.51102	MEMBERSHIP		
	ASSOCIATION OF RECORDS MANAGERS & ADMINISTRATORS (1)	215	215
	NOTARY RECERTIFICATION (1)	500	500
	NATIONAL NOTARY ASSOCIATION (2)	225	225
	MEMBERSHIP TOTAL	940	940
1018.51192	EDUCATIONAL TRAINING		
	ARMA TRAINING AND SEMINARS	300	300
	EDUCATIONAL TRAINING TOTAL	300	300
1018.51112	SPECIAL DEPARTMENT EXPENSE		
	DOCUMENT ARCHIVAL AND SCANNING	5,000	5,000
	OFFSITE STORAGE	20,000	20,000
	SPECIAL DEPARTMENT EXPENSE TOTAL	25,000	25,000
1018.51042	ELECTION COSTS		
	ACCRUED ELECTION COSTS	133,000	133,000
	ELECTION COSTS TOTAL	133,000	133,000
	BOARD ADMINISTRATION GRAND TOTAL	1,056,497	1,056,497

GENERAL FUND OPERATING BUDGET FY 14-15
PURCHASING (1022)

JDE Account Number	Description	General	Total
	ACTIVITY CODE	9900	
	SALARIES & BENEFITS		
1022.50104	REGULAR SALARIES	467,182	467,182
1022.50210	PAYROLL TAXES	6,774	6,774
1022.50202	RETIREMENT	77,786	77,786
1022.50204	HEALTH INSURANCE	86,780	86,780
1022.50206	WORKERS' COMPENSATION	9,037	9,037
	SALARIES & BENEFITS TOTAL	647,558	647,558
1022.51501	OFFICE EXPENSE - GENERAL		
	SAFETY SIGNS/HARDWARE FOR WAREHOUSE	300	300
	MISCELLANEOUS SUPPLIES (TONERS, DRUMS, FILING SUPPLIES)	5,000	5,000
	SHIPPING SUPPLIES (SHRINK WRAP/TAPE, BINDING, ETC.)	1,250	1,250
	UPS SHIPPING FEES	2,000	2,000
	TRUCK WASH FOR DISTRICT VEHICLES	1,000	1,000
	OFFICE EXPENSE - GENERAL TOTAL	9,550	9,550
1022.51520	GAS & DIESEL		
	VEHICLE FUEL	750	750
	GAS & DIESEL TOTAL	750	750
1022.51531	SHIRTS - LOGO		
	SHIRTS - LOGO/SHIRTS/JACKETS	100	100
	SHIRTS - LOGO TOTAL	100	100
1022.51545	SMALL TOOLS		
	MISCELLANEOUS HAND TOOLS (MAGLINER \$400)	400	400
	SMALL TOOLS TOTAL	400	400
1022.51102	MEMBERSHIP		
	PURCHASING (CALIFORNIA ASSOCIATION OF PUBLIC (INCREASED FEE) PURCHASING OFFICERS, INC. AND NATIONAL ASSOCIATION OF PURCHASING MANAGEMENT) 1 MEMBERSHIP	230	230
	MEMBERSHIP TOTAL	230	230

GENERAL FUND OPERATING BUDGET FY 14-15
PURCHASING (1022)

JDE Account Number	Description	General	Total
	ACTIVITY CODE	9900	
1022.51192	TECHNICAL TRAINING		
	JDE AND MAXIMO/USERS TRAINING	500	500
	PURCHASING SEMINARS (INSURANCE AND NEGOTIATION)	300	300
	TECHNICAL TRAINING TOTAL	800	800
1022.51630	INVENTORY FREIGHT		
	DELIVERY FEES AND FREIGHT CHARGES	13,000	13,000
	INVENTORY FREIGHT TOTAL	13,000	13,000
1022.57016	MAINTENANCE STRUCTURE AND IMPROVEMENT - GENERAL		
	WAREHOUSE MAINTENANCE - REPAIRS AND UPKEEP ON FLOORS	500	500
	MAINTENANCE STRUCTURE AND IMPROVEMENT - GENERAL TOTAL	500	500
	PURCHASING GRAND TOTAL	672,888	672,888

GENERAL FUND OPERATING BUDGET FY 14-15
FINANCE (1024)

JDE Account Number	Description	General	Total
	ACTIVITY CODE	9900	
	SALARIES & BENEFITS		
1024.50104	REGULAR SALARIES	1,303,095	1,303,095
1024.50106	OVERTIME	5,908	5,908
1024.50210	PAYROLL TAXES	19,867	19,867
1024.50202	RETIREMENT	215,568	215,568
1024.50204	HEALTH INSURANCE	193,205	193,205
1024.50206	WORKERS' COMPENSATION	13,275	13,275
	SALARIES & BENEFITS TOTAL	1,750,918	1,750,918
1024.51301	TRAVEL/CONFERENCE/MILEAGE		
	SPECIAL DISTRICT FINANCIAL MANAGEMENT CONFERENCE - SO CALIFORNIA	900	900
	TRAVEL/CONFERENCE/MILEAGE TOTAL	900	900
1024.53001	PROFESSIONAL SERVICES - GENERAL		
	EXTERNAL AUDIT (SINGLE AUDIT / MPP INCLUDED)	65,000	65,000
	PAYROLL OUTSOURCING	58,000	58,000
	SPECIALIZED ACCOUNTING SERVICES (A O P)	15,000	15,000
	PROFESSIONAL SERVICES - GENERAL TOTAL	138,000	138,000
1024.51501	OFFICE EXPENSE - GENERAL		
	CHECK STOCK FOR A/P - SAFECHECKS	1,000	1,000
	COLOR COPY ALLOCATION	1,000	1,000
	COLOR PRINTING CHARGE FOR CAFR AND BUDGET BOOK	2,500	2,500
	FEDEX	1,000	1,000
	MICR TONER - A/P, P/R	1,000	1,000
	COMPREHENSIVE ANNUAL FINANCIAL REPORT APPLICATION	1,000	1,000
	MISCELLANEOUS SUPPLIES (COMPUTER PAPER, SMART & FINAL, SUPPLIES)	3,000	3,000
	OFFICE EXPENSE - GENERAL TOTAL	10,500	10,500

GENERAL FUND OPERATING BUDGET FY 14-15
FINANCE (1024)

JDE Account Number	Description	General	Total
	ACTIVITY CODE	9900	
1024.51104	SUBSCRIPTIONS		
	GASB/GAAP-ACCOUNTING JOURNAL	500	500
	SUBSCRIPTIONS TOTAL	500	500
1024.51520	GAS & DIESEL FUEL		
	SMOGPROS (TRUCK FUEL @ \$350/MO)	4,200	4,200
	GAS & DIESEL FUEL TOTAL	4,200	4,200
1024.51530	UNIFORMS & SAFETY		
	OVERALL - UNIFORMS	200	200
	UNIFORMS & SAFETY TOTAL	200	200
1024.51531	SHIRTS - LOGO		
	SHIRTS - LOGO	200	200
	SHIRTS - LOGO TOTAL	200	200
1024.57004	MAINTENANCE EQUIPMENT - GENERAL		
	ITRON HANDHELD ANNUAL MAINTENANCE	2,500	2,500
	MAINTENANCE EQUIPMENT - GENERAL TOTAL	2,500	2,500
1024.51102	MEMBERSHIP		
	AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS	800	800
	INSTITUTE OF MANAGEMENT ACCOUNTANTS	200	200
	CALIFORNIA MUNICIPAL TREASURERS ASSOCIATION	300	300
	CPA LICENSE/AICPA (VS, DS, WX)	600	600
	CALIFORNIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS	500	500
	CALIFORNIA SOCIETY OF MUNICIPAL FINANCE OFFICERS	300	300
	GOVERNMENT FINANCE OFFICERS ASSOCIATION	300	300
	MEMBERSHIP TOTAL	3,000	3,000

GENERAL FUND OPERATING BUDGET FY 14-15
FINANCE (1024)

JDE Account Number	Description	General	Total
	ACTIVITY CODE	9900	
1024.51192	TECHNICAL TRAINING		
	DIEHL EVANS TAX LAW CHANGES SEMINAR (2 STAFF)	1,000	1,000
	CSCPA TECHNICAL TRAINING (VS, DS, WX, JY)	3,000	3,000
	TECHNICAL TRAINING TOTAL	4,000	4,000
1024.56023	PURCHASE DISCOUNTS		
	PURCHASE DISCOUNTS	(60,000)	(60,000)
	PURCHASE DISCOUNTS TOTAL	(60,000)	(60,000)
1024.56024	REBATES - PURCHASING CARD		
	REBATES - PURCHASING CARD	(10,000)	(10,000)
	REBATES - PURCHASING CARD TOTAL	(10,000)	(10,000)
1024.56028	WFB/COUNTY BANKING CHARGE		
	BANK CHARGES (\$2,500 AVERAGE/MO)	30,000	30,000
	WFB/COUNTY BANKING CHARGE TOTAL	30,000	30,000
	FINANCE GRAND TOTAL	1,874,918	1,874,918

GENERAL FUND OPERATING BUDGET FY 14-15
HUMAN RESOURCES (1030)

JDE Account Number	Description	General	Total
	ACTIVITY CODE	9900	
	SALARIES & BENEFITS		
1030.50104	REGULAR SALARIES	397,637	397,637
1030.50210	PAYROLL TAXES	6,696	6,696
1030.50202	RETIREMENT	63,709	63,709
1030.50204	HEALTH INSURANCE	72,066	72,066
1030.50205	HEALTH INSURANCE - RETIREE PREMIUMS	15,500	15,500
1030.50206	WORKERS' COMPENSATION	4,016	4,016
	SALARIES & BENEFITS TOTAL	559,623	559,623
1030.51301	TRAVEL/CONFERENCE/MILEAGE		
	ACWA/JPIA COMMITTEE/ACWA/JPIA PERSONNEL COMMITTEE MEETINGS	1,500	1,500
	CALPELRA CONFERENCE (MONTEREY, CA) & SEMINARS	2,000	2,000
	MILEAGE	150	150
	TRAVEL/CONFERENCE/MILEAGE TOTAL	3,650	3,650
1030.53001	PROFESSIONAL SERVICES - GENERAL		
	CERIDIAN EMPLOYEE ASSISTANCE PROGRAM	6,300	6,300
	HEALTH AND WELLNESS	1,000	1,000
	INFORMATION RESOURCES BACKGROUND INVESTIGATION	3,000	3,000
	ALLIANT BROKER SERVICES FEE	25,000	25,000
	RETIREMENT PLAN LEGAL CONSULTING AND PLAN FILINGS	10,000	10,000
	PRE-EMPLOYMENT PHYSICALS	3,500	3,500
	OPEB BI - ANNUAL ACTUARIAL STUDY	4,200	4,200
	FLU SHOTS	3,500	3,500
	SHEAKLEY FEES	150	150
	PROFESSIONAL SERVICES - GENERAL TOTAL	56,650	56,650
1030.53015	TEMPORARY WORKERS - GENERAL		
	TEMPORARY WORKERS FOR LANDSCAPING, ETC. (FOR DEPT. 1060)	35,000	35,000
	TREE TRIMMING/WEED ABATEMENT/LABORERS (FOR DEPT. 1062)	25,000	25,000
	TEMPORARY LABOR - MITIGATION COMMITMENTS (FOR DEPT. 1080)	70,000	70,000
	TEMPORARY LABOR - (FOR DEPT. 1062)	15,000	15,000
	GENERAL OFFICE TEMPORARY	5,000	5,000
	TEMPORARY WORKERS - GENERAL TOTAL	150,000	150,000

GENERAL FUND OPERATING BUDGET FY 14-15
HUMAN RESOURCES (1030)

JDE Account Number	Description	General	Total
	ACTIVITY CODE	9900	
1030.51501	OFFICE EXPENSE - GENERAL		
	EMPLOYMENT ADVERTISING	8,000	8,000
	NEOGOV	3,000	3,000
	FEDERAL EXPRESS	200	200
	EMPLOYEE OF THE MONTH/YEAR AWARD EXPENSES	300	300
	ERP AWARD CERTIFICATES	5,000	5,000
	LENGTH OF SERVICE AWARDS	5,000	5,000
	OFFICE SUPPLIES	5,000	5,000
	OFFICE EXPENSE - GENERAL TOTAL	26,500	26,500
1030.51104	SUBSCRIPTIONS		
	LEGAL BULLETINS	200	200
	SUBSCRIPTIONS TOTAL	200	200
1030.51102	MEMBERSHIP		
	NATIONAL NOTARY ASSOCIATION	500	500
	CALPACS - PUBLIC AGENCY COMPENSATION WEBSITE	275	275
	ORANGE COUNTY HR CONSORTIUM (FORMERLY LEAGUE OF CITIES HR GROUP)	250	250
	SOCIETY HUMAN RESOURCES MANAGEMENT	185	185
	EMPLOYERS GROUP MEMBERSHIP	3,500	3,500
	MEMBERSHIP TOTAL	4,710	4,710
1030.51192	TECHNICAL TRAINING		
	HR EDUCATIONAL TRAINING	4,000	4,000
	EMPLOYEE TRAINING	4,000	4,000
	TECHNICAL TRAINING TOTAL	8,000	8,000
1030.50208	EDUCATION TUITION REIMBURSEMENT		
	EDUCATION TUITION REIMBURSEMENT	27,000	27,000
	EDUCATION TUITION REIMBURSEMENT TOTAL	27,000	27,000
1030.51112	SPECIAL DEPARTMENT EXPENSE		
	DOT DRUG & ALCOHOL PROGRAM	4,800	4,800
	EMPLOYEE FITNESS FACILITIES	3,000	3,000
	UNEMPLOYMENT INSURANCE	15,000	15,000
	SPECIAL DEPARTMENT EXPENSE TOTAL	22,800	22,800
	HUMAN RESOURCES GRAND TOTAL	859,133	859,133

GENERAL FUND OPERATING BUDGET FY 14-15
SAFETY & RISK MANAGEMENT (1034)

JDE Account Number	Description	Administration	Total
	ACTIVITY CODE	9900	
	SALARIES & BENEFITS		
1034.50104	REGULAR SALARIES	180,800	180,800
1034.50210	PAYROLL TAXES	3,669	3,669
1034.50202	RETIREMENT	27,289	27,289
1034.50204	HEALTH INSURANCE	34,663	34,663
1034.50206	WORKERS' COMPENSATION	2,072	2,072
	SALARIES & BENEFITS TOTAL	248,493	248,493
1034.52001	INSURANCE		
	CRIME/EXCESS	8,000	8,000
	FIDUCIARY	6,500	6,500
	GENERAL LIABILITY	275,000	275,000
	PROPERTY	285,000	285,000
	TOUR GROUP AND BUSINESS TRAVEL	2,300	2,300
	INSURANCE TOTAL	576,800	576,800
1034.52005	CLAIMS		
	SMALL NON-TRIAL CLAIMS, WORK COMP FIRST AID	5,000	5,000
	CLAIMS TOTAL	5,000	5,000
1034.51301	TRAVEL/CONFERENCE/MILEAGE		
	ACWA/JPIA CONFERENCE AND MEETINGS/PROFESSIONAL DEVELOPMENT (4)	2,000	2,000
	AMERICAN SOCIETY OF SAFETY ENGINEERS CONFERENCE	2,000	2,000
	PASMA CONFERENCE/BUSINESS MEETINGS	200	200
	MILEAGE	800	800
	TRAVEL/CONFERENCE/MILEAGE TOTAL	5,000	5,000
1034.51520	GAS & DIESEL		
	FUEL - SECURITY GUARD	2,000	2,000
	GAS & DIESEL TOTAL	2,000	2,000
1034.53001	PROFESSIONAL SERVICE - GENERAL		
	MSDS ONLINE ANNUAL FEE (YEAR 3 OF 3 YEAR CONTRACT)	2,700	2,700
	ARC FLASH ASSESSMENT (FHQ, ADMIN., LAB)	19,700	19,700
	HEPATITIS A AND B SHOTS	5,000	5,000
	RESPIRATOR FIT TESTS	5,500	5,500
	ERP REVISION	5,000	5,000
	PROFESSIONAL SERVICE - GENERAL TOTAL	37,900	37,900

GENERAL FUND OPERATING BUDGET FY 14-15
SAFETY & RISK MANAGEMENT (1034)

JDE Account Number	Description	Administration	Total
	ACTIVITY CODE	9900	
1034.51501	OFFICE EXPENSE - GENERAL		
	FEDERAL EXPRESS/COURIER	200	200
	MISCELLANEOUS SUPPLIES	250	250
	TRAINING MATERIALS AND MEETING EXPENSES	1,250	1,250
	OFFICE EXPENSE - GENERAL TOTAL	1,700	1,700
1034.51104	SUBSCRIPTIONS		
	CAL OSHA REPORTER	400	400
	BUSINESS AND LEGAL REPORT (BLR)	1,000	1,000
	SUBSCRIPTIONS TOTAL	1,400	1,400
1034.51530	UNIFORMS & SAFETY		
	ERGONOMIC EQUIPMENT	4,000	4,000
	PERSONAL PROTECTIVE EQUIPMENT	2,000	2,000
	UNIFORMS FOR SECURITY GUARD AND OCWD SHIRTS	1,000	1,000
	SAFETY GLASSES - RX	5,000	5,000
	SHOES	18,000	18,000
	UNIFORMS & SAFETY TOTAL	30,000	30,000
1034.57004	MAINTENANCE EQUIPMENT - GENERAL		
	MEDICAL EQUIPMENT (SAFETY SUPPLIES/ DEFIB SUPPLIES)	1,000	1,000
	MAINTENANCE EQUIPMENT - GENERAL TOTAL	1,000	1,000
1034.51550	SAFETY SUPPLIES		
	CONFINED SPACE /HAZMAT EQUIPMENT	5,000	5,000
	DISASTER/HAZMAT SUPPLIES	5,000	5,000
	SAFETY INCENTIVES	1,200	1,200
	FIRST AID SUPPLIES	1,000	1,000
	SIGNS, TRAFFIC CONES	2,500	2,500
	SAFETY SUPPLIES TOTAL	14,700	14,700
1034.51102	MEMBERSHIP		
	AMERICAN SOCIETY OF SAFETY ENGINEERS	165	165
	PUBLIC SAFETY MANAGEMENT ASSOCIATION	75	75
	MEMBERSHIP TOTAL	240	240

GENERAL FUND OPERATING BUDGET FY 14-15
SAFETY & RISK MANAGEMENT (1034)

JDE Account Number	Description	Administration	Total
	ACTIVITY CODE	9900	
1034.51192	STAFF TRAINING		
	CONFINED SPACE - TRAINING AND ANNUAL REQUIRED DRILLS	20,000	20,000
	RESPIRATOR TRAINING	2,000	2,000
	CPR/FIRST AID/AED	4,200	4,200
	CRANE SAFETY	1,000	1,000
	ELECTRICAL TRAINING	7,000	7,000
	FIRE EXTINGUISHER	500	500
	HAZMAT 24/40 HOUR	2,000	2,000
	HAZMAT ANNUAL	6,000	6,000
	LOTO	5,000	5,000
	POWERED INDUSTRIAL VEHICLES - FORKLIFT	5,000	5,000
	SAFETY STAFF REQUIRED PROFESSIONAL TRAINING	5,000	5,000
	STAFF TRAINING TOTAL	57,700	57,700
1034.51202	SECURITY PROGRAM		
	ACCESS CONTROL MAINTENANCE/AGREEMENT	8,000	8,000
	ALARM SYSTEM MONITORING - TRI-TEK	3,800	3,800
	SECURITY PROGRAM TOTAL	11,800	11,800
1034.51112	SPECIAL DEPARTMENT EXPENSE		
	CITY/COUNTY ALARM PERMITS	350	350
	COUNTY HAZMAT WASTE PROGRAM - CUPA	7,000	7,000
	DTSC AND EPA FEES	1,100	1,100
	HAZMAT DISPOSAL FEE AND CITY PERMITS	750	750
	STATE GENERATOR FEE	1,200	1,200
	SPECIAL DEPARTMENT EXPENSE TOTAL	10,400	10,400
	SAFETY AND RISK MANAGEMENT GRAND TOTAL	1,004,133	1,004,133

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GENERAL FUND BUDGET FY 14-15
WATER QUALITY (1036)

JDE Account Number	Description	General	GWP Assistance	GWR System O&M	SAR Monitoring	Forebay VOC Litigation	SBGPP	MTBE Litigation	ERC POWUP	Total
	ACTIVITY CODE	9900	4406	9922	4602	9936	9941	9954	9983	
	SALARIES & BENEFITS									
1036.50104	REGULAR SALARIES	504,867	163,336	276,305	129,029	1,756	12,155	1,756	28,783	1,117,987
1036.50106	OVERTIME	3,684	1,912	3,598	1,838	4	113	4	253	11,405
1036.50210	PAYROLL TAXES	7,374	2,396	4,059	1,898	26	178	26	421	16,376
1036.50202	RETIREMENT	84,674	27,514	46,604	21,789	293	2,043	293	4,835	188,044
1036.50204	HEALTH INSURANCE	71,091	20,930	43,811	21,872	163	1,834	163	3,951	163,816
1036.50206	WORKERS' COMPENSATION	17,454	4,470	12,312	6,080	18	558	18	1,015	41,923
	SALARIES & BENEFITS TOTAL	689,144	220,558	386,687	182,505	2,259	16,880	2,259	39,259	1,539,552
1036.51301	TRAVEL/CONFERENCES									
	ACWA WATER QUALITY TASK FORCE MTGS. (SACRAMENTO AREA)	500								500
	TRAVEL/CONFERENCES TOTAL	500	-	-	-	-	-	-	-	500
1036.51501	OFFICE EXPENSE - GENERAL									
	OFFICE/WQ SAMPLING CONSUMABLE PRODUCTS (SAMPLE BOTTLE LABELS, PRINTER CARTRIDGES, TAPE, ETC.); REFERENCE MATERIALS	4,000	2,000	2,600	1,000		100		200	9,900
	FEDEX SHIPPING: WQ SAMPLES TO RESEARCHERS - COOPERATIVE, JOINT EFFORT; JPIA SAFETY AND TRAINING VIDEOS, ETC.	2,500								2,500
	OFFICE EXPENSE - GENERAL TOTAL	6,500	2,000	2,600	1,000	-	100	-	200	12,400
1036.51520	GAS & DIESEL FUEL									
	GASOLINE/DIESEL FUEL	6,600	5,800	3,000	2,500		100		300	18,300
	GAS & DIESEL FUEL TOTAL	6,600	5,800	3,000	2,500	-	100	-	300	18,300
1036.51530	UNIFORMS & SAFETY									
	OCWD UNIFORMS	1,900								1,900
	UNIFORMS & SAFETY TOTAL	1,900	-	-	-	-	-	-	-	1,900
1036.57004	MAINTENANCE EQUIPMENT - GENERAL									
	ROUTINE MAINT & PARTS FOR FIELD MONITORING EQUIPMENT, PUMPS, GENERATORS, CONSTRUCTING ANCILLARY SYSTEMS, TREATMENT ISSUES, ETC.; REPLACEMENT EQUIPMENT PIPES, TUBES, WIRE, CONNECTORS, FITTINGS, SPARE PARTS FOR MECHANICAL AND SUBMERSIBLE PUMPS.	8,000	2,500	3,000	1,500					15,000
	REPLACEMENT OF FAILED SUBMERSIBLE PUMPS - MP1 & SQE PUMPS AT EXISTING SITES OR PUMPS ON TRUCKS	15,000								15,000
	HYDRAULIC SYSTEM MAINTENANCE (T-98)	900		900	200					2,000
	MANUFACTURER FIELD EQUIPMENT REPAIRS	6,800	1,500	4,000	2,000		200		500	15,000
	MAINTENANCE EQUIPMENT - GENERAL TOTAL	30,700	4,000	7,900	3,700	-	200	-	500	47,000

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GENERAL FUND BUDGET FY 14-15
WATER QUALITY (1036)

JDE Account Number	Description	General	GWP Assistance	GWR System O&M	SAR Monitoring	Forebay VOC Litigation	SBGPP	MTBE Litigation	ERC POWUP	Total
	ACTIVITY CODE	9900	4406	9922	4602	9936	9941	9954	9983	
1036.51545	SMALL TOOLS/FIELD SUPPLIES									
	BATTERIES, GEN. FIELD SUPPLIES & MATERIALS FOR SAMPLE COLLECTION TASKS; BUCKETS, ICE CHESTS, MAN-HOLE PULLERS, CARBON TREATMENT VESSELS AND ANCILLARY PARTS, LOCKS, 250-GAL DECON WATER TANK(S), SAFETY EQUIPMENT (LIGHT BAR, CONES, SIGNS), SPECIALIZED FITTINGS FOR CARBON TREATMENT SYSTEM, DRUMS FOR SPENT CARBON.	9,000	3,000	7,000	3,000		500		500	23,000
	WQ CONSUMABLE ITEMS (TUBING, HOSES, FITTINGS, SMALL TOOLS, BLUE ICE, SHIPPING SUPPLIES & PACKING MATERIALS REPLACEMENT OF AGED, FAILED FIELD METERS, PROBES, WATER LEVEL TAPES, CONTROLLERS, ETC.) FILTRASORB F600 CARBON AND PELLETIZED CARBON FOR MOBILE CARBON TREATMENT UNITS (MONITORING WELL DISCHARGES)	26,000								26,000
	SMALL TOOLS/FIELD SUPPLIES TOTAL	35,000	3,000	7,000	3,000	-	500	-	500	49,000
1036.51555	LAB SUPPLIES/EQUIPMENT									
	CALIBRATION SOLUTIONS AND FIELD PRESERVATIVES GLASSWARE, STORAGE CONTAINERS, CARBOYS, GLOVES, DISPENSERS, SAFETY GLASSES, SPILL CONTROL MATERIALS, MISC. LAB SUPPLIES AND UTENSILS, RADIOACTIVITY BOTTLES AND OTHER SPECIALTY SAMPLE CONTAINERS OR SUPPLIES (ORP SOLUTION, ETC.)	1,800	600	1,000	600		100		100	4,200
	LAB SUPPLIES/EQUIPMENT TOTAL	1,800	600	1,000	600	-	100	-	100	4,200
1036.51560	LAB SAMPLES ANALYSIS									
	GWRS PERMIT: FPW, TALBERT BARRIER AND FOREBAY BASIN MW SITES: RADIOLOGICAL, PRIORITY POLLUTANTS, ASBESTOS, DIOXIN, DIPLOMATE RPT. SITES; MICROBIAL AND MONTHLY ROP COLIPHAGE MONITORING.			63,000						63,000
	CEC AND OTHER DBPs STUDIES AT TREATMENT PROCESSES AND FPW			50,000						50,000
	GWRS MID-BASIN INJECTION: CONTRACT LAB ANALYSES			5,900						5,900
	DRINKING WATER RADIOACTIVE: TRIENNIAL TESTING AND NEW WELLS		18,000							18,000
	GREEN ACRES MONITORING	800								800
	SAR WATER QUALITY: MICROBIAL (E.G., PHAGE, BACTERIAL, ETC.) INDICATORS (INCLUDES SITES PREVIOUSLY UNDER GWRS PGM NOW SHARED WITH SAR PANEL OVERSIGHT); TOTAL ORGANIC HALIDES (TOX) AND RADIOLOGICAL TESTING				44,000					44,000
	RIVER DESILTING STUDIES (RIVERBED FILTRATION)	4,300								4,300
	SAR WATER QUALITY STUDIES: EMERGING CONTAMINANTS				5,000					5,000
	IRVINE DESALTER/MCAS TCE PLUME: NAVY AGREEMENT, AND IRWD/DPH MONITORING PROGRAM - SENTINEL WELLS	11,800								11,800
	MISC. OUTSIDE LAB TESTING (SPILLS, EMERGENCIES, SPLITS, CONFIRMATION TESTING, SPECIFIC ANALYTES, ETC.)	12,000								12,000
	POWUP RESEARCH - PRADO WETLANDS: CONTAMINANT REMOVAL STUDY								3,400	3,400
	LAB SAMPLES ANALYSIS TOTAL	28,900	18,000	118,900	49,000	-	-	-	3,400	218,200

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GENERAL FUND BUDGET FY 14-15
WATER QUALITY (1036)

JDE Account Number	Description	General	GWP Assistance	GWR System O&M	SAR Monitoring	Forebay VOC Litigation	SBGPP	MTBE Litigation	ERC POWUP	Total
	ACTIVITY CODE	9900	4406	9922	4602	9936	9941	9954	9983	
1036.51192	TECHNICAL TRAINING									
	STAFF SAFETY TRAINING AND WQ SAMPLING/TECHNICAL TRAINING	3,300								3,300
	TECHNICAL TRAINING TOTAL	3,300	-	-	-	-	-	-	-	3,300
1036.51112	SPECIAL DEPT EXPENSE									
	AQUATIC PESTICIDE NPDES PERMIT	2,062								2,062
	NPDES STORMWATER PERMIT - GWRS FACILITY			1,359						1,359
	NPDES GENERAL DEWATERING PERMIT - BASINWIDE (EXCLUDES DISCHARGES TO NEWPORT BAY)	2,062								2,062
	SEAL BEACH NAVAL WEAPONS STATION: RAPIDGATE CREDENTIALS FOR OCWD (COMPANY) AND STAFF ACCESS TO BASE	1,630								1,630
	SPENT CARBON DISPOSAL COSTS (CARBON TREATMENT OF PURGED GW AT MONITORING WELL SITES TO MEET NPDES DISCHARGE PERMIT LIMITS)	2,500		500						3,000
	SPECIAL DEPT EXPENSE TOTAL	8,254	-	1,859	-	-	-	-	-	10,113
	WATER QUALITY GRAND TOTAL	812,598	253,958	528,946	242,305	2,259	17,880	2,259	44,259	1,904,465

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GENERAL FUND OPERATING BUDGET FY 14-15

LABORATORY (1038)

JDE Account Number	Description	General	GWR System O&M	Talbert Barrier O&M	GAP O&M	Groundwater Producers Assistance	MTBE Litigation	Forebay VOC N. Basin	SAR Monitoring	Prado O&M	Total
	ACTIVITY CODE	9900	9922	9908	9911	4406	9954	9936	4602	9924	
	SALARIES & BENEFITS										
1038.50104	REGULAR SALARIES	255,495	910,770	235,981	82,399	870,023	5,616	5,616	131,745	80,271	2,577,915
1038.50106	OVERTIME	1,755	19,310	4,924	1,371	19,006	-	-	2,860	1,294	50,521
1038.50210	PAYROLL TAXES	3,730	15,582	3,755	1,477	14,987	81	81	2,214	1,445	43,351
1038.50202	RETIREMENT	42,832	149,231	39,407	13,244	142,396	935	935	21,708	12,877	423,565
1038.50204	HEALTH INSURANCE	34,560	146,878	38,635	11,682	143,841	763	763	21,737	11,393	410,252
1038.50206	WORKERS' COMPENSATION	4,774	17,180	4,450	1,550	16,418	104	104	2,486	1,509	48,576
	SALARIES & BENEFITS TOTAL	343,147	1,258,951	327,153	111,722	1,206,671	7,499	7,499	182,750	108,788	3,554,180
1038.51301	TRAVEL/CONFERENCE/MILEAGE										
	OTHER CONFERENCES - NEMC, DHS, EPA - REGULATORY UPDATES	1,500	500	500		500					3,000
	WQTC - AWWA CONFERENCE	1,500									1,500
	TRAVEL/CONFERENCE/MILEAGE TOTAL	3,000	500	500	-	500	-	-	-	-	4,500
1038.51501	OFFICE EXPENSE - GENERAL										
	OFFICE SUPPORT MATERIALS	4,000	1,500	500	100	1,500	1,000	1,500	1,500	200	11,800
	PAPERS, PARTS, DATA CABLES, INSTRUMENT DATA LINKS, ETC.	1,500	250	250		250	250	250	250		3,000
	OFFICE EXPENSE - GENERAL TOTAL	5,500	1,750	750	100	1,750	1,250	1,750	1,750	200	14,800
1038.51104	SUBSCRIPTIONS										
	JOURNAL: AWWA, ACS, ANALYTICAL CHROMATOGRAPHY					200					200
	SUBSCRIPTIONS TOTAL	-	-	-	-	200	-	-	-	-	200
1038.51525	ONLINE DATA SERVER										
	UCMR PROGRAM SUPPORT					500					500
	ONLINE DATA SERVER TOTAL	-	-	-	-	500	-	-	-	-	500
1038.51530	UNIFORMS & SAFETY										
	LAB COATS AND SAFETY EQUIPMENT		1,500	500	500	1,000			1,000	500	5,000
	UNIFORMS & SAFETY TOTAL	-	1,500	500	500	1,000	-	-	1,000	500	5,000
1038.57004	MAINTENANCE EQUIPMENT - GENERAL										
	DIONEX IC SYSTEM (ANIONS/IDBP)		3,200	2,500	500	3,500			6,000	1,500	17,200
	DIONEX IC SYSTEM (PERCHLORATE/CR VI)		3,200	2,500	500	3,500			6,000	1,500	17,200
	ICP/MS		8,500	3,500	600	5,500			8,000	1,000	27,100
	ICP/OES		6,500	1,500	600	4,500			3,250	800	17,150
	LABORATORY BALANCES		500	250	250	600			300	300	2,200
	LABORATORY SAMPLE REFRIGERATORS		500		250	500			250	200	1,700
	LC/MS SYSTEM		8,000	2,000	500	7,000			5,000	500	23,000
	LIMS (ASPEN) AND INSTRUMENT INTERFACE (LIMSLINK) SERVICE SUPPORT		8,000	5,000	3,000	8,000			4,000	500	28,500
	TOC SYSTEMS		8,000	2,000	3,000	8,000			8,000	1,000	30,000
	GC/MS ANALYTICAL SYSTEMS (ORGANIC)		44,000			50,000			30,000	1,000	125,000
	WATER'S HPLC SYSTEMS		9,000	2,000		8,000			6,000		25,000

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GENERAL FUND OPERATING BUDGET FY 14-15

LABORATORY (1038)

JDE Account Number	Description	General	GWR System O&M	Talbert Barrier O&M	GAP O&M	Groundwater Producers Assistance	MTBE Litigation	Forebay VOC N. Basin	SAR Monitoring	Prado O&M	Total
	ACTIVITY CODE	9900	9922	9908	9911	4406	9954	9936	4602	9924	
1038.57004	MAINTENANCE EQUIPMENT - GENERAL (CONTINUED)										
	NITROGEN GENERATOR		2,250			2,250					4,500
	TRI-GAS GENERATOR		3,000	1,000		3,000			3,000		10,000
	APPLIED BIOSYSTEM - LC/MS/MS		25,000	2,000		12,000			3,000		42,000
	AB SCIEX 5500		27,000	3,000		12,000			3,000		45,000
	LEAP AUTOSAMPLER		2,500	1,000		2,000			1,000		6,500
	AUTOTITRATOR		1,000			1,000					2,000
	AGILENT LC SUPPORT		3,500	1,000		3,000			500		8,000
	HIGH SPEED PRINTER		1,000	500		1,500			500		3,500
	DI SYSTEM - SUPPORT & MAINTENANCE		2,000	2,000	1,000	4,000			2,000	1,000	12,000
	STERIS - STERILIZERS, DRYING OVENS & AUTOMATED WASHERS		6,000	2,000	4,000	4,000			3,000	2,000	21,000
	CULLIGAN RO SYSTEM		500	500	500	500			500	500	3,000
	FUME HOOD CERTIFICATION (36) & SNORKEL(35) SERVICE		1,200			1,200			1,200		3,600
	ACID DILUTION TANK PM'S		1,000			1,000			1,000		3,000
	VACUUM TRUCK HAUL OFF		2,500		2,000				500		5,000
	CHEM PRO - CORROSION INHIBITOR		1,400								1,400
	MAINTENANCE EQUIPMENT - GENERAL TOTAL	-	179,250	34,250	16,700	146,550	-	-	96,000	11,800	484,550
1038.51545	SMALL TOOLS & EQUIPMENT										
	TOOLS AND EQUIPMENT TO SERVICE ANALYTICAL SYSTEM		1,000	500	500	500			500		3,000
	SMALL TOOLS & EQUIPMENT TOTAL	-	1,000	500	500	500	-	-	500	-	3,000
1038.51555	LAB SUPPLIES										
	LABORATORY CHEMICALS, REAGENTS, GLASSWARE, GAS CYLINDER	60,000	340,000	90,000	15,000	250,000			80,000	60,000	895,000
	LAB SUPPLIES TOTAL	60,000	340,000	90,000	15,000	250,000	-	-	80,000	60,000	895,000
1038.51560	LAB SAMPLES ANALYSIS										
	CONFIRMATION DATA FROM A SECOND LAB		500	200	200	500			400	200	2,000
	LAB SAMPLES ANALYSIS TOTAL	-	500	200	200	500	-	-	400	200	2,000
1038.51565	EQUIPMENT RENTAL - GENERAL										
	CYLINDER RENTAL		600	300	200	400			500		2,000
	EQUIPMENT RENTAL - GENERAL TOTAL	-	600	300	200	400	-	-	500	-	2,000
1038.51192	EDUCATIONAL TRAINING										
	LAB TRAINING ON COMPLEX INSTRUMENTATION	3,000									3,000
	EDUCATIONAL TRAINING TOTAL	3,000	-	-	-	-	-	-	-	-	3,000
1038.51112	SPECIAL DEPARTMENT EXPENSE										
	ANNUAL CERTIFICATION FEE AND HAZARDOUS WASTE DISPOSAL SERVICE	6,000	8,000	4,000	2,000	6,000			4,000		30,000
	SPECIAL DEPARTMENT EXPENSE TOTAL	6,000	8,000	4,000	2,000	6,000	-	-	4,000	-	30,000
	LABORATORY GRAND TOTAL	420,647	1,792,051	458,153	146,922	1,614,571	8,749	9,249	366,900	181,488	4,998,730

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GENERAL FUND OPERATING BUDGET FY 14-15

RESEARCH & DEVELOPMENT (1040)

JDE Account Number	Description	GRANT FUNDED BUDGET			NON-GRANT FUNDED BUDGET					Total
		General	SARTMDL	Culture/QPC R E. Coli Detection Validation Study	ERC POWUP	GWR Process Optimization	Talbert Barrier O&M	Forebay O&M	ADVMET	
	ACTIVITY CODE	9900	9955	9980	9983	9952	9908	9920	9953	
	SALARIES & BENEFITS									
1040.50104	REGULAR SALARIES	182,862	25,039	14,265	22,665	279,552	2,929	141,372	13,339	682,023
1040.50210	PAYROLL TAXES	2,798	363	207	329	4,054	42	3,999	193	11,985
1040.50202	RETIREMENT	30,053	4,169	2,375	3,774	46,545	488	18,305	2,221	107,929
1040.50204	HEALTH INSURANCE	20,431	2,801	1,341	2,201	28,550	290	11,449	1,239	68,303
1040.50206	WORKERS' COMPENSATION	3,401	466	265	422	5,200	54	2,630	248	12,686
	SALARIES & BENEFITS TOTAL	239,545	32,838	18,453	29,390	363,901	3,803	177,754	17,240	882,925
1040.51301	TRAVEL/CONFERENCE/MILEAGE									
	WATEREUSE					1,500				1,500
	TRAVEL/CONFERENCE/MILEAGE TOTAL	-	-	-	-	1,500	-	-	-	1,500
1040.53001	PROFESSIONAL SERVICES - GENERAL									
	DR. STEPHEN MEZYK (YEAR 1 OF 2)					25,000				25,000
	ADVANCED DATA MINING INTL. (ADMI) (YEAR 1 OF 1)					20,000				20,000
	DR. KAIL LOON CHEN (YEAR 1 OF 1)					10,000				10,000
	DR. EUNHA HOH (YEAR 1 OF 1)					10,000				10,000
	PROFESSIONAL SERVICES - GENERAL TOTAL	-	-	-	-	65,000	-	-	-	65,000
1040.51501	OFFICE EXPENSE - GENERAL									
	MISC. OFFICE EXPENSES (NOTEBOOKS, PHOTO, REPORT PREPARATION, POSTERS)	100	100							200
	PRINTER INK/TONER CARTRIDGES	500								500
	SHIPPING (FEDEX/COURIER)	100				700				800
	OFFICE FURNITURE	500								500
	OFFICE EXPENSE - GENERAL TOTAL	1,200	100	-	-	700	-	-	-	2,000
1040.51520	GAS & DIESEL FUEL									
	FUEL FOR DEPARTMENT VEHICLE	300	100					600		1,000
	GAS & DIESEL FUEL TOTAL	300	100	-	-	-	-	600	-	1,000
1040.51530	UNIFORMS & SAFETY									
	LAB COATS (SUPPLY & CLEANING)	900								900
	UNIFORMS & SAFETY TOTAL	900	-	-	-	-	-	-	-	900

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GENERAL FUND OPERATING BUDGET FY 14-15

RESEARCH & DEVELOPMENT (1040)

JDE Account Number	Description	GRANT FUNDED BUDGET			NON-GRANT FUNDED BUDGET					Total
		General	SARTMDL	Culture/QPC R E. Coli Detection Validation Study	ERC POWUP	GWR Process Optimization	Talbert Barrier O&M	Forebay O&M	ADVMET	
	ACTIVITY CODE	9900	9955	9980	9983	9952	9908	9920	9953	
1040.57004	MAINTENANCE EQUIPMENT - GENERAL									
	ABI 310 GENETIC ANALYZER SERVICE CONTRACT	7,900								7,900
	ALL BALANCES (9)	450								450
	ALL INCUBATORS (6)	500								500
	ALL MICROSCOPES (5)	750								750
	ATOMIC FORCE MICROSCOPE SYSTEM	700								700
	ATR. FTIR SPECTROMETER SERVICE CONTRACT	6,200								6,200
	ABI STEP ONE PLUS SERVICE CONTRACT	3,000								3,000
	ALL HOOD SAFETY INSPECTION/CALIBRATION (4)	800								800
	FRL EQUIPMENT MAINTENANCE	4,000								4,000
	HIGH SPEED CENTRIFUGES (2)	500								500
	LARGE REFRIGERATOR	500								500
	UV RADIOMETER CALIBRATION/SERVICE	450								450
	MEMBRANE TEST UNITS REPAIRS (11)	3,000								3,000
	VERTI FAST THERMOCYCLER SERVICE CONTRACT	1,900								1,900
	SMALL REFRIGERATORS (6)	500								500
	SPECTROPHOTOMETERS (4)	400								400
	COULTER MULTISIZER 4 SERVICE CONTRACT	4,800								4,800
	ULTRA LOW TEMP FREEZER	1,000								1,000
	WAVE DNA ANALYZER	500								500
	MAINTENANCE EQUIPMENT - GENERAL TOTAL	37,850	-	-	-	-	-	-	-	37,850
1040.57016	MAINT STRUCTURE & IMPROVEMENT - GENERAL									
	GENERAL DEPARTMENTAL REPAIR WORK	400								400
	MAINT STRUCTURE & IMPROVEMENT - GENERAL TOTAL	400	-	-	-	-	-	-	-	400
1040.51555	LAB SUPPLIES									
	EXPENDABLE LAB SUPPLIES - GENERAL	7,000	2,000		1,500	4,750		4,500	500	20,250
	HYDRAULIC SUPPLIES (PUMPS, VALVES, FITTINGS)					2,000		1,000		3,000
	MEMBRANES (MF/RO)					500		500		1,000
	MOLECULAR BIOLOGY SUPPLIES		4,000		1,500	1,500			250	7,250
	LAB SUPPLIES TOTAL	7,000	6,000	-	3,000	8,750	-	6,000	750	31,500

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GENERAL FUND OPERATING BUDGET FY 14-15

RESEARCH & DEVELOPMENT (1040)

JDE Account Number	Description	GRANT FUNDED BUDGET			NON-GRANT FUNDED BUDGET					Total
		General	SARTMDL	Culture/QPC R E. Coli Detection Validation Study	ERC POWUP	GWR Process Optimization	Talbert Barrier O&M	Forebay O&M	ADVMET	
	ACTIVITY CODE	9900	9955	9980	9983	9952	9908	9920	9953	
1040.51560	LAB SAMPLES ANALYSIS									
	EM ANALYSIS					6,000				6,000
	OTHERS (DNA SEQUENCING, CHEMICAL ANALYSIS, ETC.)					2,000				2,000
	LAB SAMPLES ANALYSIS TOTAL	-	-	-	-	8,000	-	-	-	8,000
1040.51565	EQUIPMENT RENTAL - GENERAL									
	BOTTLED WATER SERVICE (DS WATERS BPO ANNEX)	200								200
	DI CARTRIDGES (US FILTER BPO)	1,000								1,000
	GAS CYLINDERS/LIQUID N2 (PRAXAIR BPO)	300								300
	EQUIPMENT RENTAL - GENERAL TOTAL	1,500	-	-	-	-	-	-	-	1,500
1040.51102	MEMBERSHIP									
	AMERICAN SOCIETY FOR MICROBIOLOGY (ASM)	75								75
	INTERNATIONAL ULTRAVIOLET ASSOCIATION (IUVA)	95								95
	MEMBERSHIP TOTAL	170	-	-	-	-	-	-	-	170
1040.51112	SPECIAL DEPARTMENT EXPENSE									
	JOURNAL PAGE CHARGES & REPRINTS	100								100
	REFERENCE MATERIAL (BOOKS, MANUALS, CDS)	400								400
	SPECIAL DEPARTMENT EXPENSE TOTAL	500	-	-	-	-	-	-	-	500
										-
	RESEARCH AND DEVELOPMENT GROSS TOTAL	289,365	39,038	18,453	32,390	447,851	3,803	184,354	17,990	1,033,245
	ANTICIPATED GRANT FUNDING THIS BUDGET YEAR		39,038							39,038
	RESEARCH & DEVELOPMENT NET TOTAL	289,365	-	18,453	32,390	447,851	3,803	184,354	17,990	994,207

GENERAL FUND OPERATING BUDGET FY 14-15
PLANNING & WATERSHED MANAGEMENT (1044)

JDE Account Number	Description	General	Prado FS	Total
	ACTIVITY CODE	9900	9978	
	SALARIES & BENEFITS			
1044.50104	REGULAR SALARIES	538,857	33,980	572,837
1044.50210	PAYROLL TAXES	7,813	493	8,306
1044.50202	RETIREMENT	89,720	5,658	95,377
1044.50204	HEALTH INSURANCE	60,861	3,745	64,606
1044.50206	WORKERS' COMPENSATION	5,442	343	5,786
	SALARIES & BENEFITS TOTAL	702,694	44,218	746,912
1044.51301	TRAVEL/CONFERENCE/MILEAGE			
	ACWA CONFERENCES (FALL AND SPRING)	2,000		2,000
	ACWA GROUNDWATER COMM MTGS IN SACRAMENTO	600		600
	WASHINGTON DC MTGS WITH ARMY CORPS ON PRADO FS	1,800		1,800
	GRA BOARD MEETINGS (4 TRIPS)	1,400		1,400
	MANAGED AQUIFER RECHARGE CONFERENCE	500		500
	TRAVEL/CONFERENCE/MILEAGE TOTAL	6,300	-	6,300
1044.53001	PROFESSIONAL SERVICE - GENERAL			
	PRADO BASIN FEASIBILITY STUDY (TECHNICAL STUDIES AND CONSULTANT SUPPORT)		200,000	200,000
	PRADO BASIN FEASIBILITY STUDY (PAYMENT TO CORPS OF FINAL 50% STUDY COSTS) *			-
	LOWER SANTIAGO CREEK RECHARGE FEASIBILITY STUDY *			-
	UPDATES TO COMPUTER MODEL OF RECHARGE FACILITIES	25,000		25,000
	MID-BASIN INJECTION CEQA ANALYSIS	75,000		75,000
	SUPPORT FOR CEQA COMPLIANCE (AIR & NOISE ANALYSES)	30,000		30,000
	SARI/OCSD PLANT 2 RECYCLING WATER QUALITY STUDY	50,000		50,000
	SANTA ANA RIVER WATERMASTER ACTION TEAM	10,000		10,000
	TECHNICAL REVIEW FOR REWG - DR MATT BECKER	2,000		2,000
	SUPPORT TO PREPARE FEASIBILITY STUDIES	20,000		20,000
	PROFESSIONAL SERVICE - GENERAL TOTAL	212,000	200,000	412,000
1044.51501	OFFICE EXPENSE - GENERAL			
	OFFICE SUPPLIES	100		100
	REWG MEETING EXPENSES	600		600
	SPECIAL COPYING AND FEDERAL EXPRESS	1,500		1,500
	OFFICE EXPENSE - GENERAL TOTAL	2,200	-	2,200

GENERAL FUND OPERATING BUDGET FY 14-15
PLANNING & WATERSHED MANAGEMENT (1044)

JDE Account Number	Description	General	Prado FS	Total
	ACTIVITY CODE	9900	9978	
1044.51520	GAS & DIESEL FUEL			
	FUEL FOR DISTRICT VEHICLES	4,000		4,000
	GAS & DIESEL FUEL TOTAL	4,000	-	4,000
1044.51112	SPECIAL DEPARTMENT EXPENSE			
	WATER RIGHTS FEE (STATE WATER RESOURCES CONTROL BOARD)	25,000		25,000
	REGIONAL GENERAL MAINTENANCE PERMIT (CA DEPT OF FISH & WILDLIFE ANNUAL FEE)	20,000		20,000
	REWG STUDIES (LOWER FIVE COVES, LINCOLN, SANTIAGO CREEK AT GRIJALVA PK)	35,000		35,000
	PERMIT FEES FOR PROJECTS (CDFG, ARMY CORPS, REG BOARD, CEQA FILINGS)	19,000		19,000
	SPECIAL DEPARTMENT EXPENSE TOTAL	99,000	-	99,000
1044.51530	UNIFORMS & SAFETY			
	DISTRICT SHIRTS	200		200
	UNIFORMS & SAFETY TOTAL	200	-	200
1044.51102	MEMBERSHIP			
	PROFESSIONAL CERTIFICATIONS	400		400
	MEMBERSHIP TOTAL	400	-	400
	PLANNING & WATERSHED MANAGEMENT GRAND TOTAL	1,026,794	244,218	1,271,012

* Funding Source: Reserves

GENERAL FUND OPERATING BUDGET FY 14-15
LOCAL RESOURCES (1045)

JDE Account Number	Description	General	Total
	ACTIVITY CODE	9900	
	SALARIES & BENEFITS		
1045.50104	REGULAR SALARIES	192,060	192,060
1045.50210	PAYROLL TAXES	2,785	2,785
1045.50202	RETIREMENT	31,978	31,978
1045.50204	HEALTH INSURANCE	19,368	19,368
1045.50206	WORKERS' COMPENSATION	1,940	1,940
	SALARIES & BENEFITS TOTAL	248,131	248,131
1045.51102	MEMBERSHIPS		
	MEMBERSHIPS (OCWA, AWWA, CRWA)	250	250
	MEMBERSHIPS TOTAL	250	250
1045.53001	PROFESSIONAL SERVICE - GENERAL		
	MWDOC & POSEIDON HB DESALTER STUDY COST	2,500	2,500
	PROFESSIONAL SERVICE - GENERAL TOTAL	2,500	2,500
1045.51301	TRAVEL/CONFERENCE/MILEAGE		
	ACWA MEETING	1,200	1,200
	LOCAL MEETINGS	250	250
	TRAVEL/CONFERENCE/MILEAGE TOTAL	1,450	1,450
1045.51501	OFFICE EXPENSE - GENERAL		
	OFFICE/MEETING SUPPLIES	500	500
	COLOR COPIES	300	300
	FEDERAL EXPRESS TO GRANT & LOAN FUNDING AGENCIES	500	500
	OFFICE EXPENSE - GENERAL TOTAL	1,300	1,300
	LOCAL RESOURCES GRAND TOTAL	253,631	253,631

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GENERAL FUND OPERATING BUDGET FY 14-15
REGULATORY AFFAIRS (1046)

JDE Account Number	Description	General	GWR System O&M	Prado O & M	SAR Monitoring	Total
	ACTIVITY CODE	9900	9922	9924	4602	
	SALARIES & BENEFITS					
1046.50104	REGULAR SALARIES	330,219	8,148	48,888	24,444	411,699
1046.50210	PAYROLL TAXES	5,566	147	883	441	7,038
1046.50202	RETIREMENT	54,202	1,279	7,672	3,836	66,989
1046.50204	HEALTH INSURANCE	38,484	1,059	6,357	3,178	49,079
1046.50206	WORKERS' COMPENSATION	3,335	82	494	247	4,158
	SALARIES & BENEFITS TOTAL	431,806	10,716	64,294	32,147	538,963
1046.51301	TRAVEL/CONFERENCE/MILEAGE					
	DPR ADVISORY GROUP/SWRCB ANTI-DEG MEETINGS (SACRAMENTO)	1,000				1,000
	2014 WATEREUSE ANNUAL SYMPOSIUM (SEPTEMBER: DALLAS, TX)	1,250				1,250
	2015 WATEREUSE CALIFORNIA ANNUAL CONF (MARCH: N. CALIFORNIA)	1,750				1,750
	2015 WATEREUSE AND DESAL RESEARCH CONFERENCE (MAY: TBD)	2,000				2,000
	2014 AWWA WQTC CONF (NOV: NEW OREANS, LA)	1,250				1,250
	WATER RF TCRC BOARD MEETING	1,000				1,000
	WATEREUSE RESEARCH FOUNDATION RAC MEETINGS	1,000				1,000
	NSF ERC ADVISORY BOARD MEETINGS (SEMI-ANNUAL, PALO ALTO)	1,000				1,000
	WATEREUSE & WATER RF PROJECT WORKSHOPS	1,000				1,000
	TRAVEL/CONFERENCE/MILEAGE TOTAL	11,250	-	-	-	11,250
1046.53001	PROFESSIONAL SERVICE - GENERAL					
	CONSULTING SERVICES FOR NEW GWRS & GAP RWQCB PERMIT		20,000			20,000
	CONSULTING SERVICES FOR GWRS ANNUAL REPORT		42,100			42,100
	NWRI SAR WQ MONITORING INDEPENDENT ADVISORY PANEL				25,000	25,000
	NWRI GWRS INDEPENDENT ADVISORY PANEL (PERMIT REQMT)		50,000			50,000
	STANFORD MOBILIZATION/POST-TREATMENT STUDY		10,000			10,000
	NSF ERC IAB MEMBERSHIP (STANFORD, UC-BERKELEY, CSM, NMSU)	10,000				10,000
	PROFESSIONAL SERVICE - GENERAL TOTAL	10,000	122,100	-	25,000	157,100

GENERAL FUND OPERATING BUDGET FY 14-15
REGULATORY AFFAIRS (1046)

JDE Account Number	Description	General	GWR System O&M	Prado O & M	SAR Monitoring	Total
	ACTIVITY CODE	9900	9922	9924	4602	
1046.51501	OFFICE EXPENSE - GENERAL					
	SHIPPING COST/FEDEX/ONTRAC	1,000				1,000
	OFFICE SUPPLIES (TONER, ETC.)	500				500
	COLOR COPIES FOR GWRS ANNUAL REPORT & PANEL BOOKLETS	2,000				2,000
	PUREWG MEETINGS	500				500
	OFFICE EXPENSE - GENERAL TOTAL	4,000	-	-	-	4,000
1046.51104	SUBSCRIPTION					
	ENVIRONMENTAL SCIENCE & TECHNOLOGY JOURNAL (ACS)	200				200
	GROUNDWATER JOURNAL (NGWA)	200				200
	SUBSCRIPTION TOTAL	400	-	-	-	400
1046.51102	MEMBERSHIPS AND REGISTRATIONS					
	IWA & AWWA MEMBERSHIPS AND PROFESSIONAL REGISTRATIONS	800				800
	MEMBERSHIPS AND REGISTRATIONS TOTAL	800	-	-	-	800
1046.51112	SPECIAL DEPARTMENT EXPENSE					
	RWQCB PERMIT FEE FOR GWR SYSTEM RIVER DISCHARGE		6,000			6,000
	SWRCB DWP FEES FOR REVIEWING PERMITS AND PROJECTS		25,000			25,000
	SPECIAL DEPARTMENT EXPENSE TOTAL	-	31,000	-	-	31,000
	REGULATORY AFFAIRS GRAND TOTAL	458,256	163,816	64,294	57,147	743,513

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GENERAL FUND OPERATING BUDGET FY 14-15
WATER PRODUCTION (1050)

JDE Account Number	Description	General	GWR System O&M	Process Optimization	Talbert Barrier O&M	FV Facility O&M	GAP O&M	Lab Maintenance	Alamitos Barrier O&M	Total
	ACTIVITY CODE	9900	9922	9952	9908	9901	9911	9974	9932	
	SALARIES & BENEFITS									
1050.50104	REGULAR SALARIES	1,541,896	2,554,032	430,321	457,694	251,346	580,016	111,025	18,536	5,944,865
1050.50106	OVERTIME SALARIES	56,953	189,945	18,549	12,994	8,507	40,183	4,705	772	332,609
	CAPITALIZED SALARIES	(1,004,858)								(1,004,858)
1050.50210	PAYROLL TAXES	23,183	39,788	7,718	6,825	3,768	8,993	1,678	280	92,232
1050.50202	RETIREMENT	266,208	456,872	71,490	78,370	43,265	103,263	19,269	3,215	1,041,953
1050.50204	HEALTH INSURANCE	239,576	456,607	60,779	79,624	51,008	100,600	21,915	3,881	1,013,991
1050.50206	WORKERS' COMPENSATION	59,642	131,342	16,245	23,473	12,647	30,002	5,616	972	279,938
	CAPITALIZED BENEFITS	(374,477)								(374,477)
	SALARIES & BENEFITS TOTAL	808,125	3,828,586	605,102	658,979	370,540	863,057	164,209	27,656.27	7,326,254
1050.51301	TRAVEL/CONFERENCE/MILEAGE									
	PATEL JULY 15-17, 2014 AMTA WORKSHOP AND BOARD MEETING, NEWPORT BEACH, CA		200							200
	PATEL SEPT 7-10, 2014 WATEREUSE ANNUAL CONFERENCE, DALLAS, TX		600							600
	PATEL SEPT 2014 SWMOA 1 DAY WORKSHOP, TBD, CA		300							300
	PATEL MARCH 2015 AWWA/AMTA JOINT MEMBRANE TECHNOLOGY CONF, ORLANDO, FL (CONF ORGANIZER, ABSTRACT WILL BE SUBMITTED, AMTA BOARD MEETING)		1,500							1,500
	PATEL SEPT. 15-17, 2014 AMTA WORKSHOP, ISLE OF PALMS, SC (JUST ATTENDING AMTA BOARD MEETING AT EVENT, TRIP COSTS PARTIALLY REIMBURSED BY AMTA)		250							250
	PATEL MAY 2015, SWMOA ANNUAL SYMPOSIUM, VENTURA OR PALM SPRINGS (TBD), CA		500							500
	PATEL DEC. 9-11 2015 AMTA WORKSHOP, DILLON, CO (JUST ATTENDING AMTA BOARD MEETING AT EVENT, TRIP COSTS PARTIALLY REIMBURSED BY AMTA)		250							250
	KNOELL 2015 CA WATEREUSE ANNUAL OR WATEREUSE DESALINATION RESEARCH CONFERENCE, (TBD), CA (PAPER)			600						600
	KNOELL 2015 SWMOA ANNUAL SYMPOSIUM, VENTURA OR PALM SPRINGS (TBD), CA (BOARD MEETING AT EVENT, PAPER)			500						500
	KNOELL 2014/2015 SWMOA 1 DAY WORKSHOP, TBD, CA (BOARD MEETING AT EVENT)			300						300
	KNOELL MARCH 2015 AWWA/AMTA JOINT MEMBRANE TECHNOLOGY CONF, ORLANDO, FL (CONF ORGANIZER, ABSTRACT WILL BE SUBMITTED FOR WORKSHOP/PAPER)			1,500						1,500
	BOB PHILLIPS CWEA CONFERENCE (SARBS BOARD)		1,250							1,250
	KALINOWSKI EMERSON USER CONFERENCE		2,500							2,500
	PCS PROGRAMMER EMERSON USER CONFERENCE		2,500							2,500
	MAINTENANCE CWEA LOCAL SECTION TRISTATE CONFERENCE (3)		2,500							2,500
	NWGA CONFERENCE ANNUAL EXPO				2,500					2,500
	TRAVEL/CONFERENCE/MILEAGE TOTAL	-	12,350	2,900	2,500	-	-	-	-	17,750
1050.53001	PROFESSIONAL SERVICES-GENERAL									
	CONSULTING SERVICES GWRS		75,000							75,000
	PROFESSIONAL SERVICES-GENERAL TOTAL	-	75,000	-	-	-	-	-	-	75,000
1050.51501	OFFICE EXPENSE - GENERAL									
	BLUE PRINT AND COPIES		2,000							2,000
	FILING CABINETS, CHAIRS		4,000							4,000
	OFFICE SUPPLIES		11,000	300						11,300
	OFFICE EXPENSE - GENERAL TOTAL	-	17,000	300	-	-	-	-	-	17,300
1050.51510	HARDWARE/SOFTWARE									
	PCS SYSTEM SOFTWARE SUPPORT (EMERSON GUARDIAN)		56,000							56,000
	PCS SYSTEM HARDWARE		5,000							5,000
	MANUGISTICS UPGRADE (UPGRADE 11 YEAR OLD PROGRAM)			900						900
	HARDWARE/SOFTWARE TOTAL	-	61,000	900	-	-	-	-	-	61,900
1050.51104	SUBSCRIPTIONS									
	LAB AND MAINTENANCE MANAGEMENT			250						250
	SUBSCRIPTIONS TOTAL	-	-	250	-	-	-	-	-	250

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GENERAL FUND OPERATING BUDGET FY 14-15
WATER PRODUCTION (1050)

JDE Account Number	Description	General	GWR System O&M	Process Optimization	Talbert Barrier O&M	FV Facility O&M	GAP O&M	Lab Maintenance	Alamitos Barrier O&M	Total
	ACTIVITY CODE	9900	9922	9952	9908	9901	9911	9974	9932	
1050.51520	GAS & DIESEL FUEL									
	FUEL		8,000		10,000	1,500	7,000			26,500
	GAS & DIESEL FUEL TOTAL	-	8,000	-	10,000	1,500	7,000	-	-	26,500
1050.51530	UNIFORMS & SAFETY									
	BOTTLED WATER AS REQUIRED IN TREATMENT AREA		2,500							2,500
	JACKETS, POLO SHIRTS, RAINGEAR		2,000							2,000
	DISTRICT SUPPLIED UNIFORMS		30,000							30,000
	UNIFORMS & SAFETY TOTAL	-	34,500	-	-	-	-	-	-	34,500
1050.57001	MAINTENANCE - SUPPLIES & MATERIAL - ELECTRICAL/INSTRUMENTATION									
	MISC MOTOR, PUMP WAREHOUSE SUPPLIES		4,500		1,000	500	1,000			7,000
	PLANT UPS SYSTEM REPAIRS		5,500				500			6,000
	ELECTRICAL WAREHOUSE SUPPLIES		3,000	1,000			500			4,500
	INSTRUMENTATION PARTS AND SUPPLIES		6,500	3,000			500			10,000
	LIGHTING & EMERGENCY, LIGHT SUPPLIES		2,800			1,000	200	500		4,500
	OFFICE ELECTRICAL & LIGHTING REPAIRS		1,500			1,000		500		3,000
	MAINTENANCE - SUPPLIES & MATERIAL - ELECTRICAL/INSTRUMENTATION TOTAL	-	23,800	4,000	1,000	2,500	2,700	1,000	-	35,000
1050.57004	MAINTENANCE - SUPPLIES & MATERIAL									
	BARRIER FIELD EQUIPMENT REPAIR SUPPLIES				2,000					2,000
	BOTTLED GAS NITROGEN ECT FOR BARRIER, OPTIONS & MAINTENANCE		500		3,000		750			4,250
	EQUIPMENT AND STRUCTURE REPAIRS SUPPLIES		3,000	2,000		1,000	1,000			7,000
	EQUIPMENT LUBRICATION SUPPLIES		20,000			750	3,250			24,000
	FENCING AND SECURITY GATE REPAIRS		2,500		1,500		500			4,500
	GASKETS, BEARINGS, AND GEARS WAREHOUSE SUPPLIES		5,000	500	500	500	1,000			7,500
	HARDWARE SUPPLIES FOR BUILDINGS AND PROCESSES		5,000	2,500	1,000	3,000	500			12,000
	IRRIGATION SUPPLIES				1,000	1,000	2,000			4,000
	JANITORIAL SUPPLIES					10,000				10,000
	ADMINISTRATION, LABORATORY & ANNEX REPAIRS					4,000		2,000		6,000
	LANDSCAPE SUPPLIES					2,500				2,500
	LUMBER, PAINT, HARDWARE SUPPLIES		1,500				2,000			3,500
	PIPE AND SUPPLIES		5,000	5,000		2,000	1,000			13,000
	PVC PIPE REPAIRS AND SUPPLIES		7,000	4,000		500	2,000			13,500
	SIGNAGE SUPPLIES		1,000			1,000	1,000			3,000
	SITE FACILITY PAINTING/SUPPLIES		4,000			3,000	1,000			8,000
	STRUCTURE BLDG REPAIRS MISC		5,000		500	2,000	1,000	1,000		9,500
	WELDING MATERIAL (SHEET METAL, STAINLESS, ANGLE IRON)		6,000	500	2,000	1,500	1,000			11,000
	SUMP PUMP REPLACEMENT ELECTRICAL MANHOLES		5,000	500	1,000	500	500			7,500
	WELDING SUPPLIES		4,000		500		500			5,200
	US FLAGS					1,250				1,250
	MAINTENANCE - SUPPLIES & MATERIAL TOTAL	-	74,500	15,000	13,000	34,700	19,000	3,000	-	159,200
1050.57006	MAINTENANCE EQUIPMENT - COMMUNICATION									
	REPAIR AND REPLACEMENT OF HANDHELD AND CAR RADIOS		3,500		1,000		1,000			5,500
	MAINTENANCE EQUIPMENT - COMMUNICATION TOTAL	-	3,500	-	1,000	-	1,000	-	-	5,500
1050.57008	MAINTENANCE EQUIPMENT - CARTS									
	REPAIR OF CARTS		500	3,500						4,000
	MAINTENANCE EQUIPMENT - CARTS TOTAL	-	500	3,500	-	-	-	-	-	4,000
1050.57010	MAINTENANCE EQUIPMENT - VEHICLES									
	MAINTENANCE OF ALL VEHICLES IN OCWD FV POOL	26,000								26,000
	SOFTWARE UPGRADE VEHICLE SCANNER	1,500								1,500
	MAINTENANCE EQUIPMENT - VEHICLES TOTAL	27,500	-	-	-	-	-	-	-	27,500

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GENERAL FUND OPERATING BUDGET FY 14-15
WATER PRODUCTION (1050)

JDE Account Number	Description	General	GWR System O&M	Process Optimization	Talbert Barrier O&M	FV Facility O&M	GAP O&M	Lab Maintenance	Alamitos Barrier O&M	Total
	ACTIVITY CODE	9900	9922	9952	9908	9901	9911	9974	9932	
1050.57012	MAINTENANCE EQUIPMENT - HEAVY EQUIPMENT									
	MAINTENANCE OF HEAVY EQUIPMENT FOR WATER PRODUCTION		3,500		1,500					5,000
	MAINTENANCE EQUIPMENT - HEAVY EQUIPMENT TOTAL	-	3,500	-	1,500	-	-	-	-	5,000
1050.57016	MAINTENANCE STRUCTURE AND IMPROVEMENT - OUTSIDE SERVICES									
	FV SITE BUILDING REPAIRS		1,000			2,000				3,000
	ROOF REPAIRS		1,000			500	500			2,000
	ANNUAL INSPECTION/REPAIR OF RPPD		3,000			1,500	3,000			7,500
	PLANT WIDE CRANE SERVICE AND INSPECTION		11,500				300			11,800
	CONCRETE REPAIRS & CORE DRILLING		1,200		250		250			1,700
	ELEVATOR YEARLY INSPECTION AND CERTIFICATION (MF, RO, ANNEX & LAB)		2,500			8,300				10,800
	FIRE SPRINKLER SERVICE WET AND DRY QUARTERLY AND ANNUAL TEST		10,000			4,000				14,000
	FIRE EXTINGUISHER SERVICE PM		5,000							5,000
	LABORATORY FIRE ALARM SERVICE							4,000		4,000
	FV SITE FIRE ALARM SERVICE/REPAIR		8,000			2,000				10,000
	HVAC & AIR HANDLING PM GWRS BUILDINGS AND MAINTENANCE FV OFFICES		34,000			17,000	1,000			52,000
	HVAC & AIR HANDLING REPAIRS GWRS AND FV SITE OFFICES		11,000			5,000	500			16,500
	HVAC LAB PM/REPAIR INCLUDES PHOENIX AND ANDOVER CONTROLS & BOILERS							34,500		34,500
	JANITORIAL SERVICE GWRS, FV, LAB BLDG & WINDOWS INCLUDES SHARED MWDOC					78,000				78,000
	GWRS EXTERIOR PANEL MAINTENANCE					5,000				5,000
	EMERGENCY JANITORIAL SERVICES					500				500
	LANDSCAPE SERVICES INCLUDING SHARED MWDOC					44,000				44,000
	TREE TRIMMING SERVICE					3,500				3,500
	INDOOR PLANT SERVICES					3,200				3,200
	EXTERMINATOR PEST CONTROL SERVICES		1,000			7,400				8,400
	RAINBOW DISPOSAL TRASH PICKUP INCLUDES SHARED MWDOC		2,000			19,500				21,500
	SITE STREET SWEEPING					4,000				4,000
	MEDIUM VOLTAGE VFD ANNUAL PM		34,000							34,000
	MOTOR CONTROL CENTER PM		2,000			500	1,000			3,500
	MEDIUM VOLTAGE DISTRIBUTOR & SWITCHGEAR PM & OIL TESTING		18,000							18,000
	MEDIUM VOLTAGE DISTRIBUTOR & SWITCHGEAR PM REPAIRS 20% OF PM		3,600							3,600
	NFPA SAFETY EQUIPMENT CERTIFICATION/TESTING		1,500							1,500
	NIST CERTIFICATION CALIBRATION ELECTRICAL SHOP EQUIPMENT		2,000							2,000
	GWRS EMERGENCY GENERATORS QUARTERLY INSPECTION & LOAD TEST		2,000							2,000
	MOTOR OIL ANALYSIS		4,000				2,000			6,000
	MOTOR VIBRATION ANALYSIS		700				300			1,000
	PLUMBING SERVICE BUILDINGS		2,000			1,000	500			3,500
	PUMP MISC INSPECTION AND MODIFICATION		1,250				750			2,000
	REPAIR STAINLESS STEEL VALVE, FITTINGS AND MISC PIPES		1,000		500		750			2,250
	REPAIR/INSPECTION OF AIR VAC AND PRESS RELIEF & BF VALVES		1,000		750		1,000			2,750
	USA OUTSOURCE UNDERGROUND SERVICE ALERTS		26,000		10,000		41,000			77,000
	USA NOTIFICATION REQUEST FEE		3,000				5,000			8,000
	STOCKING MAINTENANCE PARTS CAGE		3,000	500	500	500	500			5,000
	WINDOW AND DOOR REPAIRS AND SUPPLIES		500		1,000		500			2,000
	VIBRALIGN CALIBRATION & SERVICE		1,500							1,500
	ANNUAL GARAGE DOOR MAINTENANCE		1,000							1,000
	FUME HOOD CERTIFICATION			400						400
	UE SYSTEMS ULTRASONIC CALIBRATION SERVICE		500							500
	MAINTENANCE STRUCTURE AND IMPROVEMENT - OUTSIDE SERVICES TOTAL	-	199,750	900	13,000	207,400	58,850	38,500	-	518,400
1050.57044	MAINTENANCE STRUCTURE AND IMPROVEMENT - GWRS SCREENINGS									
	SCREENINGS PM		10,000							10,000
	MAINTENANCE STRUCTURE AND IMPROVEMENT - GWRS SCREENINGS TOTAL	-	10,000	-	-	-	-	-	-	10,000

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JDE Account Number	Description	General	GWR System O&M	Process Optimization	Talbert Barrier O&M	FV Facility O&M	GAP O&M	Lab Maintenance	Alamitos Barrier O&M	Total
	ACTIVITY CODE	9900	9922	9952	9908	9901	9911	9974	9932	
1050.57031	MAINTENANCE STRUCTURE AND IMPROVEMENT - GWRS MICROFILTRATION									
	MF BACKWASH PUMP PM		3,000							3,000
	MF FILTRATE PUMP PM		6,000	2,000						8,000
	MF PUMP VFD PM/REPAIRS		14,000	800						14,800
	MF PCS EQUIPMENT		2,500	500						3,000
	MF CHEMICAL PUMPS		6,000	1,000						7,000
	MF INSTRUMENTATION PM		6,500	1,000						7,500
	MF CHLORINE ANALYZER PM (INCLUDES \$1800 FOR POTASSIUM IODIDE)		7,000	1,000						8,000
	MF PIPE REPAIRS		18,000	500						18,500
	MF COMPRESSOR PM		3,000							3,000
	MF BLOWER PM		8,000							8,000
	MF VALVE/ACTUATOR PM		22,000	2,000						24,000
	TRANSFER PUMP, BACKWASH PUMP AND VALVE PM		12,000							12,000
	MISC MF ELEMENT REPLACEMENT NON WARRANTY/TESTING OF NEW (MANUFACTURERS) ELEMENT APPROX. 18 ELEMENTS @ \$690 EACH		7,500	5,000						12,500
	MAINTENANCE STRUCTURE AND IMPROVEMENT - GWRS MICROFILTRATION TOTAL	-	115,500	13,800	-	-	-	-	-	129,300
1050.57032	MAINTENANCE STRUCTURE/IMPROVEMENT - GWRS REVERSE OSMOSIS									
	RO FEED PUMP PM		10,000	4,000						14,000
	REPLACE 4 MECHANICAL SEALS RO FEED PUMPS		10,000							10,000
	RO ACID PUMP PM		5,000	1,000						6,000
	RO VFD PM		5,000							5,000
	RO PCS EQUIPMENT		5,000							5,000
	RO INSTRUMENTATION PM		3,000	6,000						9,000
	RO PRESSURE VESSEL END CAP ORING REPLACEMENT		12,000							12,000
	RO PIPE REPAIRS		10,000	6,000						16,000
	REPLACING RO CLEANING PVC PIPE		13,000							13,000
	TOC ANALYZER CHEMICALS/MISC.		8,000							8,000
	TOC ANALYZER PM		13,000							13,000
	RO VALVE ACTUATOR PM		4,000							4,000
	RO PRESSURE VESSEL FOR MEMBRANE PILOT WORK			2,000						2,000
	MISC RO MEMBRANES (FULL-SCALE EVALUATIONS)		8,000	5,000						13,000
	MAINTENANCE STRUCTURE/IMPROVEMENT - GWRS REVERSE OSMOSIS TOTAL	-	106,000	24,000	-	-	-	-	-	130,000
1050.57038	MAINTENANCE STRUCTURE/IMPROVEMENT - GWRS UV SYSTEM									
	UV CHEMICAL PUMP PM		3,000							3,000
	UV PCS EQUIPMENT		2,000							2,000
	UV INSTRUMENT PM		1,500							1,500
	UV LAMP ASSEMBLY PM ORINGS END ADAPTERS		3,000							3,000
	UV BALLASTS		10,000							10,000
	UV LAMP REPLACEMENT AND SPARES (\$174)		365,000							365,000
	UV LAMP RECYCLING FEE		5,000							5,000
	UV QUARTZ SLEEVES		5,000							5,000
	UV TRANSMITTANCE METER PM		2,000							2,000
	UV VALVE ACTUATOR PM		2,500							2,500
	MAINTENANCE STRUCTURE/IMPROVEMENT - GWRS UV SYSTEM TOTAL	-	399,000	-	-	-	-	-	-	399,000
1050.57046	MAINTENANCE STRUCTURE/IMPROVEMENT - GWRS LIME SYSTEM									
	LIME MIXING EQUIPMENT PM		5,000							5,000
	POLYMER EQUIPMENT		1,500							1,500
	LIME INSTRUMENTATION		2,000							2,000
	LIME TUBE PUMP PM		8,000							8,000
	LIME 4 INCH SLUDGE LINE PLUMBING PM		6,000							6,000
	LIME SOLIDS HAULING		2,000							2,000
	LIME VALVE PM		3,000							3,000
	MAINTENANCE STRUCTURE/IMPROVEMENT - GWRS LIME SYSTEM TOTAL	-	27,500	-	-	-	-	-	-	27,500

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JDE Account Number	Description	General	GWR System O&M	Process Optimization	Talbert Barrier O&M	FV Facility O&M	GAP O&M	Lab Maintenance	Alamitos Barrier O&M	Total
	ACTIVITY CODE	9900	9922	9952	9908	9901	9911	9974	9932	
1050.57048	MAINTENANCE STRUCTURE/IMPROVEMENT - GWRS PRODUCT WATER PUMP									
	VFD PM		3,500							3,500
	MOTOR PM		1,500							1,500
	PUMP PM		5,000							5,000
	VALVE PM		3,000							3,000
	INSTRUMENTATION PM		2,500							2,500
	MAINT STRUCTURE/IMPROVEMENT - GWRS PRODUCT WATER PUMP STATION TOTAL	-	15,500	-	-	-	-	-	-	15,500
1050.57034	MAINTENANCE STRUCTURE/IMPROVEMENT - GREEN ACRES PROJECT									
	GAP EFFLUENT PUMP VFD PM						2,500			2,500
	GAP EFFLUENT MOTOR PM						2,500			2,500
	GAP EFFLUENT PUMP PM						2,500			2,500
	GAP BACKWASH PUMP PM						1,000			1,000
	GAP CHEMICAL PUMP PM						1,500			1,500
	GAP FLOCCULATOR PM						1,500			1,500
	GAP PCS REPAIRS						2,500			2,500
	GAP CL2 ANALYZER PM						2,000			2,000
	GAP INSTRUMENT PM						3,000			3,000
	GAP PIPING REPAIRS						1,000			1,000
	GAP VALVE PM						1,000			1,000
	GAP AIR VAC AND PIPELINE EMERGENCY REPAIRS						5,000			5,000
	GAP CHLORINE MIXER REPAIRS						5,000			5,000
	VACUUM TRUCK TO CLEAN BW SUMP						4,000			4,000
	MAINTENANCE STRUCTURE/IMPROVEMENT - GREEN ACRES PROJECT TOTAL	-	-	-	-	-	35,000	-	-	35,000
1050.57036	MAINTENANCE STRUCTURE/IMPROVEMENT - INJECTION WELLS									
	REHAB TALBERT INJECTION WELLS 8 to 10 I-WELLS				125,000					125,000
	INJECTION WELL INSTRUMENT PM				3,500					3,500
	INJECTION WELL PCS PM				2,500					2,500
	REPAIR & RECALIBRATION OF FLOW METERS/INSTRUMENTS/9 MAG METERS				2,500					2,500
	REPAIR ACCESS HATCHES AND VAULTS				25,000					25,000
	REPAIR OF DOWN-HOLE VALVES AND BF PUMPS				20,000					20,000
	REPAIR/INSPECTION OF SEB 10 INCH BACK FLOW PREVENTION				2,000					2,000
	REPLACEMENT PARTS AND SUPPLIES FOR BARRIER				30,000					30,000
	REPAIR STAINLESS STEEL VALVE, FITTINGS AND MISC PIPES				5,000					5,000
	REPAIR/INSPECTION OF AIR VAC AND PRESS RELIEF & BF VALVES				4,000					4,000
	INJECTION WELL SUMP PUMP PM				3,500					3,500
	NEW TUBIDITY METER				4,900					4,900
	BARRIER FIELD EQUIPMENT SUPPLIES REPAIRS				2,000					2,000
	MAINTENANCE STRUCTURE/IMPROVEMENT - INJECTION WELLS TOTAL	-	-	-	229,900	-	-	-	-	229,900
1050.51540	CARTRIDGE FILTERS - REVERSE OSMOSIS									
	REPLACEMENT OF RO PRETREATMENT FILTERS 2 REPLACEMENTS OF 14 HOUSING WITH 283 FILTERS EACH		50,000							50,000
	CARTRIDGE FILTERS - REVERSE OSMOSIS TOTAL	-	50,000	-	-	-	-	-	-	50,000
1050.51545	SMALL TOOLS									
	TOOLS OPERATIONS		1,500	300	1,000					2,800
	TOOLS MAINTENANCE		2,500	500	500					3,500
	TOOLS I&E		3,000							3,000
	INSTRUMENT SHOP CALIBRATION EQUIPMENT		3,500		1,200					4,700
	SPECIALIZED TOOLS FOR TREATMENT PROCESS AREAS		6,000							6,000
	SMALL TOOLS TOTAL	-	16,500	800	2,700	-	-	-	-	20,000

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JDE Account Number	Description	General	GWR System O&M	Process Optimization	Talbert Barrier O&M	FV Facility O&M	GAP O&M	Lab Maintenance	Alamitos Barrier O&M	Total
	ACTIVITY CODE	9900	9922	9952	9908	9901	9911	9974	9932	
1050.51550	SAFETY SUPPLIES									
	TRAFFIC SAFETY SUPPLIES		800		1,500		500			2,800
	CONFINED SPACE GAS DETECTORS		2,000		2,000					4,000
	CONFINED SPACE BLOWERS		500		300		250			1,050
	PPE FOR EMPLOYEES		1,000	200	500		500			2,200
	FULL FACE RESPIRATORS		1,000							1,000
	RESPIRATOR FILTERS		750							750
	SCBA TESTING REPAIR		1,000							1,000
	SAFETY EQUIPMENT FOR 12 KV ELECTRICAL SYSTEM PM AND EMERGENCY TESTING		1,000			1,000				2,000
	SPILL CONTAINMENT SUPPLIES		1,000	500			500			2,000
	SAFETY AND OPERATION SIGNS		1,000	200	500		200			1,900
	SAFETY SUPPLIES TOTAL	-	10,050	900	4,800	1,000	1,950	-	-	18,700
1050.57040	MAINT STRUCTURE/IMPROVEMENT - GREEN ACRES INFLUENT PUMP STATION									
	INSTRUMENTATION PM						1,500			1,500
	VFD PM						2,500			2,500
	MOTOR PM						500			500
	PUMP PM						500			500
	VALVE ACTUATOR PM						500			500
	VALVE PM						500			500
	MAINT STRUCTURE/IMPROVEMENT - GREEN ACRES INFLUENT PUMP STATION TOTAL	-	-	-	-	-	6,000	-	-	6,000
1050.57042	MAINTENANCE - SANTA ANA RESERVOIR									
	CHEMICAL PUMP PM						500			500
	INSTRUMENTATION PM						1,000			1,000
	MOTOR PM						1,000			1,000
	PUMP PM						1,000			1,000
	VALVE MOTOR ACTUATOR PM						1,000			1,000
	VALVE PM						1,000			1,000
	MAINTENANCE - SANTA ANA RESERVOIR TOTAL	-	-	-	-	-	5,500	-	-	5,500
1050.54001	CHEMICALS - CHLORINE (NO TAX)									
	GWRS SODIUM HYPOCHLORITE (7,800 TONS)		900,000	1,000						901,000
	GAP INFLUENT AND CL CONTACT SODIUM HYPOCHLORITE						150,000			150,000
	CHEMICALS - CHLORINE TOTAL	-	900,000	1,000	-	-	150,000	-	-	1,051,000
1050.54060	CHEMICALS - ANHYDROUS AMMONIA (TAX)									
	GAP CL CONTACT AMMONIA							30,000		30,000
	CHEMICALS - ANHYDROUS AMMOINIA TOTAL	-	-	-	-	-	-	30,000	-	30,000
1050.54045	CHEMICALS - POST TREATMENT HYDRATED LIME (NO TAX)									
	HYDRATED LIME (1,950 TONS)		360,000							360,000
	CHEMICALS - POST TREATMENT HYDRATED LIME TOTAL	-	360,000	-	-	-	-	-	-	360,000
1050.54050	CHEMICALS - HYDROGEN PEROXIDE UV (NO TAX)									
	HYDROGEN PEROXIDE UV (755 TONS)		425,000							425,000
	CHEMICALS - HYDROGEN PEROXIDE UV TOTAL	-	425,000	-	-	-	-	-	-	425,000
1050.54055	CHEMICALS - SODIUM BISULFITE (TAX)									
	SODIUM BISULFITE RO FLUSH AND SAR DISCHARGE (11.75 TONS)		4,000							4,000
	CHEMICALS - SODIUM BISULFITE TOTAL	-	4,000	-	-	-	-	-	-	4,000
1050.54015	CHEMICALS - POLYMER (TAX)									
	ANIONIC POLYMER LIME SATURATOR		20,000							20,000
	CHEMICALS - POLYMER TOTAL	-	20,000	-	-	-	-	-	-	20,000
1050.54020	CHEMICALS - GWRS REVERSE OSMOSIS SULFURIC ACID (NO TAX)									
	SULFURIC ACID OPERATING WITH SEASONAL ADJUSTMENTS BETWEEN PH (2980 TONS) 6.7 TO 6.8 PH		450,000	1,000						451,000
	CHEMICALS - GWRS REVERSE OSMOSIS SULFURIC ACID TOTAL	-	450,000	1,000	-	-	-	-	-	451,000
1050.54025	CHEMICALS - GWRS REVERSE OSMOSIS ANTISCALANT (NO TAX)									
	RO ANTISCALANT (500 TONS)		1,625,000	500						1,625,500
	CHEMICALS - GWRS REVERSE OSMOSIS ANTISCALANT TOTAL	-	1,625,000	500	-	-	-	-	-	1,625,500

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JDE Account Number	Description	General	GWR System O&M	Process Optimization	Talbert Barrier O&M	FV Facility O&M	GAP O&M	Lab Maintenance	Alamitos Barrier O&M	Total
	ACTIVITY CODE	9900	9922	9952	9908	9901	9911	9974	9932	
1050.54030	CHEMICALS - GWRS MF CLEANING CHEMICALS (TAX)									
	MF MEMBRANE CLEANING CHEMICALS CAUSTIC (565 TONS)		165,000							165,000
	MF MEMBRANE CLEANING CHEMICALS CITRIC (455 TONS)		450,000							450,000
	MF PROPRIETARY CLEANING CHEMICAL STUDY			500						500
	MF MEMCLEAN (30 TONS)		36,000							36,000
	CHEMICALS - GWRS MF CLEANING CHEMICALS TOTAL	-	651,000	500	-	-	-	-	-	651,500
1050.54033	CHEMICALS - GWRS RO CLEANING CHEMICALS (TAX)									
	RO MEMBRANE GENERIC CLEANING CHEMICALS CLEANINGS (90 TONS)		275,000	1,000						276,000
	RO MEMBRANE CITRIC (20 TONS)		20,000							20,000
	RO MEMBRANE DDBS CLEANINGS (12.5 TONS)		70,000							70,000
	RO CLEANING CHEMICAL STUDY			300						300
	RO MEMBRANE PROPRIETARY CLEANING CHEMICALS 3 STAGE CLEANINGS		20,000	300						20,300
	CHEMICALS - GWRS RO CLEANING CHEMICALS TOTAL	-	385,000	1,600	-	-	-	-	-	386,600
1050.51555	LAB SUPPLIES									
	CALIBRATION STANDARDS FOR BARRIER FIELD EQUIPMENT				600					600
	CHEMICALS AND SUPPLIES		19,000							19,000
	LABORATORY DI WATER SYSTEM		2,500							2,500
	PEROXIDE AND CHLORINE TEST STRIPS		1,000							1,000
	2 NEW HANDHELD EC PH METERS		2,500							2,500
	LAB SUPPLIES TOTAL	-	25,000	-	600	-	-	-	-	25,600
1050.51560	LAB SAMPLES ANALYSIS									
	GENERAL LAB ANALYSIS BY OUTSIDE LAB		3,000	5,000	2,000					10,000
	LAB SAMPLES ANALYSIS TOTAL	-	3,000	5,000	2,000	-	-	-	-	10,000
1050.51565	RENT EQUIPMENT- GENERAL									
	RENTAL OF EQUIPMENT FOR PM PROJECTS		2,000			1,000				3,000
	RENT EQUIPMENT - GENERAL TOTAL	-	2,000	-	-	1,000	-	-	-	3,000
1050.54501	UTILITIES - ELECTRICITY (OFFSITE & MISC ELECTRICAL METERS)									
	GAP CATHODIC PROTECTION						12,000			12,000
	GAP DEEP WELL WATER ELECTRICITY						40,000			40,000
	GAP INFLUENT PUMPING ELECTRICITY						32,000			32,000
	GAP SANTA ANA RESERVOIR PUMP STATION POWER (CNE/SCE)						130,000			130,000
	INJECTION WELLS				9,000					9,000
	UTILITIES - ELECTRICITY (OFFSITE & MISC ELECTRICAL METERS) TOTAL	-	-	-	9,000	-	214,000	-	-	223,000
1050.54505	UTILITIES - ELECTRICITY (66KV FV SITE SCE) 70,000 AF									
	ADMIN BLDG ELECTRICITY					47,000				47,000
	MWDOC BLDG ELECTRICITY					32,000				32,000
	GAP ELECTRICITY						375,000			375,000
	WAREHOUSE, ANNEX & MAINTENANCE SHOPS		140,000							140,000
	LABORATORY							170,000		170,000
	SCREENINGS		9,250							9,250
	MICROFILTRATION		2,280,000							2,280,000
	REVERSE OSMOSIS		4,435,000							4,435,000
	UV SYSTEM ELECTRICITY		710,000							710,000
	DECARB		74,000							74,000
	CHEMICAL FEED/LIME SYSTEM		14,000							14,000
	PRODUCT WATER PUMP STATION		1,340,000							1,340,000
	BARRIER PUMP STATION		600,000							600,000
	UTILITIES - ELECTRICITY (66KV FV SITE SCE) 70,000 AF TOTAL	-	9,602,250	-	-	79,000	375,000	170,000	-	10,226,250
1050.54505.250	UTILITIES ELECTRICAL CURTAILMENT POWER CREDITS									
	ESTIMATED PAYMENTS NAPP \$1,000,000 BASED ON 11 MW OF CURTAILMENT		(1,000,000)							(1,000,000)
	UTILITIES ELECTRICAL CURTAILMENT POWER CREDITS TOTAL	-	(1,000,000)	-	-	-	-	-	-	(1,000,000)

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WATER PRODUCTION (1050)

JDE Account Number	Description	General	GWR System O&M	Process Optimization	Talbert Barrier O&M	FV Facility O&M	GAP O&M	Lab Maintenance	Alamitos Barrier O&M	Total
	ACTIVITY CODE	9900	9922	9952	9908	9901	9911	9974	9932	
1050.54510	UTILITIES - GAS									
	NATURAL GAS FOR HVAC OFFICES & ANNEX BUILDING					6,600				6,600
	NATURAL GAS FOR LABORATORY							38,000		38,000
	UTILITIES - GAS TOTAL	-	-	-	-	6,600	-	38,000	-	44,600
1050.54515	UTILITIES - WATER									
	POTABLE WATER AND INDUSTRIAL WATER		35,000			8,000				43,000
	UTILITIES - WATER TOTAL	-	35,000	-	-	8,000	-	-	-	43,000
1050.51102	MEMBERSHIPS/CERTIFICATION FEES									
	OPERATOR & MAINTENANCE CERTIFICATION FEES		5,000							5,000
	MEMBERSHIPS/ CERTIFICATION FEES TOTAL	-	5,000	-	-	-	-	-	-	5,000
1050.51192	TECHNICAL TRAINING									
	DELTA V PROCESS CONTROL TRAINING		2,500							2,500
	I&E MEDIUM VOLTAGE SAFETY TRAINING CLASSES		3,500							3,500
	MICROSOFT OFFICE TRAINING		1,500							1,500
	MANAGEMENT TRAINING		1,200							1,200
	MAINTENANCE TRAINING		1,500							1,500
	WPG TRAINING LIBRARY			400						400
	OPERATOR CERTIFICATION CLASSES		5,000							5,000
	ON SITE O&M TECHNICAL TRAINING		1,500							1,500
	CRANE TRAINING		3,500							3,500
	ULTRASONIC MONITOR TRAINING & CERTIFICATION		1,500							1,500
	WATER DISTRIBUTION TRAINING BARRIER STAFF				500					500
	TECHNICAL TRAINING TOTAL	-	21,700	400	500	-	-	-	-	22,600
1050.51112	SPECIAL DEPARTMENT EXPENSE									
	CONSULTING SERVICE PERMITS		2,000							2,000
	SCAQMD AND CITY PERMIT FEES		14,000							14,000
	UNITED PARCEL SERVICE		1,000							1,000
	ORANGE COUNTY PUBLIC FACILITIES PERMIT				350					350
	SPECIAL DEPARTMENT EXPENSE TOTAL	-	17,000	-	350	-	-	-	-	17,350
1050.56026	LADPW CURRENT EXPENSE									
	LADPW BARRIER								800,000	800,000
	LADPW CURRENT EXPENSE TOTAL	-	-	-	-	-	-	-	800,000	800,000
	WATER PRODUCTION GRAND TOTAL	836,125	18,625,986	678,852	950,829	712,240	1,739,057	444,709	827,656	24,815,454

GENERAL FUND OPERATING BUDGET FY 14-15
RECHARGE OPERATIONS (1060)

JDE ACCOUNT NUMBER	DESCRIPTION	General	Forebay O&M	Prado O&M	Total
	ACTIVITY CODE	9900	9920	9924	
	SALARIES AND BENEFITS				
1060.50104	REGULAR SALARIES	540,322	1,101,936	43,422	1,685,681
1060.50106	OVERTIME	17,954	53,306	3,451	74,711
	CAPITALIZED SALARIES	(75,339)	-	-	(75,339)
1060.50210	PAYROLL TAX	8,095	16,751	680	25,526
1060.50202	RETIREMENT	92,953	192,348	7,804	293,105
1060.50204	HEALTH INSURANCE	95,692	197,987	6,118	299,798
1060.50206	WORKERS' COMPENSATION	25,760	58,011	2,332	86,103
	CAPITALIZED BENEFITS	(26,456)	-	-	(26,456)
	SALARIES AND BENEFITS TOTAL	678,982	1,620,340	63,807	2,363,128
1060.53001	PROFESSIONAL SERVICES				
	LANDSCAPE MASTER PLAN	100,000			100,000
	GIS & MAXIMO O&M MANUAL	75,000			75,000
	PROFESSIONAL SERVICES TOTAL	175,000	-	-	175,000
1060.51501	OFFICE EXPENSE - GENERAL				
	FEDERAL EXPRESS, SHIPPING	100			100
	RECHARGE REPORT	500			500
	MISCELLANEOUS OFFICE SUPPLIES	4,900			4,900
	OFFICE FURNITURE	6,000			6,000
	OFFICE EXPENSE - GENERAL TOTAL	11,500	-	-	11,500
1060.51520	GASOLINE				
	GAS		25,000		25,000
	GASOLINE TOTAL	-	25,000	-	25,000

GENERAL FUND OPERATING BUDGET FY 14-15
RECHARGE OPERATIONS (1060)

JDE ACCOUNT NUMBER	DESCRIPTION	General	Forebay O&M	Prado O&M	Total
	ACTIVITY CODE	9900	9920	9924	
1060.51521	FUEL - OFF ROAD				
	DIESEL FUEL (OFF-ROAD)		150,000		150,000
	FUEL - OFF ROAD TOTAL	-	150,000	-	150,000
1060.51530	UNIFORMS				
	UNIFORM SERVICES, SHIRTS/JACKETS		15,000		15,000
	UNIFORMS TOTAL	-	15,000	-	15,000
1060.51531	SHIRTS - LOGO				
	SHIRTS - LOGO		500		500
	SHIRTS - LOGO TOTAL	-	500	-	500
1060.57004	MAINTENANCE EQUIPMENT - GENERAL				
	GENERAL MAINT OF SMALLER EQUIP, SUCH AS SMALL GAS AND DIESEL ENGINES, CRANES, BOATS, AIR COMPRESSORS		6,000		6,000
	MAINTENANCE EQUIPMENT - GENERAL TOTAL	-	6,000	-	6,000
1060.57006	MAINTENANCE EQUIPMENT COMMUNICATION				
	CAMERA/RADIO MAINTENANCE		2,000		2,000
	SCADA MAINTENANCE		20,000		20,000
	FIBER OPTIC MAINTENANCE		3,000		3,000
	MAINTENANCE EQUIPMENT COMMUNICATION TOTAL	-	25,000	-	25,000
1060.57010	MAINTENANCE EQUIPMENT VEHICLES				
	SMALL TRUCKS SCHEDULED AND UNSCHEDULED REPAIRS, TIRES, BELTS, ETC.		30,000		30,000
	MAINTENANCE EQUIPMENT VEHICLES TOTAL	-	30,000	-	30,000

GENERAL FUND OPERATING BUDGET FY 14-15
RECHARGE OPERATIONS (1060)

JDE ACCOUNT NUMBER	DESCRIPTION	General	Forebay O&M	Prado O&M	Total
	ACTIVITY CODE	9900	9920	9924	
1060.57012	MAINTENANCE EQUIPMENT - HEAVY EQUIPMENT				
	GENERAL HEAVY EQUIPMENT PARTS		105,000		105,000
	MAINTENANCE EQUIPMENT - HEAVY EQUIPMENT TOTAL	-	105,000	-	105,000
1060.57016	MAINTENANCE STRUCTURE AND IMPROVEMENTS - GENERAL				
	GENERAL MAINTENANCE PARTS & REPAIRS		90,000		90,000
	IMPERIAL DAM MAINTENANCE CONTRACT		22,000		22,000
	FISH DISPOSAL (2 CLEANINGS)		25,000		25,000
	FLOWMETER AND INSTRUMENTATION MAINTENANCE		20,000		20,000
	JANITORIAL		25,000		25,000
	FENCE REPAIR		30,000		30,000
	LANDSCAPE MAINTENANCE/TREE TRIMMING		60,000		60,000
	LANDSCAPE MAINTENANCE/WEED ABATEMENT		40,000		40,000
	UST SERVICE		2,200		2,200
	GASES (WESTAIR)		3,000		3,000
	PAINTING STRUCTURES		20,000		20,000
	PLANT SERVICE		1,600		1,600
	INSECT/RODENT CONTROL		12,000		12,000
	PORTABLE RESTROOM RENTALS		3,600		3,600
	TRASH RACK MAINTENANCE		5,000		5,000
	MAINTENANCE STRUCTURE AND IMPROVEMENTS - GENERAL TOTAL	-	359,400	-	359,400
1060.51545	SMALL TOOLS				
	GAS POWERED PORTABLE AUGER		1,000		1,000
	MAINTENANCE AND HYDROGRAPHY OPERATIONS		2,000		2,000
	MAINTENANCE OPERATIONS		4,000		4,000
	FLOWMETER (2)		10,000		10,000
	SMALL TOOLS FOR H.E. MECHANIC & MAINTENANCE		4,000		4,000
	SMALL TOOLS TOTAL	-	21,000	-	21,000

GENERAL FUND OPERATING BUDGET FY 14-15
RECHARGE OPERATIONS (1060)

JDE ACCOUNT NUMBER	DESCRIPTION	General	Forebay O&M	Prado O&M	Total
	ACTIVITY CODE	9900	9920	9924	
1060.51550	SAFETY SUPPLIES				
	SAFETY EQUIPMENT, I.E., SAFETY GOGGLES, GLOVES, RESPIRATORS, EAR PROTECTORS, AIR MONITORING, TRAFFIC, AND CONFINED SPACE EQUIPMENT		10,000		10,000
	SAFETY SUPPLIES TOTAL	-	10,000	-	10,000
1060.54010	HERBICIDE/CHEMICALS				
	HERBICIDE		3,000		3,000
	HERBICIDE/CHEMICALS TOTAL	-	3,000	-	3,000
1060.51565	RENT EQUIPMENT - GENERAL				
	TRENCHERS, TAMPERS, DEWATERING EQUIPMENT, ETC.		3,000		3,000
	RENT EQUIPMENT - GENERAL TOTAL	-	3,000	-	3,000
1060.51570	RENT EQUIPMENT - HEAVY EQUIPMENT				
	CRANE, MAN LIFT, SCRAPERS, ETC.		20,000		20,000
	RENT EQUIPMENT - HEAVY EQUIPMENT TOTAL	-	20,000	-	20,000
1060.54501	UTILITIES - ELECTRICITY				
	ANAHEIM LAKE DEWATER/TRANSFER		70,000		70,000
	BURRIS BASIN PUMP STATION		650,000		650,000
	KRAEMER/MILLER PUMPS		5,000		5,000
	SANTIAGO BASIN PUMP STATION		100,000		100,000
	WARNER PUMPS		40,000		40,000
	ALL OTHER (RUBBER DAMS, FHQ, VALVES, METERS, ETC.)		55,000		55,000
	UTILITIES - ELECTRICITY TOTAL	-	920,000	-	920,000

GENERAL FUND OPERATING BUDGET FY 14-15
RECHARGE OPERATIONS (1060)

JDE ACCOUNT NUMBER	DESCRIPTION	General	Forebay O&M	Prado O&M	Total
	ACTIVITY CODE	9900	9920	9924	
1060.54515	UTILITIES - WATER				
	GENERAL (FHQ, SANTIAGO BASIN, BURRIS PS, ETC.)		30,000		30,000
	KRAEMER BASIN IRRIGATION		15,000		15,000
	UTILITIES - WATER TOTAL	-	45,000	-	45,000
1060.51102	MEMBERSHIPS				
	STATE OF CALIF. PESTICIDE LICENSE (RUBEN, DON, JULIO, NATE)		400		400
	MEMBERSHIPS TOTAL	-	400	-	400
1060.51192	EDUCATIONAL TRAINING				
	MAINTENANCE DEPARTMENT TRAINING		5,000		5,000
	PESTICIDE APPLICATORS PROF. ASSOCIATION WORKSHOPS		500		500
	TRAINING/CROSS TRAINING FOR FACILITY AND EQUIPMENT		1,000		1,000
	EDUCATIONAL TRAINING TOTAL	-	6,500	-	6,500
1060.51112	SPECIAL DEPARTMENT EXPENSE				
	TRANSPORTATION FEES	500			500
	SO. COAST AQMD FEES	2,000			2,000
	OTHER PERMITS AND FEES	5,500			5,500
	SPECIAL DEPARTMENT EXPENSE TOTAL	8,000	-	-	8,000
	RECHARGE OPERATIONS GRAND TOTAL	873,482	3,365,140	63,807	4,302,428

GENERAL FUND OPERATING BUDGET FY 14-15
WETLAND OPERATIONS (1062)

JDE Account Number	Description	General	Prado O&M	ERC POWUP	Habitat Restoration	Total
	ACTIVITY CODE	9900	9924	9983	8008	
	SALARIES & BENEFITS					
1062.50104	REGULAR SALARIES	24,667	181,513	24,667	29,668	260,515
1062.50106	OVERTIME	856	5,135	856	1,712	8,558
1062.50210	PAYROLL TAXES	370	2,706	370	455	3,902
1062.50202	RETIREMENT	4,250	31,077	4,250	5,225	44,801
1062.50204	HEALTH INSURANCE	4,882	31,584	4,882	7,630	48,978
1062.50206	WORKERS' COMPENSATION	1,287	8,865	1,287	1,571	13,011
	SALARIES & BENEFITS TOTAL	36,311	260,881	36,311	46,261	379,765
1062.51301	TRAVEL/CONFERENCE/MILEAGE					
	AMERICAN ECOLOGICAL ENGINEERING SOCIETY CONFERENCE	2,000				2,000
	TRAVEL/CONFERENCE/MILEAGE TOTAL	2,000	-	-	-	2,000
1062.53020	SECURITY					
	SECURITY SERVICES	3,500				3,500
	SECURITY TOTAL	3,500	-	-	-	3,500
1062.51501	OFFICE EXPENSE - GENERAL					
	OFFICE SUPPLIES	500		1,000		1,500
	PRINTER AND COMPUTER EQUIPMENT	1,000				1,000
	OFFICE EXPENSE - GENERAL TOTAL	1,500	-	1,000	-	2,500
1062.51520	GAS & DIESEL FUEL					
	GASOLINE AND DIESEL FUEL FOR VARIOUS TYPES OF VEHICLES (AVERAGE 5 GAS, 3 DIESEL)	7,000				7,000
	GAS & DIESEL FUEL TOTAL	7,000	-	-	-	7,000
1062.51521	FUEL - OFF ROAD					
	FUEL - OFF ROAD	40,000				40,000
	FUEL - OFF ROAD TOTAL	40,000	-	-	-	40,000
1062.51530	UNIFORMS & SAFETY					
	UNIFORMS AND BOTTLED WATER FOR FIELD WORKERS (CLEANING SERVICE FOR SHIRTS, PANTS, OVERALLS AND SHOP TOWELS)	5,000				5,000
	UNIFORMS & SAFETY TOTAL	5,000	-	-	-	5,000

GENERAL FUND OPERATING BUDGET FY 14-15
WETLAND OPERATIONS (1062)

JDE Account Number	Description	General	Prado O&M	ERC POWUP	Habitat Restoration	Total
	ACTIVITY CODE	9900	9924	9983	8008	
1062.51531	SHIRTS - LOGO					
	SHIRTS - LOGO	200				200
	SHIRTS - LOGO TOTAL	200	-	-	-	200
1062.57004	MAINTENANCE EQUIPMENT - GENERAL					
	REPAIR OF SMALL TOOLS, WATER QUALITY EQUIPMENT, FLOW METERS, SENSORS, ETC./ CHAIN SAWS, WATER PUMPS, LANDSCAPE TOOLS	1,500				1,500
	MAINTENANCE EQUIPMENT - GENERAL TOTAL	1,500	-	-	-	1,500
1062.57010	MAINTENANCE EQUIPMENT - VEHICLES					
	TRUCK MAINTENANCE AND ROUTINE REPAIRS (OIL CHANGES, TUNE-UPS, A/C REPAIRS, BATTERIES)	3,000				3,000
	MAINTENANCE EQUIPMENT - VEHICLES TOTAL	3,000	-	-	-	3,000
1062.57012	MAINTENANCE EQUIPMENT - HEAVY EQUIPMENT					
	MOWER, TRACTOR, AND OTHER HEAVY EQUIPMENT MAINTENANCE AND ROUTINE REPAIRS (GREASE, OIL, AIR FILTERS, HYDRAULICS, BELT)	18,000				18,000
	MAINTENANCE EQUIPMENT - HEAVY EQUIPMENT TOTAL	18,000	-	-	-	18,000
1062.57016	MAINT STRUCTURE & IMPROVEMENT - GENERAL					
	A/C MAINTENANCE, SUPPLIES & REPAIRS	3,000				3,000
	ROCK FOR ROAD & LEVEE STABILIZATION	2,500				2,500
	GEO-CLOTH & GABIONS	1,000				1,000
	ELECTRICAL REPAIRS	750				750
	MISCELLANEOUS AND EMERGENCY REPAIRS	2,500				2,500
	MOSQUITO AND VECTOR CONTROL	40,000				40,000
	SECURITY MAINTENANCE, FENCES, GATES, CAMERAS, REMOTE SENSING AND REPAIRS	3,500				3,500
	TRAILER MAINTENANCE & REPAIRS	3,000				3,000
	FENCING MODIFICATIONS	750				750
	JANITORIAL SERVICE	8,000				8,000
	MAINT STRUCTURE & IMPROVEMENT - GENERAL TOTAL	65,000	-	-	-	65,000
1062.51545	SMALL TOOLS					
	MISCELLANEOUS HAND TOOLS (DRILLS, HAMMERS, WRENCHES, SOCKETS, AND SAWS)	500				500
	SMALL POWER EQUIPMENT AND PARTS	500				500
	SMALL TOOLS TOTAL	1,000	-	-	-	1,000

GENERAL FUND OPERATING BUDGET FY 14-15
WETLAND OPERATIONS (1062)

JDE Account Number	Description	General	Prado O&M	ERC POWUP	Habitat Restoration	Total
	ACTIVITY CODE	9900	9924	9983	8008	
1062.51550	SAFETY SUPPLIES					
	WORK SAFETY RELATED SUPPLIES, FIRST AID KITS, GOGGLES, SPRAY SUITS, GLOVES, AND FIRE EXTINGUISHERS	750				750
	SAFETY SUPPLIES TOTAL	750	-	-	-	750
1062.54035	CHEMICALS					
	HERBICIDES FOR ARUNDO CONTROL	6,000				6,000
	LABORATORY REAGENTS AND CHEMICALS			1,000		1,000
	CHEMICALS TOTAL	6,000	-	1,000	-	7,000
1062.51565	EQUIPMENT RENTAL - GENERAL					
	RENT SMALL CONSTRUCTION EQUIPMENT	1,000				1,000
	EQUIPMENT RENTAL - GENERAL TOTAL	1,000	-	-	-	1,000
1062.51570	EQUIPMENT RENTAL - HEAVY EQUIPMENT					
	VEGETATION CONTROL	25,000				25,000
	RENT EXCAVATOR, AND OTHER EQUIPMENT (DOZERS, WATER TRUCKS AND MOWERS)	15,000				15,000
	EQUIPMENT RENTAL - HEAVY EQUIPMENT TOTAL	40,000	-	-	-	40,000
1062.54501	UTILITIES - ELECTRICITY					
	ELECTRICAL UTILITIES	9,000				9,000
	UTILITIES - ELECTRICITY TOTAL	9,000	-	-	-	9,000
1062.51192	TECHNICAL TRAINING					
	REFERENCE BOOKS	500				500
	TECHNICAL TRAINING TOTAL	500	-	-	-	500
1062.51204	MISCELLANEOUS EXPENSES					
	MISCELLANEOUS EXPENSES	500				500
	MISCELLANEOUS EXPENSES TOTAL	500	-	-	-	500
	WETLAND OPERATIONS GRAND TOTAL	241,761	260,881	38,311	46,261	587,215

GENERAL FUND OPERATING BUDGET FY 14-15
PROPERTY MANAGEMENT (1069)

JDE Account Number	Description	General	Total
	ACTIVITY CODE	9900	
	SALARIES & BENEFITS		
1069.50104	REGULAR SALARIES	95,052	95,052
1069.50210	PAYROLL TAXES	1,378	1,378
1069.50202	RETIREMENT	15,826	15,826
1069.50204	HEALTH INSURANCE	20,520	20,520
1069.50206	WORKERS' COMPENSATION	960	960
	SALARIES & BENEFITS TOTAL	133,737	133,737
1069.53001	PROFESSIONAL SERVICES		
	APPRAISAL SERVICES	500	500
	NEWSLETTER, JOURNAL SUBSCRIPTIONS (DATA QUICK SERVICE)	1,200	1,200
	TITLE POLICIES	2,000	2,000
	PROFESSIONAL SERVICES TOTAL	3,700	3,700
1069.51501	OFFICE EXPENSES - GENERAL		
	OFFICE SUPPLIES INCLUDING SMALL DESK SUPPLIES, REPROGRAPHICS	500	500
	OFFICES EXPENSES - GENERAL TOTAL	500	500
1069.51520	GAS & DIESEL FUEL		
	FUEL FOR DISTRICT VEHICLES	1,000	1,000
	GAS & DIESEL FUEL TOTAL	1,000	1,000
1069.56022	TAXES & ASSESSMENTS		
	ORANGE COUNTY SEWER & MWD FEES AND ASSESSMENTS	32,000	32,000
	RIVERSIDE PROPERTY TAX & ASSESSMENTS	11,500	11,500
	SAN BERNARDINO PROPERTY TAX & ASSESSMENTS	510	510
	TAXES & ASSESSMENTS TOTAL	44,010	44,010

GENERAL FUND OPERATING BUDGET FY 14-15
PROPERTY MANAGEMENT (1069)

JDE Account Number	Description	General	Total
	ACTIVITY CODE	9900	
1069.57016	MAINTENANCE STRUCTURE AND IMPROVEMENTS - GENERAL		
	PROPERTY FENCES, GATES, LOCKS, MISCELLANEOUS REPAIRS, DISPOSAL SERVICES	10,000	10,000
	MAINTENANCE STRUCTURE AND IMPROVEMENTS - GENERAL TOTAL	10,000	10,000
1069.51102	MEMBERSHIP		
	MEMBERSHIPS FOR IRWA	250	250
	MEMBERSHIP TOTAL	250	250
1069.51112	SPECIAL DEPARTMENT EXPENSE		
	PERMIT AND LICENSE FEES, UNITED PARCEL SERVICE	250	250
	SPECIAL DEPARTMENT EXPENSE TOTAL	250	250
1069.51206	LICENSES AND PERMITS		
	EDISON PIPELINE LICENSE ACCOUNT 2097 OLD SEAWATER LINE	1,165	1,165
	GAP EDISON PIPELINE LICENSE ACCOUNT 2110 (ADAMS, SAR, GARFIELD, HB)	18,144	18,144
	GAP EDISON PIPELINE LICENSE ACCOUNT 3272 (GARFIELD, WARD)	10,625	10,625
	LICENSE WITH MWD FOR SANTIAGO CREEK RECHARGE ENHANCEMENT PROJECT	1,200	1,200
	LEASE AGREEMENT WITH OC FLOOD CONTROL DISTRICT MID-BASIN INJECTION	18,000	18,000
	PLACENTIA BASIN TREATMENT PLANT LEASE	10,728	10,728
	GAP EDISON PIPELINE LICENSE ACCOUNT 3085 (GARFIELD/ELLIS) WELLS I-27 & I-28	12,746	12,746
	LICENSES AND PERMITS TOTAL	72,608	72,608
	PROPERTY MANAGEMENT GRAND TOTAL	266,055	266,055

GENERAL FUND OPERATING BUDGET FY 14-15
ENGINEERING (1070)

JDE Account Number	Description	General	Talbert Barrier O&M	GWRS O&M	GAP O&M	Forebay Recharge O&M	Total
	ACTIVITY CODE	9900	9908	9922	9911	9920	
	SALARIES & BENEFITS						
1070.50104	REGULAR SALARIES	660,920	11,849	17,954	22,046	94,450	807,220
1070.50106	OVERTIME SALARIES	4,000					4,000
	CAPITALIZED SALARIES	(309,312)					(309,312)
1070.50210	PAYROLL TAXES	10,875	172	260	320	1,370	12,996
1070.50202	RETIREMENT	107,398	1,973	2,989	3,671	15,726	131,756
1070.50204	HEALTH INSURANCE	100,229	1,882	2,924	3,485	14,781	123,301
1070.50206	WORKERS' COMPENSATION	9,920	316	189	434	1,809	12,668
	CAPITALIZED BENEFITS	(110,808)					(110,808)
	SALARIES & BENEFITS TOTAL	473,221	16,191	24,317	29,955	128,136	671,820
1070.51102	MEMBERSHIP						
	ORGANIZATIONAL MEMBERSHIPS	1,000					1,000
	MEMBERSHIP TOTAL	1,000	-	-	-	-	1,000
1070.51301	TRAVEL/CONFERENCE/MILEAGE						
	WATEREUSE (2)	3,000					3,000
	TRAVEL/CONFERENCE/MILEAGE TOTAL	3,000	-	-	-	-	3,000
1070.51192	TECHNICAL TRAINING						
	LOCAL CLASSES AND TRAINING (4 CLASSES)	7,500					7,500
	TECHNICAL TRAINING TOTAL	7,500	-	-	-	-	7,500
1070.53010	PROFESSIONAL SERVICES - ENGINEERING						
	CONSULTING SERVICES	40,000					40,000
	SANTIAGO PITS SLOPE STABILITY ANNUAL REVIEW	20,000					20,000
	SCADA SERVICE	20,000					20,000
	SURVEYING SERVICES	20,000					20,000
	PROFESSIONAL SERVICES - ENGINEERING TOTAL	100,000	-	-	-	-	100,000

GENERAL FUND OPERATING BUDGET FY 14-15
ENGINEERING (1070)

JDE Account Number	Description	General	Talbert Barrier O&M	GWRS O&M	GAP O&M	Forebay Recharge O&M	Total
	ACTIVITY CODE	9900	9908	9922	9911	9920	
1070.51501	OFFICE EXPENSE - GENERAL						
	ANNUAL ENGINEER'S REPORT PREPARATION	5,000					5,000
	OUTSIDE COPYING SERVICES	2,500					2,500
	PRINTER CARTRIDGES	500					500
	CONSTRUCTION MANUALS	200					200
	DESIGN BOOKS	500					500
	FEDERAL EXPRESS	500					500
	MISCELLANEOUS OFFICE SUPPLIES	600					600
	SUPPLEMENTS TO MANUALS AND BOOKS	200					200
	OUTSIDE SERVICES	500					500
	DIGITAL PHOTOGRAPHY & SUPPLIES	800					800
	PUBLIC WORKS INSPECTION MANUALS	2,000					2,000
	OFFICE EXPENSE - GENERAL TOTAL	13,300	-	-	-	-	13,300
1070.51104	SUBSCRIPTIONS						
	AWWA STANDARDS	500					500
	ENR MAGAZINE	100					100
	SUBSCRIPTIONS TOTAL	600	-	-	-	-	600
1070.51520	GAS & DIESEL						
	FUEL FOR VEHICLE	5,000					5,000
	GAS & DIESEL TOTAL	5,000	-	-	-	-	5,000
	ENGINEERING GRAND TOTAL	603,621	16,191	24,317	29,955	128,136	802,220

Section 11
Cost Center Detail

GENERAL FUND OPERATING BUDGET FY 14-15
HYDROGEOLOGY (1075)

JDE Account Number	Description	General	So. Basin Litigation	Talbert Barrier O&M	Alamitos Barrier O&M	MTBE Litigation	North Basin Litigation	So. Basin Groundwater Protection Project	Total
	ACTIVITY CODE	9900	9976	9908	9932	9975	9977	9941	
	SALARIES & BENEFITS								
1075.50104	REGULAR SALARIES	1,395,564	23,048	11,604	41,177	36,995	16,108	23,048	1,547,544
1075.50106	OVERTIME	21,870							21,870
	CAPITALIZED SALARIES	(301,620)							(301,620)
1075.50210	PAYROLL TAXES	24,228	334	168	791	536	234	334	26,625
1075.50202	RETIREMENT	226,133	3,837	1,932	6,337	6,160	2,682	3,837	250,918
1075.50204	HEALTH INSURANCE	184,610	2,516	1,251	4,962	3,957	2,128	2,516	201,940
1075.50206	WORKERS' COMPENSATION	18,101	254	117	416	415	163	254	19,720
	CAPITALIZED BENEFITS	(95,712)							(95,712)
	SALARIES & BENEFITS TOTAL	1,473,174	29,989	15,073	53,682	48,064	21,314	29,989	1,671,285
1075.51301	TRAVEL/CONFERENCE/MILEAGE								
	TRAVEL EXPENSES RELATED TO LITIGATION (CA)		500		500		500	1,000	2,500
	REGULATORY & AGENCY MEETINGS FOR WQ PROJECTS, SEAWATER BARRIERS; TECHNICAL CONFERENCE ATTENDANCE (MODELING, DATA/GIS) (CALIFORNIA)	3,500							3,500
	TRAVEL/CONFERENCE/MILEAGE TOTAL	3,500	500	-	500	-	500	1,000	6,000
1075.53010	PROFESSIONAL SERVICES - ENGINEER								
	TRAFFIC CONTROL, WASTE HAULING FOR WELL SAMPLING							16,000	16,000
	FLOWMETER SURVEYS FOR TRANSFER WELL	5,000							5,000
	WRMS PROGRAMMING SERVICES FOR UPGRADE OF OUTDATED APPLICATIONS, INCLUDING MAP INTERFACE, TIME- SERIES DATA TOOL AND LIMS-WRMS INTERFACE	20,000							20,000
	PROFESSIONAL SERVICES - ENGINEER TOTAL	25,000	-	-	-	-	-	16,000	41,000
1075.51501	OFFICE EXPENSE - GENERAL								
	FEDERAL EXPRESS/COURIER	1,500							1,500
	OFFICE SUPPLIES INCLUDING SMALL DESK SUPPLIES, SCANNING SERVICES	7,000							7,000
	PLOTTER PAPER & INK CARTRIDGES	4,000							4,000
	SUPPLIES FROM WAREHOUSE, PETTY CASH	500							500
	OFFICE EXPENSE - GENERAL TOTAL	13,000	-	-	-	-	-	-	13,000
1075.51520	GAS & DIESEL FUEL								
	FUEL FOR DISTRICT FIELD VEHICLES (WELL MONITORING & MAINTENANCE)	8,000							8,000
	GAS & DIESEL FUEL TOTAL	8,000	-	-	-	-	-	-	8,000

Section 11
Cost Center Detail

GENERAL FUND OPERATING BUDGET FY 14-15
HYDROGEOLOGY (1075)

JDE Account Number	Description	General	So. Basin Litigation	Talbert Barrier O&M	Alamitos Barrier O&M	MTBE Litigation	North Basin Litigation	So. Basin Groundwater Protection Project	Total
	ACTIVITY CODE	9900	9976	9908	9932	9975	9977	9941	
1075.51530	UNIFORMS & SAFETY								
	BOOTS, RAINGEAR, UNIFORMS FOR FIELD PERSONNEL	300							300
	UNIFORMS & SAFETY TOTAL	300	-	-	-	-	-	-	300
1075.51531	SHIRTS - LOGO								
	SHIRTS - LOGO	100							100
	SHIRTS - LOGO TOTAL	100	-	-	-	-	-	-	100
1075.57004	MAINTENANCE EQUIPMENT - GENERAL								
	FIELD EQUIPMENT REPAIR (VIDEO TRAILER, GENERATORS, PUMPS, WELDER)	3,000							3,000
	WATER LEVEL SENSOR REPAIR & CALIBRATION	3,000							3,000
	WESTBAY EQUIP. (REELS, SAMPLER, PROBES) SERVICE AGREEMENT	17,000							17,000
	MAINTENANCE EQUIPMENT - GENERAL TOTAL	23,000	-	-	-	-	-	-	23,000
1075.57016	MAINT STRUCTURES AND IMPROVEMENTS								
	BASIN-WIDE MONITORING WELL REPAIRS	7,000							7,000
	REPLACE OR REPAIR SEAWATER MONITORING WELL VAULTS			5,000					5,000
	MAINT STRUCTURES AND IMPROVEMENTS TOTAL	7,000	-	5,000	-	-	-	-	12,000
1075.51545	SMALL TOOLS								
	DATALOGGERS, VEHICLE EQUIPMENT, WATER LEVEL PROBES, CABLES, EC & PH METERS	2,000							2,000
	TOOLS FOR WELL AND EQUIPMENT MAINTENANCE	2,000							2,000
	SMALL TOOLS TOTAL	4,000	-	-	-	-	-	-	4,000
1075.51555	LAB SUPPLIES								
	EQUIPMENT	100							100
	LAB SUPPLIES TOTAL	100	-	-	-	-	-	-	100
1075.51102	MEMBERSHIP								
	DISTRICT MEMBERSHIPS FOR GRA, NGWA, URISA AND PROFESSIONAL CERTIFICATIONS	2,000							2,000
	MEMBERSHIP TOTAL	2,000	-	-	-	-	-	-	2,000

Section 11
Cost Center Detail

GENERAL FUND OPERATING BUDGET FY 14-15
HYDROGEOLOGY (1075)

JDE Account Number	Description	General	So. Basin Litigation	Talbert Barrier O&M	Alamitos Barrier O&M	MTBE Litigation	North Basin Litigation	So. Basin Groundwater Protection Project	Total
	ACTIVITY CODE	9900	9976	9908	9932	9975	9977	9941	
1075.51192	TECHNICAL TRAINING								
	WEBINARS, GIS/WRMS PROGRAMMING TRAINING (ARC/GIS, ORACLE, NET)	4,000							4,000
	TECHNICAL TRAINING TOTAL	4,000	-	-	-	-	-	-	4,000
1075.51112	SPECIAL DEPARTMENT EXPENSE								
	WELL SITE LICENSE/PERMIT RENEWALS	4,000							4,000
	SANTA ANA RIVER WATERMASTER EXPENSES	31,000							31,000
	(WATERMASTER/PRADO GAUGE AND SANTIAGO CREEK GAUGE)	48,000							48,000
	SPECIAL DEPARTMENT EXPENSE TOTAL	83,000	-	-	-	-	-	-	83,000
	HYDROGEOLOGY GRAND TOTAL	1,646,174	30,489	20,073	54,182	48,064	21,814	46,989	1,867,785

GENERAL FUND OPERATING BUDGET FY 14-15
NATURAL RESOURCES (1080)

JDE Account Number	Description	General	Wildlife Management	Habitat Restoration	Total
	ACTIVITY CODE	9900	8010	8008	
	SALARIES AND BENEFITS				
1080.50104	REGULAR SALARIES	170,736	165,644	101,658	438,038
1080.50210	PAYROLL TAXES	2,687	3,778	2,003	8,468
1080.50202	RETIREMENT	27,859	23,885	15,505	67,249
1080.50204	HEALTH INSURANCE	25,484	23,853	16,207	65,544
1080.50206	WORKERS' COMPENSATION	1,981	1,921	1,179	5,081
	SALARIES AND BENEFITS TOTAL	228,747	219,081	136,553	584,380
1080.51301	TRAVEL/CONFERENCE/MILEAGE TOTAL				
	WESTERN WILDLIFE SOCIETY (RENO, NV)	1,500			1,500
	H2O CONFERENCE (SAN DIEGO)	1,000			1,000
	CAL-IPC (VENTURA, CA)	1,500			1,500
	TRAVEL/CONFERENCE/MILEAGE TOTAL	4,000	-	-	4,000
1080.53001	PROFESSIONAL SERVICES - GENERAL				
	VIREO MONITORING - JIM PIKE CONTRACT		60,000		60,000
	BIOLOGIST CONTRACTOR SAWA SPLIT		30,000		30,000
	REPORT BIRD USE OF T&L LEVEES/PRADO WETLANDS		25,000		25,000
	SAWA - MONITOR SUNNYSLOPE CREEK		30,000		30,000
	MONITOR LEAST TERNS AT RIVER MOUTH		15,000		15,000
	WILDLIFE CONTRACTS		20,000		20,000
	PROFESSIONAL SERVICES - GENERAL TOTAL	-	180,000	-	180,000
1080.53001.170	EXPENSE - CONTRA				
	SAWA REIMBURSEMENT - VIREO MONITORING	(60,000)			(60,000)
	SAWA REIMBURSEMENT - PAYROLL	(51,000)			(51,000)
	EXPENSE - CONTRA TOTAL	(111,000)	-	-	(111,000)
1080.51104	SUBSCRIPTIONS				
	SUBSCRIPTIONS/PUBLICATIONS	750			750
	SUBSCRIPTIONS TOTAL	750	-	-	750

GENERAL FUND OPERATING BUDGET FY 14-15
NATURAL RESOURCES (1080)

JDE Account Number	Description	General	Wildlife Management	Habitat Restoration	Total
	ACTIVITY CODE	9900	8010	8008	
1080.51501	OFFICE EXPENSE - GENERAL				
	MISCELLANEOUS OFFICE SUPPLIES	5,000			5,000
	OFFICE EXPENSE - GENERAL TOTAL	5,000	-	-	5,000
1080.51520	GAS & DIESEL FUEL				
	GAS, DIESEL FUEL	12,000			12,000
	GAS & DIESEL FUEL TOTAL	12,000	-	-	12,000
1080.51531	SHIRTS - LOGO				
	SHIRTS - LOGO	500			500
	SHIRTS - LOGO TOTAL	500	-	-	500
1080.51530	UNIFORMS & SAFETY				
	CLOTHING, UNIFORMS, AND BOOTS	500			500
	UNIFORMS & SAFETY TOTAL	500	-	-	500
1080.57004	MAINTENANCE EQUIPMENT - GENERAL				
	FIELD EQUIPMENT - TRAPS	4,000			4,000
	MAINTENANCE EQUIPMENT - GENERAL TOTAL	4,000	-	-	4,000
1080.57010	MAINTENANCE EQUIPMENT - VEHICLES				
	SMALL TRUCK SCHEDULED AND UNSCHEDULED REPAIRS, TIRES, BELTS, ETC.	2,000			2,000
	MAINTENANCE EQUIPMENT - VEHICLES TOTAL	2,000	-	-	2,000
1080.57016	MAINT STRUCTURE AND IMPROVEMENTS - GENERAL				
	HABITAT RESTORATION/WETLAND IMPROVEMENTS	50,000			50,000
	SANTA ANA SUCKER HABITAT RESTORATION	25,000			25,000
	RGP RECHARGE AREA HABITAT MAINTENANCE	50,000			50,000
	BURRIS BASIN HABITAT RESTORATION	25,000			25,000
	MAINT STRUCTURE AND IMPROVEMENTS - GENERAL TOTAL	150,000	-	-	150,000

GENERAL FUND OPERATING BUDGET FY 14-15
NATURAL RESOURCES (1080)

JDE Account Number	Description	General	Wildlife Management	Habitat Restoration	Total
	ACTIVITY CODE	9900	8010	8008	
1080.51545	SMALL TOOLS				
	WILDLIFE MANAGEMENT EQUIPMENT	7,000			7,000
	FIELD EQUIPMENT (GPS, NETS, BINOCULARS, WADERS, BIRD BOXES, ETC.)	8,000			8,000
	SMALL TOOLS TOTAL	15,000	-	-	15,000
1080.51565	RENT EQUIPMENT - GEN				
	EQUIPMENT RENTAL	3,000			3,000
	RENT EQUIPMENT - GEN TOTAL	3,000	-	-	3,000
1080.51550	SAFETY SUPPLIES				
	SAFETY EQUIPMENT SUCH AS SAFETY GOGGLES, GLOVES	1,000			1,000
	SAFETY SUPPLIES TOTAL	1,000	-	-	1,000
1080.51112	SPECIAL DEPARTMENT EXPENSE				
	OTHER ENVIRONMENTALLY RELATED FEES	7,000			7,000
	SPECIAL DEPARTMENT EXPENSE TOTAL	7,000	-	-	7,000
1080.56012	INTER AGENCY				
	SANTA ANA SUCKER CONSERVATION (SAWPA)	15,000			15,000
	INTER AGENCY TOTAL	15,000	-	-	15,000
	NATURAL RESOURCES GRAND TOTAL	337,497	399,081	136,553	873,130

ACOE or Corps	United States Army Corps of Engineers
ACWA	Association of California Water Agencies
af	acre-feet
AGWA	Association of Ground Water Agencies
AMX	water billing system
AOP	Advanced Oxidation Process
AWPF	Advanced Water Purification Facilities
AWWARF	American Water Works Association Research Foundation
BCV	Basin Cleaning Vehicle
BEA	Basin Equity Assessment
BPP	Basin Production Percentage
CIP	Capital Improvement Program
CMMS	Computerized Maintenance Management System
CSDA	California Special Districts Association
DPH	California Department of Public Health
EDC	endocrine disrupting compounds
EPA	Environmental Protection Agency
ERP	Emergency Response Plan
FHQ	Field Headquarters
FIS	Financial Information System
FRL	Field Research Laboratory
FTE	full time equivalent
FY	fiscal year
GL	general liability insurance
GAP	Green Acres Project
GWR	Groundwater Replenishment
I&E	Instrumentation and electrical
IEUA	Inland Empire Utilities Agency
IIS	Integrated information systems
IRWD	Irvine Ranch Water District
IS	Information Services
JDE	JD Edwards
JPIA	Joint Powers Insurance Authority
LC/MS/MS	liquid chromatograph/double mass spectrometer
LIMS	Lab Information System
LTFP	Long-Term Facilities Plan
mgd	million gallons per day
MSDS	Material Safety Data Sheet
MWD	Metropolitan Water District of Southern California
MWDOC	Municipal Water District of Orange County
NDMA	N-nitrosodimethylamine
NPDES	National Pollutant Discharge Elimination System
NWRI	National Water Research Institute
O&M	operations and maintenance
OCCOG	Orange County Council of Government
OCEA	Orange County Employee Association
OCHCA	Orange County Health Care Agency
OCSD	Orange County Sanitation District
OMMP	Operations, Maintenance and Monitoring Plan
PAC	project advisory committee
PBDE	Poly-Brominated Diphenyl Ethers

PCS	Process Control System
PDAs	personal digital assistants
Producers	Orange County groundwater producers
QA/QC	quality assurance/quality control
RA	replenishment assessment
R&D	Research and Development
REWG	Recharge Enhancement Working Group
RFP	requests for proposals
RMP	Risk Management Plan
RO	reverse osmosis
R&R	Replacement & Refurbishment
RWQCB	Regional Water Quality Control Board
SAR	Santa Ana River
SARWQH	Santa Ana River Water Quality Health
SAWA	Santa Ana Watershed Association
SAWPA	Santa Ana Watershed Project Authority
SCADA	Supervisory Control and Data Acquisition
TMDL	total maximum daily load
TOC	total organic carbon
UCMR2	Unregulated Contaminant Monitoring Rule Phases
UCI	University of California Irvine
UV	ultraviolet light
VOC	volatile organic compounds
WEROC	Water Emergency Response of Orange County
WQ	Water Quality
W/C	Workers' compensation
WRF	WaterReuse Research Foundation
WRMS	Water Resource Management System
YLWD	Yorba Linda Water District



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: RESOLUTION OF APPRECIATION – RICHARD E. “DICK” BARRETT
DATE: MAY 15, 2014

BACKGROUND

Former Director Dick Barrett faithfully executed his duties as a Director of the East Orange County Water District for 40+ years commencing May 11, 1973 and ending January 25, 2014. It is fitting that his excellent service be recognized with the attached resolution of appreciation.

The Board, at their February 2, 2014 Special Meeting, suggested that in view of his extraordinarily long service to the District, requested that the Retail Zone’s 250,000 gallon reservoir located on Alexander Lane be named the “Richard E. Barrett Reservoir;” adoption of this resolution would formalize that request.

Staff will have the resolution framed and presented to former Director Barrett at a future date.

RECOMMENDATION

The Board approve the attached resolution of appreciation, including the naming of the Retail Zone’s 250,000 gallon reservoir the “Richard E. Barrett Reservoir”, in recognition of the service of Director Dick Barrett.

RESOLUTION NO. 735

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
RICHARD E. BARRETT

AS A MEMBER OF THE DISTRICT'S BOARD OF DIRECTORS

WHEREAS, on May 11, 1973, RICHARD E. BARRETT 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 2, 2010; and

WHEREAS, DIRECTOR BARRETT was elected by his peers to serve terms as President and Vice-President of the Board; and

WHEREAS, DIRECTOR BARRETT served the District as a member of several committees of the Board, providing invaluable guidance and assuring the effective operation of the District; and

WHEREAS, DIRECTOR BARRETT's leadership was instrumental in meeting the challenges to secure a bond authorization, obtain sites and construct essential facilities for the District's Wholesale System in the 1970's, including the 11.5 MG Andres Reservoir, the 1.0 MG Newport Boulevard Reservoir, the Fairhaven Transmission Main, and participation with other Orange County agencies in the Allen-McColloch Pipeline system for the delivery of an imported water supply to supplement Orange County's groundwater resources; and

WHEREAS, DIRECTOR BARRETT focused particular attention to the Retail Zone rates and charges and facilities, in particular, the reconstruction of a 250,000 gallon steel water tank in 2006 located on Alexander Lane

WHEREAS, the District's wholesale and retail customers received immeasurable benefit from DIRECTOR BARRETT's extensive knowledge of the District's systems and his dedicated and conscientious attention to their efficient and economical operation; and

WHEREAS, during his more than forty-year tenure as a Director and officer of the District, DIRECTOR BARRETT 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 RICHARD E. BARRETT 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 RICHARD E. BARRETT during his served term of office; and
3. That the District's reservoir located at Alexander Lane be, and the same hereby is, named the "Richard E. Barrett Reservoir."
4. This Resolution shall be maintained in the permanent records of the District in recognition of RICHARD E. BARRETT's outstanding performance of duty.

ADOPTED, SIGNED AND APPROVED this 15th day of May, 2014.

President
EAST ORANGE COUNTY WATER DISTRICT
and of the Board of Directors
thereof

Secretary
EAST ORANGE COUNTY WATER DISTRICT
and of the Board of Directors
thereof

[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. 735 was duly adopted by the Board of Directors of said District at a Regular Meeting of said District held on May 15, 2014, and that it was so adopted by the following vote:

AYES: BELL, DAVERT, DULEBOHN, EVERETT, VANDERWERFF

NOES: NONE

ABSENT: NONE

ABSTAIN: NONE

Secretary
EAST ORANGE COUNTY WATER DISTRICT
and of the Board of Directors
thereof



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: NOVEMBER 4, 2014 ELECTION – REGISTRAR OF VOTERS CANDIDATE STATEMENT INFORMATION REQUEST
DATE: MAY 15, 2014

Background

Attached to this memorandum is a letter from the Registrar of Voters requesting: 1) how many words (either 200 or 400) the District authorizes for candidate statements and, 2) whether the District will pay for these statements. Historically, this District has authorized 200 words and has not elected to pay for the candidate statements. The Board action would authorize the District Secretary to record the Board action and submit it to the Registrar.

For information purposes, the candidate filing period begins July 14th and ends August 8th.

Recommendation

The Board authorize a 200 word-count for candidate statements and elect not to pay for candidate statements, and direct the District Secretary to so indicate the Board's action to the Registrar of Voters.

TRANSMITTAL OF ELECTION INFORMATION SPECIAL DISTRICT
(EC §10509, §10522)

_____DISTRICT
DISTRICT BOUNDARIES:

Choose One:

☐ I will send to the Registrar of Voters an electronic shape file of District boundaries and the boundaries of the Divisions of the District, if any, in which a Director is to be elected at the November 4, 2014 General Election.
(Note: This is the Registrar of Voters' preferred method of transmittal.)

☐ Attached is a map showing the boundaries of this District and the boundaries of the Divisions of the District, if any, in which a Director is to be elected at the November 4, 2014 General Election.

Choose One:

Voters in the District will be voting: ☐ at-large ☐ by division

THE ELECTIVE OFFICES FOR WHICH AN ELECTION WILL BE HELD WITHIN THE SPECIAL DISTRICT ON NOVEMBER 4, 2014 ARE:

Choose One:

_____ Director(s) to be elected at-large
(# of directors)

OR

Director(s) to be elected in the following Divisions:

_____ in Division _____
(# of directors) (# of division)

_____ in Division _____
(# of directors) (# of division)

_____ in Division _____
(# of directors) (# of division)

_____ in Division _____
(# of directors) (# of division)

Please list below the names of the Incumbents/Appointed Incumbents for the above-mentioned positions:

(Name) _____ ☐ Elected ☐ Appointed (If appointed, the term ends in 20__.)

(Name) _____ ☐ Elected ☐ Appointed (If appointed, the term ends in 20__.)

(Name) _____ ☐ Elected ☐ Appointed (If appointed, the term ends in 20__.)

(Name) _____ ☐ Elected ☐ Appointed (If appointed, the term ends in 20__.)

The District authorizes the Candidate's Statement of Qualifications to contain no more than:

(Circle one) (200) or (400) words.

The District (will) (will not) pay for a Candidate's Statement of Qualifications.

Dated _____

(District Seal)

(Signature)

(Print Name)

Phone #: _____ Email: _____

Note: Please send the above information no later than **May 28, 2014** to the Registrar of Voters' office, 1300 South Grand Avenue, Building C, Santa Ana, CA 92705, Attn: Kay Cotton or email to kay.cotton@rov.ocgov.com. Send the boundary map to Rebecca Getzen at 1300 South Grand Avenue, Building C, Santa Ana, CA 92705 or at rebecca.getzen@rov.ocgov.com.



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: GENERAL INTEREST PUBLICATIONS
DATE: MAY 15, 2014

Background

Attached to this memo is a copy of information pertinent to current events in the water industry; two documents are attached this month:

- Pacific Policy Institute: Paying for Water in California (March 2014)
- NBC News: Request Grows for Extra Water Conservation in Southern California (May 10, 2014)

Recommendation

Information only; no action required.



PPIC

PUBLIC POLICY
INSTITUTE OF CALIFORNIA

Paying for Water in California

March 2014

Ellen Hanak, Brian Gray, Jay Lund, David Mitchell, Caitrin Chappelle, Andrew Fahlund, Katrina Jessoe, Josué Medellín-Azuara, Dean Mischynski, James Nachbaur, Robyn Suddeth
with research support from Emma Freeman and Elizabeth Stryjewski

Supported with funding from the S. D. Bechtel, Jr. Foundation and the California Water Foundation,
an initiative of the Resources Legacy Fund

Summary

California's water system provides many vital services: supplying clean water for homes, farms, and other businesses; protecting the quality of rivers, lakes, and beaches; preventing loss of life and property from devastating floods; and safeguarding the health and habitat of fish and other wildlife. By some accounts, our water system is in a deep financial crisis, with failing marks for essential infrastructure and with vast unmet spending needs. However, this system is both large—with annual expenditures exceeding \$30 billion—and multifaceted, so it is important to take a closer look to identify the specific financial problems. To this end, we examine how well California is meeting various water management goals and identify areas where lack of funding is a key obstacle to success. This closer examination reveals a more nuanced picture of fiscal health for California's water system and pinpoints areas requiring urgent policy attention.

Contrary to many media reports, California's water supply and wastewater providers, which together account for over 85 percent of total spending, are performing reasonably well—providing safe, reliable levels of service and preparing for future needs. These utilities are almost entirely locally funded, and to date they have generally been able to raise rates to comply with new treatment requirements and replace aging infrastructure. However, they do face financial challenges. Rising regulatory standards carry new costs, and the water supply shipped through the Sacramento–San Joaquin Delta remains at risk because of the system's ecological decline and its seismically vulnerable levees. Yet from the perspective of fiscal health, a bigger concern is the potential for Proposition 218 (1996) to stymie local agencies' ability to pursue the modern water management techniques needed to maintain reliable water service in the face of population growth, climate change, and increasing water scarcity. Proposition 218's rigid requirement that fees must be specifically linked to the services for each property jeopardizes the implementation of conservation-oriented programs and the development of nontraditional sources of water supply. This requirement also limits water utilities' ability to provide “lifeline” discounts to low-income households, an important equity-oriented feature of most energy billing systems.

We find even more debilitating structural funding gaps in five other areas: small, rural water systems; flood protection; stormwater pollution; aquatic ecosystem management; and integrated water management. For small, rural drinking water systems with contaminated groundwater wells, the shortfall in funding is hard to bridge because prospective solutions have high costs per household and many households in these communities have limited means. In the four other areas, the key challenge is a legal environment for water funding that is out of sync with modern water management objectives. Again, Proposition 218 poses problems, requiring voter approval for fees and assessments for “property-related” flood protection and stormwater management. Moreover, anything not qualifying as a fee is a tax, and earmarked “special” taxes require a two-thirds supermajority of local voters since the passage of Proposition 13 in 1978. Proposition 26, a new constitutional reform passed in 2010, restricts the definition of other, non-property-related fees, potentially further hampering fundraising for stormwater management and ecosystem improvement. Crucially, these legal strictures make it harder to support a more integrated water management system—a necessary approach for effectively meeting the state's water system goals during times of water scarcity and climate change.

The overall funding gap in these five areas is on the order of \$2 billion to \$3 billion annually: \$30 million to \$160 million to provide safe drinking water in small, disadvantaged rural communities; \$800 million to \$1 billion for floods; \$500 million to \$800 million for stormwater management; \$400 million to \$700 million for

ecosystem support for endangered species; and \$200 million to \$300 million for integrated water management. Although filling this gap may seem daunting—particularly to cash-strapped program managers—it is not large relative to the sums California is already spending on water services. In other words, this is a fixable problem.

Since the early 2000s, the state has worked to fill some of the gap with general obligation (GO) bond funds, to the tune of about \$1 billion annually. But these funds, which are reimbursed with general fund tax dollars, are running out, and it seems likely that California will be on a leaner bond diet in the years ahead.

California will need a broader mix of funding to pay for the state water system. State GO bonds are less desirable for most purposes than are targeted funding sources (such as surcharges on water, chemicals, road use, and hydropower), especially those that tap contributions from the individuals and communities who share responsibility for the problems or who benefit most from this spending. Likewise, broader taxes (e.g., parcel taxes or sales tax increments) are suitable for some purposes.

To fill the existing funding gaps, and to prevent new ones from forming, California will have to better align its funding laws with the goals of modern water management. The legislature will need to pass new special taxes and regulatory fees to tap a broader mix of funding sources. And alongside any new state GO bonds, California voters will also need to approve a suite of constitutional reforms to address the unintended consequences of Propositions 218, 26, and 13 for local governments' ability to manage water responsibly. These reforms would maintain the salutary aspects of these laws, such as their high standards of transparency and accountability, while enabling more efficient, equitable, and sustainable water management. In particular, they should provide a more flexible definition of fees, remove the local voter approval requirements for fees and assessments for flood protection and stormwater management (comparable to water and wastewater fees), and lower the local voter threshold for special taxes to a simple majority (comparable to fiscal measures in statewide elections and local general taxes). Local water agencies, for their part, should provide transparent, well-explained records of their rate decisions.

It will also be important to mind the funding gap by comparing the value of proposed spending with its costs. For instance, some proposed flood management investments do not appear to pass a cost-benefit test, and some ecosystem and stormwater investments provide little real benefit. To be sure we are using funds most effectively, California's water management agencies at all levels—local, regional, state, and federal—should aim to develop more coordinated, integrated approaches to management and regulatory oversight, drawing on scientific and technical analysis to support sound and balanced decisions.

Relative to current spending of over \$30 billion per year on this vital sector, Californians need to raise an additional 7 to 10 percent—or \$150 to \$230 per household annually—to fill critical gaps. Although this is a fixable problem, it will not happen without a bold, concerted effort on the part of California's state and local leaders, who must convince California's residents to support the necessary changes with their votes and their pocketbooks.

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Technical appendices to this paper are available on the PPIC website:
www.ppic.org/content/pubs/other/314EHR_appendix.pdf

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Abbreviations

af	acre-feet
AB	Assembly Bill
BDCP	Bay Delta Conservation Plan
CCAG	City/County Association of Governments (San Mateo)
CVP	Central Valley Project
DPH	Department of Public Health
DWR	Department of Water Resources
FEMA	Federal Emergency Management Agency
IRWM	Integrated Regional Water Management
JPA	Joint Powers Authority
MCL	Maximum Contaminant Level
NCCP	Natural Community Conservation Plan
LAFCO	Local Agency Formation Commission
NFIP	National Flood Insurance Program
SAFCA	Sacramento Area Flood Control Agency
SAWPA	Santa Ana Watershed Project Authority
SB	Senate Bill
SWP	State Water Project
SWRCB	State Water Resources Control Board
USEPA	U.S. Environmental Protection Agency

California hydrologic regions and counties



SOURCE: California Department of Water Resources.

NOTES: In this report, counties that fall into more than one hydrologic region are assigned to the region where most of the population lives, as follows:

Bay Area: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano. Central Coast: Monterey, San Benito, San Luis Obispo, Santa Barbara, Santa Cruz. Colorado River: Imperial. Lahontan: Alpine, Inyo, Lassen, Mono. North Coast: Del Norte, Humboldt, Mendocino, Siskiyou, Sonoma, Trinity. Sacramento River: Butte, Colusa, El Dorado, Glenn, Lake, Modoc, Nevada, Placer, Plumas, Sacramento, Shasta, Sierra, Sutter, Tehama, Yolo, Yuba. San Joaquin River: Amador, Calaveras, Madera, Mariposa, Merced, San Joaquin, Stanislaus, Tuolumne. South Coast: Los Angeles, Orange, Riverside, San Bernardino, San Diego, Ventura. Tulare Lake: Fresno, Kern, Kings, Tulare.

Introduction

Everybody is always in favour of general economy and particular expenditure.

—Prime Minister Anthony Eden, 1956

The sustainable management of water resources is vital to California's economic and social well-being.

Water system management includes a variety of interrelated activities:

- Supplying water for drinking and household purposes, commerce and industry, agriculture, landscaping, and firefighting;
- Safeguarding water quality of estuaries, rivers, lakes, aquifers, and coastal beaches by collecting and treating wastewater and managing discharges of polluted stormwater and other runoff;
- Managing floodwaters and flood damage to keep people and property out of harm's way; and
- Protecting the aquatic ecosystems that are the sources of the state's water supply, essential habitat for fish and other wildlife, and venues for recreational activities.

Myriad governmental structures provide these services. State and federal governments supply water on a large scale through the State Water Project (SWP) and Central Valley Project (CVP), respectively; they also build and maintain extensive flood works, with regulatory oversight of the entire water system to protect public health and the environment. Thousands of special districts are in charge of water supply, sewage treatment, stormwater management, flood protection, and other water-related services within their geographic boundaries. Cities and counties also provide many of these services, and they have primary responsibility for managing stormwater. In addition, privately owned water utilities deliver drinking water to a fifth of California's population. Many farmers, households, and industries supply themselves with water directly from wells and surface sources.

In recent years, numerous concerns have been voiced about the ability of this complex system to raise the funds needed to maintain safe, reliable, and environmentally sustainable water service in California. One side of this funding challenge is rising costs. Much of the state's water supply, wastewater, and flood control infrastructure is aging, and rebuilding typically requires costly upgrades to meet increasingly high standards for water quality and infrastructure safety. Moreover, the last few decades have seen the arrival of new mandates—and added costs—for managing polluted stormwater runoff and protecting aquatic ecosystems. Climate change and other factors are also likely to raise costs and management complexity in the coming decades (Hanak and Lund 2012; California Department of Water Resources 2009). Rising temperatures will reduce the “free” seasonal water storage now provided by the Sierra Nevada snowpack and change the patterns of runoff, potentially increasing winter and spring flood risk. Although there is still great uncertainty regarding coming changes in average precipitation levels, the science is increasingly pointing to the likelihood of more “extremes”—more frequent droughts, floods, and wildfires—that will tax existing infrastructure and management systems. These changes will also increase the difficulty and expense of providing suitable habitat for endangered native fish species (Moyle et al. 2013).

The flip side of the cost challenge is shrinking revenue alternatives. A series of constitutional reforms adopted by the state's voters, starting with the landmark Proposition 13 (1978) and followed by Proposition 218 (1996) and Proposition 26 (2010), have made it increasingly difficult for local water agencies to raise funds from local ratepayers, and they have also set up higher hurdles for new local and state taxes to support this sector. Meanwhile, budget constraints have curtailed the largesse of the federal government, an important financial partner in times past. Since 2000, the state has stepped in with some supplemental funding, thanks to voter approval of six general

obligation (GO) water-oriented bonds, totaling nearly \$20 billion. Although these bonds have provided welcome support, they have also generated concerns about fiscal tradeoffs: they are repaid with scarce general fund tax dollars that also support state programs with fewer local funding options, such as education, health, and social services. Recent experience raises doubts about the continued popularity of GO bonds for water: the legislature approved placing an \$11 billion water bond on the ballot in late 2009, but weak polling has already led it to twice postpone the required popular vote. Even the smaller replacement bonds now under consideration have been polling weakly despite the strengthening economy, though the bond outlook could improve as the public takes stock of the severe drought now gripping the state.¹

The prospect of large unmet funding needs has begun to spur a healthy debate about California's options for paying for water services: What is the right mix between state and local funding sources? What are the priorities for any future state bonds? What can be done to help local agencies pay for the many services they are expected to provide? Would new types of funding—such as a small surcharge on water bills or a small increase in the sales tax—help California better meet its water management goals? Do Californians need to revise the constitutional limits on raising money to support this vital sector? Can the federal government help, despite its own financial constraints, by changing the way it regulates the system and distributes available funding? And last, but not least—Are there ways to stretch existing water dollars further with more judicious management approaches?

This report tackles these questions by taking a broad, multifaceted look at California's water funding challenges and potential solutions. Our work is informed by a series of small regional workshops held in late summer 2013 with water managers and legal experts from around the state, and by in-depth legal, financial, and economic analyses.² We first set the stage with a brief history of local, state, and federal roles in paying the water bill and with a primer on the evolving legal framework for raising money from different sources. We then compare estimates of recent spending levels and the funding needs for different services to identify critical funding gaps. We next look at options for filling the critical gaps, considering incentives, affordability, reliability, and the legal and institutional hurdles that must be overcome for different funding sources. We conclude with our recommendations: a road map for how California can put its water system on more solid financial footing in the 21st century.

We find grounds for hope alongside grounds for serious concern. Those parts of California's water system that have had continued access to flexible funding from local sources—the massive water supply and wastewater networks run by local and regional utilities—have been doing a relatively good job of providing clean, safe, and reliable water. Yet these agencies risk future failures from constitutional restrictions on their funding options. In addition, California is already failing to meet societal objectives with respect to flood protection, stormwater management, and aquatic ecosystem management, owing to overwhelming legal constraints on local and regional funding. To enable sustainable management of the state's water resources, California's legislature and the voting public will need to enact a series of bold legal reforms to broaden and diversify the funding base. The annual spending gap that needs filling is on the order of \$2 billion to \$3 billion per year—7 to 10 percent above current spending. It's a large but fixable problem. For their part, water agencies at all levels will need to rise to the challenge of adopting more integrated management approaches to use both existing and new financial resources to greatest effect.

¹ For recent polls see Baldassare et al. 2013 and University of Southern California and Los Angeles Times 2013.

² [Appendix A](#) documents our analysis of the legal context for state and local funding; [Appendix B](#) provides our estimates of expenditures, revenues, and funding needs; [Appendix C](#) documents the uses of recent bond funds; [Appendix D](#) provides a comparison of “who pays” under a series of funding alternatives, using integrated regional water management as an illustration; and [Appendix E](#) describes patterns in local ballot measures to fund the water system. Two online data sets, [State General Obligation Bond Spending on Water](#) and [Local Water-Funding Ballot Measures](#), provide additional information on the data used in [Appendix C](#) and [Appendix E](#), respectively.

Locals Rule: A Brief History of Water Spending

In recent years, water management agencies in California have spent more than \$30 billion annually, or about \$2,350 per household, to deliver supplies, prevent water pollution, provide flood protection, and manage aquatic ecosystems (Table 1). Although these estimates are approximate (for instance, some spending on ecosystem management occurs as part of other water management functions shown here), they provide a good sense of the scale of operations and the relative roles of different levels of government. Local entities (including private water utilities and private sector spending on flood insurance) are the predominant players, accounting for 84 percent of total spending. The state comes in a distant second (12%), and the federal government is firmly in last place (4%).

TABLE 1
Yearly water-related spending in California by source, 2008–2011 (2012 \$, millions)

	Local	State	Federal	Total
Water supply ^a	14,777	1,603	477	16,857
Water pollution control ^b	9,458	434	222	10,114
Flood management	1,324	574	254	2,152
Aquatic ecosystem management	25	405	241	671
Debt service on GO water bonds	—	689	—	689
Total Spending	25,584	3,703	1,193	30,480
Total Spending (%)	84%	12%	4%	100%

SOURCE: Authors' estimates using SCO local government data files (local public water, wastewater, and special district expenditures) and data from the CPUC (local private agencies), the governor's budgets (state agency expenditures), and individual federal agencies (federal agency expenditures). See [Appendix B](#).

NOTES: These estimates summarize expenditures by federal and state agencies and local entities including cities, counties, special districts, private water utilities, and private individuals (for flood insurance). State and local expenditures are net of grants from higher levels of government.

^a This category excludes \$2,575 million in wholesale water sales from local spending to avoid double counting (see [Appendix B](#)).

^b This category includes management of wastewater and polluted stormwater and other runoff, including author estimates of \$500 million for local stormwater management (see [Appendix B](#)).

This picture looks very different from the one an observer might surmise if following water policy discussions in Sacramento or Washington, DC. In those circles, the money talk is mostly about the importance of new state and federal funding authorizations to keep the system afloat. To be sure, such funds have long provided welcome support. But the surprising fact is that California's water system has nearly always relied primarily on funding by local residents, farmers, and nonfarm businesses, who pay for these services through their water and sewer bills and a variety of other local fees and taxes.

Water system development from statehood to the early 20th century was almost entirely locally funded, including flood works, irrigation canals, and large-scale storage and conveyance systems to bring water and hydroelectric power to growing urban areas in the Los Angeles and San Francisco Bay regions.³ Beginning in the 1910s, the state and federal governments undertook investments to support regional flood control in the Sacramento Valley.

³ This discussion draws on Hundley (2001), Hanak et al. (2011), ch. 1, and Lund et al. (2010), ch. 2.

Federal involvement increased dramatically during the Great Depression, with investments in water infrastructure projects throughout the West to stimulate economic recovery. For California, this notably included the development of the Central Valley Project (originally a state project focused on farms in the Central Valley) and the building of some key Colorado River infrastructure to supply water to California and neighboring states. This era also marked the onset of more intensive federal involvement in flood control in the Sacramento region and nationwide (Kelley 1989; Mount 1995). Local beneficiaries were expected to help pay for these investments through water purchases and local matching funds for flood works, but they were not necessarily expected to cover the full costs.⁴ Significant federal subsidies later accompanied the transformation of urban sewer systems following the passage of the Clean Water Act in 1972, with the federal government covering up to 85 percent of the required investments in the first generation of new wastewater treatment plants and associated facilities like pump stations.

Even though these federal subsidies have been important, local dollars have still been the norm. For its part, and contrary to popular perceptions, the state has rarely provided much financial support. In the 1960s and 1970s, California initiated the State Water Project—built to complement the CVP and deliver water to urban areas and southern San Joaquin Valley farmers—but that project is being repaid primarily by local water users.

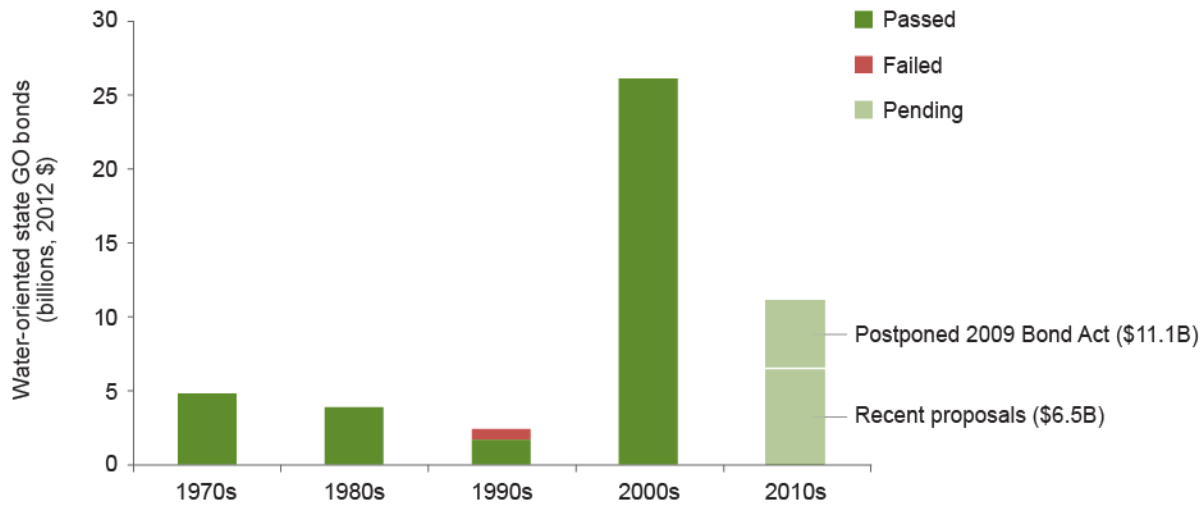
The state water bonds passed in the 2000s, which made nearly three times as much money available in real terms as in the three previous decades combined (Figure 1), are often cited as evidence of the important state role in financing water resource projects.⁵ Nearly 80 percent of the authorized funds from these bonds have been directed to water-related services: water supply (drinking water quality and activities to manage and expand the amount of water available), pollution prevention (especially in regards to stormwater and other runoff), flood protection, ecosystem management, and regional integration of water management activities (Figure 2). Some of these activities, like flood control, stormwater management, and ecosystem restoration, are not easy to fund from other sources, making the bond money particularly welcome (see Box 1). Yet the sums from state bonds are still small when compared with the size of the water sector: from 2008 to 2011, about \$940 million per year came from bonds, which amounted to only 3 percent of total water-related spending.⁶

⁴ Lower Colorado River infrastructure investments were ultimately repaid by local sources, primarily from hydropower revenues from Arizona and California.

⁵ The 2000s were, more generally, a decade of heavy state GO bond borrowing, with almost \$112 billion authorized for a variety of sectors, including education, transportation, parks, low-income housing, and stem cell research (Legislative Analyst's Office 2010).

⁶ These figures exclude spending on parks and public access that are not directly water-related. See [Appendix C](#), Figure C8, for annual trends in bond-funded spending and debt service. Local assistance is an important use of these bonds, and a review of awards from the last four bonds suggests a local match rate of three dollars for every dollar provided by the state (authors' estimate using annual bond expenditure reports). However, some of these projects would have been fully funded locally if the state grants were not available.

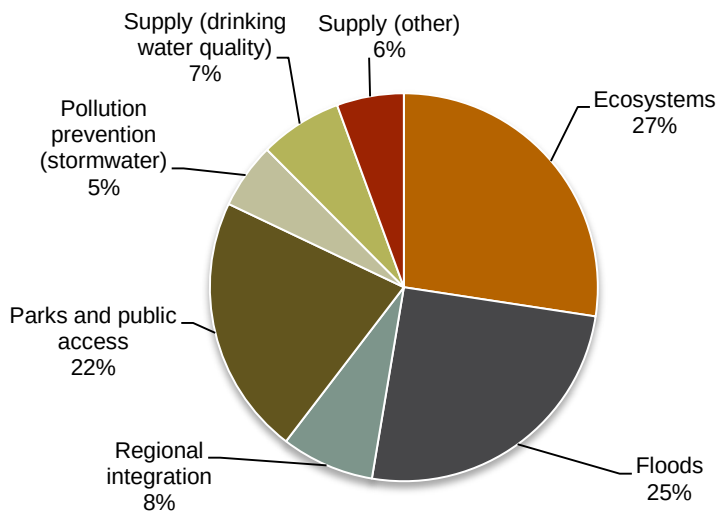
FIGURE 1
The 2000s saw unprecedented growth in state water bonds



SOURCE: Hanak et al. (2011), Table 2.9. See [Appendix C](#), Table C1.

NOTES: The nominal value of bonds passed in the 2000s was \$19.6 billion, and the higher value shown here (\$26 billion) reflects the adjustment of all bonds in the figure to 2012 dollars using the Construction Cost Index from the Engineering News-Record. Because bond spending typically extends over five or more years, the 2012 \$ totals somewhat overstate the real value of spending. During this period, voters rejected one water supply-oriented bond for \$380 million (\$747 million in 2012 \$) in November 1990. In 1960, voters approved a \$1.75 billion GO bond (\$20.1 billion in 2012 \$) for the construction of the State Water Project, but this bond has been paid for primarily by water users, not general fund tax dollars.

FIGURE 2
Recent water bonds have supported a wide range of services



SOURCE: Authors' calculations, using bond act authorization language. See [Appendix C](#).

NOTES: The figure summarizes the allocations of \$19.6 billion in bonds approved from 2000 to 2006, based on information specified in the bond acts. [Appendix C](#) provides information on spending patterns to date by type of service and region.

Enough GO bond funds remain unspent to maintain state spending at around \$1 billion per year for another two or three years.⁷ Even if a new bond passes in 2014, the water sector should not anticipate much more than this annual level of support from state bonds going forward and would be wise to prepare for less. Meanwhile, the debt service on water bonds is approaching the level of recent bond spending, at around \$700 million per year (Table 1).⁸ The rising debt service for these and other bonds passed in the 2000s (in transportation, education, housing, and other areas) could limit the state's ability to take on significantly more GO bond debt.⁹

Looking ahead, we also see little potential for significant increases in federal spending on California water. If anything, California should expect less. Federal spending was lower in 2011 than in the preceding years, reflecting the diminishing dollars from the one-time economic stimulus funds allocated during the recent recession. Budget cuts are also leading to smaller programs in some core areas of federal support, such as flood control. To meet future water funding challenges, Californians will need to find the money here at home and rely on sources other than state bonds.

1

Why it's hard to fund public goods

Goods like flood protection, stormwater management, and ecosystem restoration are what economists refer to as public or collective goods. The term “public good” can be understood by looking at its two key characteristics: (1) the consumption of a public good is “non-rival,” (its consumption by one person does not limit its consumption by another); and (2) the consumption of a public good is “nonexclusive” (there is no straightforward or cost-effective way to exclude someone from consuming it). Take the example of a levee. The protection received by a house behind the levee in no way diminishes the protection received by its neighboring house. (Thus, the use of the levee by the two houses is non-rival.) Moreover, once the levee is built, it becomes difficult or impossible to limit the protection it provides to only certain houses situated behind it. (Thus, use of the levee is nonexclusive.) In such situations, the market's normal pricing mechanisms for recovering the costs of providing a particular good break down. Free-riding occurs because individuals have incentives to pay less than their fair share, and it can be hard to rally the financial resources to provide the collectively desired amount of the good. Typically, decisions about how much of a public good to produce are made through the political process, and taxes or fees are used to cover some or all of the costs. It may not be possible to fulfill the collective demand for the public good, depending on the vagaries of the political process and, as we discuss in the next section, the laws governing the imposition of taxes and fees.

“Externality” is another term used by economists when discussing the difficulties of raising public funds. Externalities are the unintended consequences (either positive or negative) of economic activity. They arise when a market does not exist for a product or byproduct. Environmental pollution is a classic example of a negative externality. Water-related externalities can arise in numerous ways, e.g., as a consequence of groundwater extraction, surface water diversions, discharge of effluent, and application of water for irrigation or other purposes. In some instances, negative externalities can be resolved through the assignment of enforceable property rights. (An example is water marketing; if the sale or leasing of water rights would adversely affect downstream water rights holders, the latter must be made whole under California law.) However, in many important situations, the informational costs of establishing and enforcing these property rights make resolution through private negotiation prohibitively expensive (Coase 1960). In such situations, other public policy approaches, including regulation (and the establishment of regulatory fees) may be better suited to the task.

⁷ As of June 30, 2013, roughly \$4.5 billion of the \$19.6 billion had not yet been spent; this includes \$1.375 billion that had not yet been appropriated to specific activities as of mid-October 2013 (see [Appendix C](#)).

⁸ By 2014, the debt service on water bonds is anticipated to surpass \$1 billion per year ([Appendix C](#), Figure C8).

⁹ California has relatively high levels of state debt, whether compared with the state budget or personal incomes (State Treasurer's Office 2013).

Money Rules: A Legal Primer

Despite their many names and variants, there are really only three basic sources of state and local funds to support water services: fees, taxes, and fines. Many people would add bonds as a fourth source, but bonds come with an important caveat: they do not create new money; they just enable borrowing against one or more of these three other sources. Each of these sources has rules, which have evolved in ways that affect California's options for water system management.

Fees, Taxes, Fines ... and Bonds

Before delving into the legal issues, here are some brief definitions and illustrations of how these four sources are currently used for water in California.¹⁰

Fees (including service fees and assessments)

The fee category includes various charges levied in exchange for a specific service, and it is the primary funding source for many water-related activities:¹¹

- Water and wastewater bills (including both fixed and volumetric service fees) cover the vast majority of expenses that local water and wastewater utilities incur; local water rates of contracting agencies also cover most costs of the SWP and most operating costs of the CVP.¹²
- Property assessments or fees (a surcharge on a property tax bill linked directly to a service received by the property) support some flood works and a handful of stormwater programs (see Box 2).¹³
- Developer fees or “connection fees” are one-time charges on new construction, a common means of funding various types of water infrastructure.
- Permitting fees, such as fees for pollution discharge permits, support the regulatory operations of some state and local agencies.¹⁴

Taxes

The tax category includes both charges destined for general governmental purposes (“general taxes”) and charges earmarked for specific purposes (“special taxes”).

- State general taxes (mainly income, sales, and corporate taxes) fund some state water agency functions and service debt on most general obligation bonds.
- Local general taxes (on property, sales, and other activities) are important for flood protection and stormwater management.
- Some local governments also levy special taxes—such as parcel taxes and sales tax add-ons—to pay for flood protection, stormwater management, and watershed protection.¹⁵

¹⁰ For a breakdown of revenue sources for different types of local public agencies, see [Appendix B](#), Table B3.

¹¹ “Charge” has a specific legal meaning under Proposition 218, described below. We use it here in the generic sense, without regard to its legal status as a fee, tax, or fine.

¹² Monthly bills and other service fees (including developer fees) brought in more than 80 percent of water and wastewater utility revenues from 2008 to 2011 ([Appendix B](#), Table B3).

¹³ Eight percent of local flood agency revenues came from property assessments and special taxes from 2008 to 2011 ([Appendix B](#), Table B3).

¹⁴ Fees for entrance to or use of a public agency's property generate unrestricted revenues, but this is not a common source of revenue in the water sector.

¹⁵ For some recent examples, see [Appendix E](#) and the accompanying [online data set](#) on local ballot measures.

- The state uses special taxes, such as a tax on gasoline, to fund the transportation sector, but there are currently no special taxes earmarked for water services, although this idea has been floated in recent years.¹⁶

2

Finding the water on the property tax bill

Several kinds of taxes and fees appear on property tax bills, all of which are used to support local water projects, like flood protection and stormwater management:

- **Property tax.** This is a general tax, not tied to a specific service rendered to the property. The local government may use some of these revenues to support flood works or stormwater management, but it is not obligated to do so. Property tax levels have been strictly limited since the passage of Proposition 13 in 1978. Special districts (including water, wastewater, and flood control districts) still receive small legacy shares of this money.
- **Property assessment or fee.** These are charges linked directly to a service received by the property. New assessments (which must be proportional to the benefits received by the property) must be approved by a simple majority of property owners, weighted in proportion to the charges each property would pay. New fees (which must be proportional to the cost of service to the property) must be approved by an unweighted simple majority of property owners on whom the fee is levied or two-thirds of all local voters.
- **Parcel tax.** Like assessments and fees, these taxes are usually earmarked for specific purposes. But unlike assessments and fees, they are not tied to a specific service to the property. Thus, property owners not benefiting from flood works would contribute to a parcel tax fund earmarked for this purpose, whereas only direct beneficiaries would contribute to a property assessment or fee. New parcel taxes must be approved by two-thirds of all local voters.
- **Property tax surcharge.** Local voters can also approve adding a surcharge to the property tax to pay off local general obligation bonds, which are usually earmarked for specific purposes. This requires a two-thirds majority for all sectors except education (which requires 55% since a reform passed in 2000). It is not common for water-related services.

Fines (including penalties)

The fine category comprises charges imposed by a government agency or the courts as a result of a violation of the law. Although various water-related regulations authorize fines, they are rarely imposed, and they bring in only limited (and unpredictable) revenues. Fines are exempt from the substantive limitations on, and voting requirements applicable to, fees and taxes.

- Fines are sometimes levied for violations of pollution discharge limits or wetlands permitting requirements.
- In some places, fines are imposed for excessive pumping of groundwater, and they can also be used when customers do not adhere to rationing restrictions during drought emergencies.¹⁷

¹⁶ In 2004, the administration proposed a fee on water users to fund a variety of water-related purposes. This idea was further developed in Senate Bill 34 (Simitian) in the 2011–12 legislative session (see Box 6, below).

Bonds

Bonds are a means of borrowing to undertake long-term investments, with repayments typically stretching over 30 or 40 years (see Box 3). State and local governments can issue many kinds of bonds. For our purposes, two major categories are important: general obligation (GO) bonds and revenue bonds. GO bonds—backed by the full faith and credit of the issuing government—are typically repaid with taxes. Revenue bonds are funded and guaranteed by the revenues from the specific project being financed.

- As noted above, the state GO bonds are an important component of current state support to the water sector; they are repaid from the state general fund.
- In contrast, a GO bond issued to pay for the initial phase of the SWP is being repaid by water sales to local agencies using the water. Subsequent expansions of the SWP have been funded with fee-backed revenue bonds.
- Many local utilities issue revenue bonds, repaid by an assortment of fee income, including water and wastewater service fees, and developer fees, plus occasionally special taxes.
- Local water and wastewater utilities can also borrow money at below-market interest rates from two State Revolving Funds that are capitalized by federal grants.
- Local GO bonds for water are rare. Exceptions include a \$500 million bond to pay for stormwater projects approved by voters in the City of Los Angeles in 2004, a \$200 million bond to pay for watershed health and parks approved by Oakland voters in 2002, and a \$30 million bond to pay for wastewater system upgrades by residents of Benicia in 1997.¹⁸ Such bonds are typically repaid through a property tax surcharge.

¹⁷ As an example of groundwater pumping fines, the Mojave basin adjudication authorizes a penalty for excess pumping above the free production allowance (Superior Court of Riverside County 1996).

¹⁸ Since 1995, we identified five other communities that approved GO bonds including some water-related purposes, alongside other functions (e.g., stormwater management plus road system improvements). See [Appendix E](#) and the accompanying [online data set](#).

Two common misperceptions about bonds

People often incorrectly assume that bonds *must* be used for capital or infrastructure projects. They also often assume that bonds are more expensive than “pay-as-you-go” (or “pay-go”) financing because of the added cost of paying interest.

Bonds are, indeed, especially suitable for capital projects. Such investments typically last for many years, and bonds can be repaid over a comparatively long period. Stretching out these payments makes sense from the perspective of intergenerational equity, since the population repaying the bonds in the future also benefits from the investments. California law codifies this idea by requiring that state GO bonds be used for “construction or acquisition of capital assets,” meaning tangible physical assets lasting 15 years or more (Gov’t. Code § 16727(a)). This statute allows for a portion of the bond proceeds to be used for assets with a shorter life, for major maintenance and equipment, and ancillary costs associated with investments (design and planning work, environmental assessment and mitigation, and land acquisition). Although it is usually followed, this statute can be overridden by the new law approved to authorize any subsequent bond issuance. A prominent example was California’s Economic Recovery Bond Act (2004), which authorized the state to issue up to \$15 billion in GO bonds to fund the state’s budget deficit (i.e., almost entirely for operational or noncapital purposes). Portions of the recent water bonds have also been used to fund operations of state agencies and other noncapital activities like research (see text discussion and [Appendix C](#)).

On face value, bonds are, indeed, more expensive than pay-as-you-go financing. However, when repayment is stretched out over long periods, it is important to consider the cost of borrowing in present-value terms. This calculation nets out the rate of return that the bond issuers (in this case, the public) could be making on the money they don’t need to spend today on the project because they can borrow the funds. In present-value terms, bond financing is usually roughly equivalent in costs to pay-go financing. If inflation on construction costs is higher than the overall inflation rate reflected in market interest rates (as is often the case), it may actually be cheaper to finance infrastructure projects through borrowing.

Constitutional Complications

State constitutional requirements dictate the rules under which revenue can be raised from these funding sources, making some easier to use than others. The rules for state and local bonds are long-standing, and they favor state GO bonds. Whereas local GO bonds generally require a two-thirds majority of local voters,¹⁹ state GO bonds require approval by just a simple majority of the state’s voters.²⁰ In the wake of three constitutional reforms approved by voters since the late 1970s, state GO bonds have also become an easier source of funding to approve than many taxes and fees for water services. Here we summarize key provisions of these constitutional reforms and then describe their implications for the water sector.²¹

¹⁹ This two-thirds requirement was included in the constitution California adopted in 1879 and reflected concerns over local indebtedness from large infrastructure projects such as railroads (Beebe, Hodgman, and Sutherland 1967-68). An exception, agreed to by voters in 2000, is education bonds, which now require a 55 percent majority.

²⁰ State GO bonds can be put on the ballot by a two-thirds vote of the legislature or by initiative; five of the six recent water bonds used the initiative process. Revenue bonds generally do not require voter approval because they are backed by a project-specific income stream.

²¹ For a more detailed analysis of the legal implications of these changes, see [Appendix A](#).

Proposition 13 (1978)

California's famous Proposition 13 arose as a protest against the rapid increases in property taxes that accompanied California's booming real estate markets in the 1960s and 1970s. It limited the property tax levied by local governments to one percent of each parcel's estimated value, and restricted the rate at which the parcel's taxable value could be increased.²² Previously, cities, counties, and many special districts levied their own property taxes, and the combined property tax percentage was usually considerably higher than one percent. Following Proposition 13, revenue from the one percent levy was divided up among these agencies, more or less in proportion to their pre-Proposition 13 share of revenues.

Proposition 13 also changed the approval process for other taxes. It required that all increases in state taxes be approved by a two-thirds vote of the legislature, and it introduced a new requirement that local special taxes be approved by two-thirds of local voters.

Proposition 218 (1996)

Many local governments responded to Proposition 13's reduction in property tax revenues by increasing their use of various fees, including for water services. Some special districts levied general taxes (which Proposition 13 did not address) after approval by a majority of their local voters. The drafters of Proposition 218 proposed this new constitutional amendment to restrain many of these practices. Proposition 218 stated that special districts could not levy general taxes, but only special taxes, and it clarified that local general taxes *always* required simple majority voter approval and that local special taxes *always* required two-thirds voter approval.²³ Proposition 218 also introduced new substantive restrictions and requirements for voter approval for many "property-related" fees and special assessments, including those charged for most water-related services.²⁴

These new substantive requirements served to tighten the connection—or nexus—between new property-related fees and the services they fund. Total revenues collected by fees must not exceed the costs of providing the service, and these revenues must not be used for purposes other than those for which they were imposed. Fees also may not exceed the proportional cost of service attributable to each parcel, and they must be levied for services actually available to the parcel. Finally, fees may not be used to provide general governmental services available to the public at large in the same manner as they are to property owners.

The new voter approval requirements generally involve a two-step process that takes some authority away from local governing boards. First, property-related fee increases must be subject to a public hearing. If a majority of the affected parcel owners protests, the agency must abandon its plans. Second, local voters must approve the increase for some fees. To meet this requirement, agencies can either seek approval from a simple majority of the property owners subject to the fee, or from two-thirds of all registered voters.²⁵ Water,

²² Proposition 46 (1986) authorized voter-approved property tax rate increases above the one percent rate to repay local infrastructure bond debt.

²³ These latter provisions were ambiguous in Proposition 13 and in related court decisions.

²⁴ See [Appendix A](#) for an analysis of the relevant judicial decisions. Key exceptions are charges by wholesale water supply agencies and developer fees. Although this has not been tested in court, water wholesalers have generally operated under the assumption that they are not subject to the requirements of Proposition 218 because they do not deliver water to retail customers. Separate court rulings require developer fees to have a reasonable nexus with, and be roughly proportional to, the impacts of the development. Privately owned water utilities, which deliver water to about 20 percent of the state's residents, are also exempt from Proposition 218. Their pricing is regulated by the California Public Utilities Commission, with input from the Division of Ratepayer Advocates, which defends the interests of ratepayers in the service areas.

²⁵ For property assessments, property-owner votes are weighted by the amount each owner would have to pay. For property-related fees, agencies may obtain a simple majority of property-owner votes or a two-thirds majority of general electorate votes; this latter provision is not applicable for assessments, which must be levied in proportion to the *benefit* they provide to each property. (Fees, in contrast, must be levied in proportion to the *costs of service* to the property.) Ironically, the weighted vote approach has drawn opposition in some places on the grounds that

wastewater, and refuse collection service fees are exempt from this second step, but it applies to other services, including flood protection and stormwater management.

Proposition 26 (2010)

Proposition 26 redefined many additional governmental fees as taxes, and it applies to both state and local agencies. It is especially relevant for a class of fees levied for regulatory purposes, such as to control land or water use, to pay for a permit review, or to fund an environmental mitigation program. Agencies can still levy a fee as long as it does not exceed the reasonable cost of providing the service and is allocated in a way that bears a fair and reasonable relation to the “payor’s burdens on, or benefits from, the governmental activity.” Legitimate state regulatory fees continue to be subject to a simple majority vote by the legislature, and local governing boards can approve similar local fees. But charges for programs that provide general public benefits, or that exceed the costs of providing the service, are now special taxes, requiring approval by two-thirds of the state legislature or a two-thirds popular vote at the local level. Like Proposition 218, Proposition 26 “grandfathers in” fees that were in place prior to its passage, but any increases or other changes in fees are subject to the new law.

There is considerable uncertainty about how the courts will interpret which actions constitute a “governmental activity” that can be covered by a regulatory fee, rather than a tax. One view is that Proposition 26 prohibits the adoption of all fees designed to mitigate adverse external effects of resource use (i.e., negative externalities—see Box 1). As explained in detail in [Appendix A](#), however, we believe the substantive provisions of Proposition 26 continue to authorize regulatory fees to cover the costs of mitigating the harmful effects of future land and water use.

The effects of these propositions on the fiscal health of the water sector

Because the water sector has historically relied heavily on locally generated revenues, the constitutional changes described here have profoundly altered the landscape of funding options (Table 2). Property tax revenues, which were traditionally a mainstay of local infrastructure budgets, are now in scarce supply.²⁶ Moreover, there is still considerable uncertainty about which types of charges may be adopted as fees and which must be enacted as taxes ([Appendix A](#)). Direct voter approval—often at the high bar of a two-thirds supermajority—is required for any charge that now qualifies as a tax, and voters must also directly approve many fees. The reforms have also limited the state’s ability to raise funds for water services.

it is “undemocratic” (see [Appendix A](#)). Despite requiring only a simple majority vote, property-owner ballot measures have not been more successful than special tax and GO bond measures that require a two-thirds majority of all voters (see [Appendix E](#)).

²⁶ From 2008 to 2011, property taxes accounted for 5 percent of water district revenues, 8 percent of wastewater district revenues, and 36 percent of flood control district revenues ([Appendix B](#), Table B3). Comparable information for city and county water departments is not available.

TABLE 2
The effects of Propositions 13, 218, and 26 on state and local revenue rules

		Pre-1978	Proposition 13 (1978)	Proposition 218 (1996)	Proposition 26 (2010)
State	Taxes	50% of legislature	Two-thirds of legislature	→	→
	Regulatory fees	50% of legislature	50% of legislature	50% of legislature	Stricter requirements (more likely to be a tax)
	GO bonds	50% of state voters	50% of state voters	50% of state voters	50% of state voters
Local	General taxes	Flexible	Flexible	Simple majority for cities and counties, not available to special districts	→
	GO bonds^a	Two-thirds of local voters	Two-thirds of local voters	Two-thirds of local voters	Two-thirds of local voters
	Special taxes	Undefined	Two-thirds of local voters	→	→
	Property taxes	Flexible	1% of purchase price +2% annual increases^b	→	→
	Property-related fees and assessments	Flexible	Flexible	1) All water-related services: Strict cost-of-service requirements 2) All water-related services: Property-owner protest hearing 3) Floods and stormwater: 50% of property owners or two-thirds popular vote^d	→
	Non-property-related fees	Flexible	Flexible	Flexible	Stricter requirements (more likely to be a tax)
	Wholesale fees	Flexible	Flexible	Flexible ^c	Stricter cost-of-service requirements^c

NOTES: Bolded text shows the changes resulting from each constitutional reform. The arrows indicate that the rules from the earlier proposition remain in place. "Flexible" typically means that rate decisions could be made by governing boards. Before Proposition 218, there was variation in voting requirements for different types of general taxes.

^a In 2000, voters passed Proposition 39, which lowered the voter threshold to 55 percent for school bonds.

^b Property taxes may be increased to repay GO bonds with two-thirds local voter approval (or 55 percent for schools).

^c As described in the text, water wholesale agencies have assumed that they are exempt from Proposition 218 because they do not deliver services directly to properties, but this issue has not been decided by the courts. Proposition 26 may require public wholesale water agencies to adhere to stricter, proportional allocation of costs.

^d The popular vote option is only available for fees, not assessments.

Although some of these changes are undoubtedly salutary, pushing management agencies to be more transparent and accountable to the public, the reforms also significantly increased the burdens of funding services in ways that may not always serve the public interest. To date, the financial effects of these reforms—and particularly of Proposition 218—have varied across management areas:

- Water supply and wastewater utilities have been the least affected, in large part owing to their exemption from having to gain direct voter approval of rate increases. Successful protests at rate hearings have been rare and confined to small, rural communities where it is easier to mobilize

a majority of ratepayers to formally contest the proposed rate changes.²⁷ However, water utilities are coming under greater legal scrutiny over whether their rate structures comply with Proposition 218's cost-based fee requirements, particularly regarding modern management tools like conservation-oriented pricing and the use of nontraditional resources like recycled wastewater. The fee proportionality rule may also restrict agencies' ability to introduce lower "lifeline" water rates for low-income customers.

- Flood management agencies face greater challenges because they must now obtain direct voter approval for any increases in local revenues earmarked for flood protection. The weighted simple-majority property-owner elections for assessments allowed under Proposition 218 require more precision in defining the benefits individual parcels will receive from the flood works, based on factors such as depth of flooding. An alternative is to seek a two-thirds popular vote on a special tax to support flood works.²⁸ Although there have been some successes, many flood management agencies continue to rely on legacy assessments set before Proposition 218, plus an assortment of other local, state, and federal support.²⁹
- For stormwater agencies, it is arguably even harder to establish the necessary relationship between costs and benefits for property-related aspects of stormwater management, such as the role of impervious surfaces in sending runoff into the streets. With only few successes at the ballot box, stormwater agencies have had to rely on their limited legacy resources, local general fund contributions, and state grants to do a job that has gotten much bigger since Proposition 218 was passed.

Proposition 26, though relatively new and untested, is likely to create additional challenges for several other types of water activities. The law may require public wholesale water agencies—generally considered exempt from Proposition 218 because they do not deliver water to properties—to explain and justify changes in water rates and rate structures. In addition, it could make it more difficult to establish fees for non-property-related sources of polluted runoff, such as road use. Finally, Proposition 26 will likely limit the options available for funding ecosystem management activities, including habitat restoration programs and environmental clean-up. Regulatory fees on activities that cause environmental harm are a natural way to fund environmental mitigation (and indeed, already fund activities such as oil recycling and the disposal of electronic waste in California). Proposition 26 requires that charges to support environmental clean-up and restoration caused by past activities be enacted as taxes; it may also define all environmental mitigation charges—including those that require resource users to pay for programs to address the environmental harm caused by new actions—as taxes that require majority voter approval if enacted at the state level and two-thirds voter approval if adopted by local governments.³⁰

²⁷ We are not aware of any successful protests where more than half of property owners objected, but in several cases in small rural communities, boards have not gone forward with the increases following a large share of property owner protests. For examples in Amador County and Tuolumne County, see [Appendix E](#), note 2.

²⁸ Agencies also have the option of pursuing a two-thirds popular vote for a property-related fee, but they have no reason to do so because, unlike fees, special taxes are not subject to Proposition 218's other requirements, such as setting the fee proportional to the costs of service to the parcel.

²⁹ See [Appendix E](#) and the accompanying [online data set](#) for information on flood- and stormwater-related ballot measures since 1995.

³⁰ The legislature can also pass such taxes with a two-thirds majority. As noted above, our interpretation of Proposition 26 is that it does not apply to "prospective" regulatory fees that address harm caused by new actions (see [Appendix A](#)), but this question will ultimately have to be resolved by the courts.

What's Broken, and What's Not?

This overview of legal constraints paints a sobering picture of the funding options for water services in California. By some accounts, California's water system is already in a deep crisis, with failing marks for essential infrastructure and with vast unmet spending needs.³¹ Yet this system is both large and multifaceted, and it is important to take a closer look to identify where the real problems lie. We do this by examining how well California is meeting various water management goals and identifying areas where lack of money is a key obstacle to success. This closer examination reveals a more nuanced picture of fiscal health for California's water system, with several areas needing urgent policy attention.

The Tricky Business of Estimating Funding Gaps

Before delving into the details, a few words are in order regarding our methods for evaluating potential shortfalls in funding for the state's water system. We rely principally on what is known as a gap analysis. This approach compares estimates of spending needs with an assessment of the likely ability of water agencies to meet these needs, based on their recent expenditures and ease of access to funding mechanisms. Critical gaps occur where the needs significantly exceed funding ability. This exercise, while useful, is subject to some important caveats.

The first caveat concerns the notion of "needs." Estimates of spending needs reflect the professional judgment of analysts about the costs of meeting specific management objectives, including societal goals of safe and reliable water supply, flood protection, pollution prevention, and healthy ecosystems. Yet these numbers are often too high. For example, conventional estimates of infrastructure needs often fail to acknowledge that pricing and other incentives can reduce per capita demand (and correspondingly reduce the need to expand facilities). More generally, these estimates do not always reflect the most economically efficient way to meet the given management objectives. Nor do they always consider whether the benefits from identified projects will exceed the costs—a litmus test for whether the investment is worth paying for. On the other hand, estimates of spending needs can be too low if they do not adequately anticipate the replacement costs of aging infrastructure, risk mitigation (such as seismic upgrades), or future conditions that will increase costs, such as new regulatory requirements or worsening hydrologic conditions owing to climate change. Our discussion highlights how these upward and downward biases may affect the estimates.

The second caveat concerns general data limitations. Needs estimates are more complete in some areas than others; where necessary, we have made back-of-the-envelope calculations to gauge the magnitude of the problem. The same is true for information on expenditures (summarized in Table 1, above); we were only able to provide rough estimates of budgets for stormwater runoff management, as these budgets are embedded in broader municipal budgets for public works.

Finally, the data on both expenditures and needs allow us to look at most management activities on an individual basis only, reflecting traditional separations or "silos" between agencies managing water supply, wastewater treatment, flood works, and other functions. Such divisions are increasingly artificial as water

³¹ The "California Infrastructure Report Card: A Citizen's Guide - 2012" from the American Society of Civil Engineers (ASCE) gives California grades of C+ or less for water supply (C), wastewater (C+), levees and flood control (D), and urban runoff (D+) (American Society of Civil Engineers 2013). The American Water Works Association (2011) investigated the needs of buried drinking water infrastructure and found a nationwide cost of more than \$1 trillion for the next 25 years, with western states accounting for the largest share.

management in California becomes more integrated across these silos. For instance, many water supply and wastewater agencies now collaborate to convert highly treated wastewater into new supplies, and similar partnerships have begun between water supply and stormwater agencies to capture and reuse urban runoff. Many modern water infrastructure investments incorporate features to better protect aquatic ecosystems, and some agencies are investing in broader watershed protection alongside their traditional functions. More integrated approaches offer the prospect of more cost-effective, environmentally sustainable water system management, and the state has encouraged this approach by earmarking some bond funds to regional groups pursuing such goals (Figure 2, above).

We begin our gap analysis by examining the two areas that are doing relatively well: water supply and wastewater systems. We then turn to the five areas that are in more serious trouble. California is failing outright in four of these: providing safe drinking water for small, rural communities; ensuring adequate flood protection; managing polluted stormwater; and protecting aquatic ecosystems and the species that depend on them. We are also on the brink of failure in a fifth area—more integrated water management—where bond funding does not appear to have fulfilled expectations. For more details on the needs and gap estimates presented here, see [Appendix B](#).

Passing Grades (Mostly) for Water Supply and Wastewater

Water supply and wastewater are the two biggest ticket items in California’s water system, together accounting for more than 85 percent of recent spending (Table 1, above). Both areas continue to be reasonably successful, achieving their core management objectives of providing safe and reliable water supplies and collecting and treating sewage before releasing it into rivers or coastal waters. Likewise, for the most part, California’s drinking water and wastewater utilities have been meeting the safety standards assigned to them: public health violations are relatively rare and are mostly confined to smaller, rural systems that face special challenges, an issue we return to below.³² Ensuring water supply reliability is difficult in California because the state has limited and highly variable supplies. Yet the system has proven itself capable of adapting to periodic droughts and overall supply constraints by using a variety of modern management approaches, including conservation, water trading, underground storage, off-stream surface storage, and reuse of treated wastewater. This “portfolio approach” to water supply management has accommodated the sustained growth of the state’s population and economy despite relatively flat overall human water use since the early 1980s. To wit, both total population and real gross domestic product (GDP) per capita have doubled since the late 1960s, and the economic productivity of water (measured by GDP per unit of water used) has increased by a factor of four (Hanak et al. 2012). To be sure, managers cannot rest on their laurels; they will face renewed challenges to match this performance in the years to come, with the added complications from climate change and other pressures. Recent trends nevertheless mark an important shift from the traditional approach to water planning, which assumed that supplies would need to continue increasing to accommodate growth.

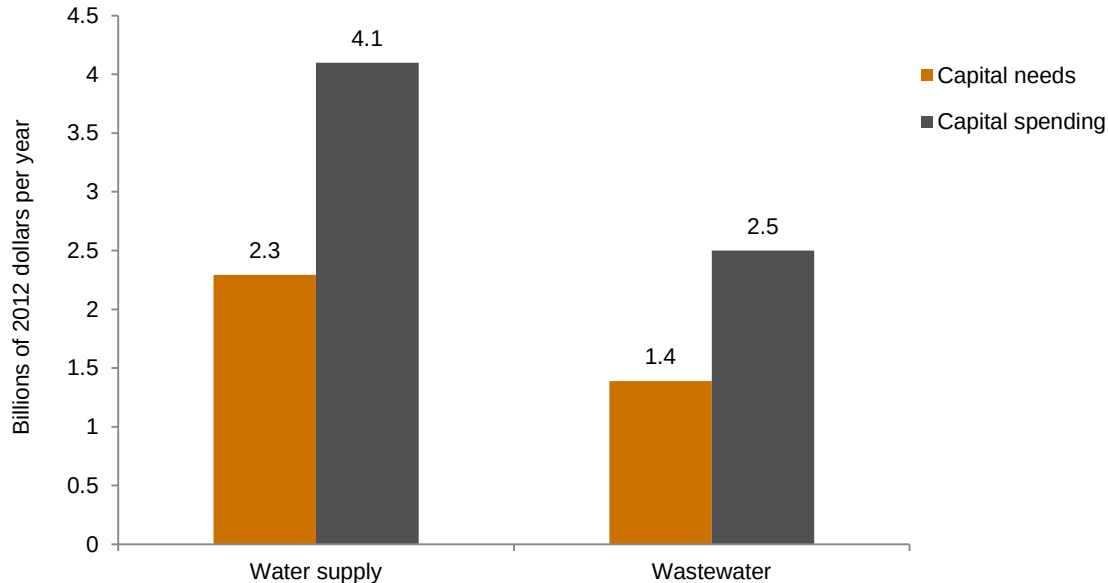
³² According to the California Department of Public Health (DPH), 98 percent of the population is served by large community water systems (those serving at least 3,300 people), and a small minority of these systems (5%) have drinking water standard violations in any given year. The violation rate is higher (8%) in smaller systems (www.cdph.ca.gov/certlic/drinkingwater/Pages/Smallwatersystems.aspx). Not all violations result in public health problems. Since regulation of wastewater systems began in the 1970s, the amount of suspended solids and organic matter discharges from publicly owned treatment works has dropped 80 to 90 percent, despite more than a doubling of wastewater discharges (State Water Resources Control Board 2013a). Data are not available on the number of wastewater facilities discharging at the required treatment standards.

A healthy fiscal check-up

The water sector also appears to be in fairly good financial health. One way to assess this is by comparing capital expenditures with estimates of long-term investment needs to meet the requirements of the Safe Drinking Water Act (which applies to all water utilities that supply drinking water to at least 15 homes or businesses) and the Clean Water Act (which regulates utilities that treat wastewater). Every four years, the U.S. Environmental Protection Agency (USEPA) conducts systematic assessments of these capital needs for the next 20 years, using information supplied by local utilities about their capital improvement plans for a range of activities, such as upgrading or expanding treatment plants, storage facilities, and underground pipes. The drinking water utility survey understates capital needs somewhat, because it excludes system expansions whose explicit purpose is to accommodate population growth (e.g., facilities to serve new subdivisions).³³

The USEPA reports typically generate a lot of media attention, and they are used as evidence of the nation's water infrastructure crisis; California-focused stories tend to suggest that we face the greatest challenges because our numbers are the largest.³⁴ Of course, California is also the most populous state in the nation, and the reports say nothing about the ability to meet these capital needs, only that they are large. The latest estimates for California post a 20-year price tag of \$45.8 billion for drinking water systems and \$27.8 billion for wastewater utilities.³⁵ However, local capital spending comfortably exceeds the annual share of these needs, which suggests the industry is on sound financial footing, even allowing for the additional costs of expanding water supply systems to accommodate population growth (Figure 3).

FIGURE 3
California's drinking water and wastewater utilities seem on track to meet investment needs



SOURCE: U.S. Environmental Protection Agency (2008) and (2013) (needs) and author estimates (spending). See [Appendix B](#).

NOTE: The chart compares annual capital needs from recent USEPA surveys with local capital expenditures by wastewater utilities and urban water utilities. Both measures exclude interest payments for borrowing.

³³ This survey also excludes activities related to source protection, likely to be a relatively small share of most agencies' expenditures ([Appendix B](#)).

³⁴ After the release of the most recent survey, headlines in California and in the nation highlighted California's position at the top of the list (Cart 2013, Zhe 2013).

³⁵ U.S. Environmental Protection Agency 2008 (wastewater) and 2013 (drinking water). Both numbers are in 2012 dollars. See [Appendix B](#).

Because this conclusion contradicts the conventional wisdom about the condition of California’s water infrastructure, we asked urban utility managers from around the state for their reactions in our regional workshop discussions. Although many agreed with our assessment, some speculated that the needs estimates do not adequately reflect the capital replacements many aging systems should be undertaking. We were also told that some local boards and managers are reluctant to publish capital plans that seem too pricey, to avoid scaring the rate-paying public. However, the USEPA estimates adjust for system replacement needs that appear too low, and when we looked at capital spending by individual agencies, we found that the vast majority were reinvesting more than 1 percent of their fixed assets every year—a benchmark some managers suggested as a minimum for healthy asset replacement.³⁶

If local water supply and wastewater utilities appear to be generally on track, this is thanks in no small part to the fact that they are the agencies the least hamstrung by the constitutional restrictions on water finance described above. These utilities rely primarily on fee income from their ratepayers, and they have generally been able to raise water and sewer bills to cover their operational costs and invest at a healthy pace.

Looming cost challenges

Our discussions with utility managers also considered some looming challenges that are likely to increase costs and make it harder to pay the bills in the future. One issue is increasing treatment costs for drinking water and wastewater, a result of the rising safety standards and the deteriorating quality of source water.³⁷ The condition of water quality in some groundwater basins is of particular concern, and many groundwater-dependent communities are having to replace wells or install costly wellhead treatments to remove harmful chemicals that are either naturally occurring (such as arsenic) or caused by farming or industrial activity (such as nitrate and perchlorate). The nitrate problem—a result of decades of chemical fertilizer use and the spreading of manure from livestock operations—will get worse before it gets better, because the accumulated chemicals in the soil are slowly moving through the state’s aquifers (Harter et al. 2012; State Water Resources Control Board 2013c). Proposed higher drinking water standards for chromium-6 (which has both natural and industrial origins) are causing new cost concerns in some regions.³⁸

Another looming issue for many of the state’s water supply agencies is the future of water exports from the Sacramento–San Joaquin Delta, a network of manmade channels and islands south of Sacramento that serves as the hub for moving SWP and CVP water from its sources in the northern and eastern mountains to water users to the south and the west. Delta exports constitute roughly 30 percent of supplies for urban communities in the San Francisco Bay Area and Southern California, and a similar share of irrigation water in the southern half of the Central Valley. The current conveyance system faces reliability challenges for a variety of reasons (notably, unhealthy conditions for many native fish species and seismically vulnerable levees). Water agencies are considering investing in the Bay Delta Conservation Plan (BDCP)—a 50-year habitat conservation plan—to improve ecosystem conditions and water supply reliability. The proposal includes two tunnels to divert some exports underneath the Delta instead of through it, along with extensive habitat restoration and other ecosystem improvements. The tunnels, currently slated at about \$15 billion in

³⁶ This estimate was only possible for special districts. Of the 253 combined water and wastewater districts in the data, only 16 percent invested less than 1 percent of their fixed assets in 2008–11. The corresponding figures for the 239 wastewater-only and 489 water-only districts (including some purely agricultural districts) were 19 percent and 36 percent, respectively. Larger districts generally had higher investment ratios.

³⁷ See Hanak et al. (2011), chapters 3 and 6, for a discussion of rising standards, often linked to improved detection technology as well as a better understanding of human and environmental health risks.

³⁸ The Association of California Water Agencies (2013) estimates the annualized costs of compliance for the new standards to be \$616 million, nearly five times higher than the estimates by the California Department of Public Health (\$156 million/year).

new investments plus some operational cost increases, would be paid for by water users. (The general public would cover most of the multibillion dollar ecosystem improvements; more on this below.)

There has been much public discussion and debate about the affordability of the tunnels. BDCP puts the implicit additional water supply cost of new conveyance, based on current cost estimates, at \$302 to \$408 per acre-foot at the Delta.³⁹ Additional costs would accrue for transmission, treatment (for urban users), and distribution, which could add as much as several hundred dollars to the price paid by urban water users. Others that have examined BDCP put the likely cost much higher, with estimates ranging from \$500 to \$1,000 per acre-foot.⁴⁰ Still, for most urban water users, Delta exports in this price range would remain competitive with most other new sources of supplies.⁴¹ In contrast, this price increase could be prohibitive for many agricultural activities.⁴² Among the many open questions is whether water users could agree to a cost-sharing formula with lower payments by agriculture, potentially in exchange for lower reliability, or to a smaller project (lowering both future exports and costs, and using the savings to develop more local supplies in urban areas).

Agricultural water users south of the Delta also face other looming challenges, including soil salinization in some areas (Medellín-Azuara et al. 2008) and unsustainable groundwater pumping in places like the Tulare Basin (Faunt 2009, Famiglietti et al. 2011). Because of these problems, we expect a continued decline in agricultural water use and irrigated acreage and a rise in the share of higher-income farming activities that can support higher water costs—both trends have been under way since the 1980s (Hanak et al. 2011; Medellín-Azuara et al. 2012; Howitt et al. 2012).⁴³ When considering these trends, it is important to keep in mind that California’s agricultural economy can continue to grow in value while shrinking its water and land footprint. Indeed, analyses show that this is even possible under dry forms of climate change, with significant declines in farm water use.⁴⁴ It also bears noting that California’s economy is less vulnerable to reductions in agricultural output than it once was. Agriculture today is a small share of the state’s economy (currently just 1–2% of GDP)⁴⁵ but it uses a large share of the state’s water resources (nearly 80% of all farm, nonfarm business, and residential water use combined).

³⁹ See California Resources Agency (2013), available at

http://baydeltaconservationplan.com/Libraries/Dynamic_Document_Library/July_Public_Meeting_Presentation_Final.sflb.ashx.

⁴⁰ See, for example, <http://hydrowonk.com/blog/2013/09/16/what-would-be-californias-water-supply-situation-without-the-bdcp-and-what-it-means-for-tunnels/>. These estimates were developed by Dr. Rodney Smith of Stratecon, Inc.

⁴¹ Costs vary significantly by type of supply. For recycled water, costs can range from the low hundreds to over \$2,000 per acre-foot. A review of 26 Bay Area recycled water projects found an average cost of about \$1,100 per acre-foot (M.Cubed 2007). Costs for desalination tend to be even higher. BDCP cites five proposed desalination projects in Southern California that have estimated costs ranging from \$1,191 to \$2,340 per acre-foot (see previous footnote for source). Costs of demand management typically range between \$500 and \$1,000 per acre-foot (based on author’s review of 27 urban conservation master plans developed for various California water utilities between 2009 and 2012).

⁴² As an indication, 2005 irrigation water prices in different subregions within the San Joaquin River hydrologic region averaged from a low of \$10 to a high of \$53 per acre-foot, and the range in the Tulare Lake Basin hydrologic region was \$12 to \$87. With a 25 percent reduction in water availability, farmers in some parts of the Tulare Lake Basin would be willing to pay between \$250 and \$500 per acre-foot (2008 \$), but many agricultural activities south of the Delta would not support such prices (calculations from the Statewide Agricultural Production Model, as reported in Hanak et al. 2011, ch. 2). Agriculture in coastal areas generates much higher values per unit of water used and has a correspondingly greater ability to pay for water. See Medellín-Azuara et al. (2012).

⁴³ This shift to higher-value crops comes with a danger of decreased flexibility for southern Central Valley growers, many of whom are shifting from field crops to orchard crops, which cannot be fallowed during droughts without large investment losses. Statewide, orchard crops increased from 17 to 25 percent of crop acreage between the early 1980s and the mid-2000s. In this later period, orchard crops constituted 32 percent of crop acreage in the San Joaquin River and Tulare Lake regions (Hanak et al. 2011, ch. 3).

⁴⁴ Medellín-Azuara et al. (2012) show that with a warm-dry form of climate change and a 29 percent drop in farm water use by 2050, real farm revenues can still increase by 26 percent compared to conditions in 2005. See also Hanak et al. (2012), Figure 7.

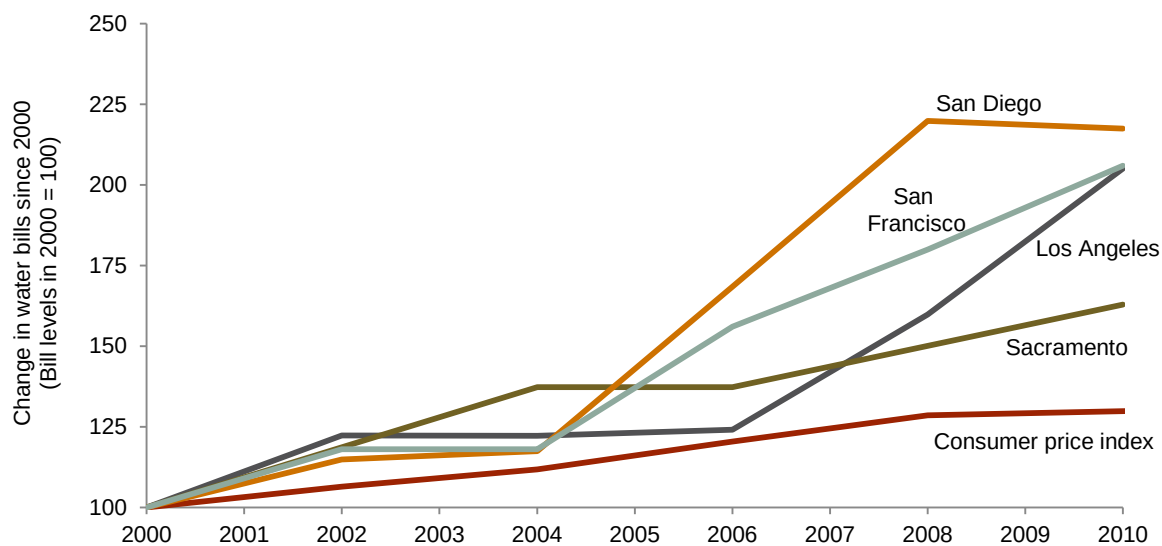
⁴⁵ The higher end of this range includes all food processing industries as well as primary crop and livestock production (Hanak et al. 2012, using data from the U.S. Bureau of Economic Analysis). Agriculture’s share in employment is higher (2–4%, depending on the source and whether agriculture-related manufacturing is included). With economic multipliers, the share of employment and labor income is higher (see, e.g., UC Agricultural Issues Center 2013), but one must be cautious in using multipliers to gauge the role of a sector in the economy, because they imply

Looming legal challenges

Some observers have also raised concerns that the combination of rising costs and new legal constraints on funding—particularly related to Proposition 218—will compromise the ability of utilities (now on solid financial footing) to pay their way in the future.

Monthly water bills have indeed been going up faster than inflation to recoup the costs of new investments (Figure 4).⁴⁶ During the late 2000s, many utilities also experienced fiscal challenges from declining water (and sewer) use—a combined result of drought, reduced economic activity, and continued progress in water use efficiency. Because most of the costs for local water systems are fixed (i.e., not varying with the volume of water sold or wastewater treated), declining water use can reduce total revenues faster than total costs, requiring utilities to increase the per volume charge for services.

FIGURE 4
In California's urban areas, monthly water bills have been growing two to three times faster than inflation



SOURCE: Author calculations using information from the American Water Works Association (2010) and water agency financial reports.

NOTES: For Sacramento, 2002 and 2008 values are interpolated. The CPI is the consumer price index for California. The figure reports changes in typical water bills (including fixed service charges and volumetric charges).

Many utilities have found themselves in the unenviable position of having to make unpopular rate increases while the rate-paying public is still feeling the effects of the recession. Although successful protests of rate increases under the rules of Proposition 218 have been rare, managers in several regions indicated that local governing boards can get “cold feet” from even a few vocal opponents of higher rates. Too much timidity can result in lower spending on system upkeep and improvements needed to maintain quality of service over the longer term. Indeed, some utilities have recently reduced their capital spending to cope with declining revenues.⁴⁷

that there is no capacity for other sectors to adjust in response to changes in the given sector. All sectors have multiplier effects; aggregating them all would significantly overstate the size of the economy.

⁴⁶ The Metropolitan Water District of Southern California's *2010 Long Range Finance Plan* foreshadows this trend continuing, at least for the South Coast. It projects rates for Tier 1 and Tier 2 water will increase by 4.5 percent to 6.7 percent annually between 2010 and 2020.

⁴⁷ In 2011, capital spending by local public water and wastewater utilities was about 10 percent and 15 percent lower, respectively, than for the 2008–2011 average reported in Figure 3.

Perhaps a bigger question, however, is whether recent court challenges to rate structures and billing practices will prevent local water managers from continuing to pursue the modern, portfolio-based approaches that have been so essential to allowing the state's population and economy to grow and prosper despite growing water scarcity. The issue at hand is not whether broad numbers of ratepayers are willing to pay for important services but rather the vulnerability of the entire funding system to legal challenges by a handful of individuals. Four issues are of particular concern: conservation-oriented pricing, the incorporation of nontraditional sources of supply, the sustainable management of groundwater resources, and affordability for low-income households.⁴⁸

The future of tiered water rates

The challenge to conservation-oriented pricing concerns the legality of using tiered water rates, in which customers are billed according to two or more price tiers, with a higher price per gallon for the upper tiers. The theory of tiered-rate pricing is that people have more flexibility to reduce their use in the upper tiers (e.g., by reducing less essential activities like outdoor watering) and that the higher price provides added encouragement to do so. By the mid-2000s, over half of the state's urban water utilities used tiered rates, and the practice has been growing as more utilities aim to reduce per capita urban water use, still high in California relative to comparable economies with similar climates, such as Australia, Spain, and Israel.⁴⁹ The legal issue is whether these rate structures are consistent with Proposition 218's requirement that fees be proportional to the cost of service. This accounting requirement turns out to be more complex than voters may have anticipated when they approved this constitutional reform (see Box 4).

The courts have ruled that agencies cannot set different price tiers for different customer categories unless the rate differentials are based on differences in costs of service among categories. This ruling is beneficial insofar as it discourages the artificial subsidization of water use.⁵⁰ However, there is also a risk that courts will interpret the cost proportionality requirement too rigidly to allow tiered pricing to be used more generally as a tool to promote conservation. Under Proposition 218, higher price tiers can be justified to the extent that new water sources cost more than existing supplies, which is usually the case. Although agencies can show that these rates do encourage conservation—thereby allowing both utilities and users to avoid these additional costs—it is difficult to establish a precise link between the amount of water saved and the higher volumetric prices.

There have been particular concerns for the consistency of budget-based (or allocation-based) tiered rate structures with Proposition 218's proportionality requirements. These rate structures adjust individual customer tiers by drawing on efficiency-based usage norms for indoor and outdoor use, and by taking into account both the number of residents (important for indoor use) and the landscaped area and climatic zone (important for outdoor use). Rate structures based on water budgets, which are increasingly popular in Southern California, enable utilities to send salient messages to ratepayers about efficient levels of water use: the monthly bills inform customers when they exceed their allotment, and customers face higher prices for any excess water use. Budget-based structures also help utilities to manage the inherent challenge of fiscal instability in a sector that faces high fixed costs. (Utilities use the more reliable revenues from the lower tiers to cover their fixed costs, and they use the more variable revenues from top tiers to fund conservation

⁴⁸ See [Appendix A](#) for a more detailed discussion of these issues.

⁴⁹ See Hanak et al. (2011), ch. 2, and Cahill and Lund (2013).

⁵⁰ Lower prices for irrigation water, for instance, would still be justified if the water delivered is untreated or if the supplies are subject to interruption in the event of shortages.

programs, which augment effective supply.) Such rate structures are consistent with the long-standing constitutional requirement of reasonable use (Article X, section 2, adopted by the state's voters in 1928), and they are helping urban water utilities meet new legal requirements to reduce per capita water use by 20 percent by 2020 (Baerenklau, Schwabe, and Dinar 2013).

4

Water rate structures and the fallacies of molecular-level accounting

Proposition 218 calls for water and wastewater utilities to base their charges and rate structures on property service. In the extreme, this implies that each property should only be charged for the costs of delivering particular water molecules to the property.

However, accounting for the costs of collective services like water in this way has inherent pitfalls. Most water utility costs in urban areas are fixed costs that serve the entire community jointly, such as the costs for water treatment and distribution pipe capacity. Given the water system's existence, the additional costs of serving a single existing house are small. The community service capacity increases the value of each property served regardless of the volume of its water use, as connected homeowners avoid the largely fixed cost of having their own wells. Property owners also benefit from this system for fire protection (and reduced fire insurance rates), irrespective of the volume of water they use for other purposes. Any effort to determine the equitable shares of collective water service leads to a number of baffling questions. Should the cost of the large, fixed system and its treatment and pipe capacity be allocated to customers by connection, by quantity of water used, by property value increase due to the water service availability, or by some combination of these methods? Allocation by connection implies a parcel fee, allocation by water use implies a volumetric rate per gallon used, and allocation by the increase in property value implies a property value assessment. Because the same fixed cost serves a variety of purposes for a diverse set of customers, no single method of cost allocation will simultaneously be economically efficient and equitable in terms of all services to all parties, while raising sufficient revenues to cover (but not exceed) costs (Giglio and Wrightington 1972).

Water utilities have traditionally dealt with this problem by billing customers both a fixed service fee and a volumetric fee, in various combinations. As water conservation has become a policy priority in California, reflecting both the overall condition of water scarcity and the societal goal of reducing damage to aquatic ecosystems caused by water diversions, many utilities have adopted tiered rate structures, which charge higher prices for higher (presumably less essential) blocks of water use. Some utilities adjust these tiers for individual water users based on a "water budget" that considers household size, lot size, and climatic zone.

Proposition 218 could upend these pricing practices, depending on how the courts interpret the required property-based accounting of service costs. If the courts allow rates to cover only the additional (marginal) cost required to supply water to a particular property, this would bankrupt most utilities, as they would be unable to support fixed system costs. Other interpretations could bias the allocation of fixed costs in seemingly arbitrary ways, potentially interfering with utilities' ability to effectively balance system pricing objectives. Ultimately, there is no escaping the problem of allocating fixed system costs across a range of services provided to diverse property owners, and no one way to allocate costs fairly to individual properties.

Rate setting is a complex task, and agencies must use their best professional judgment on how to structure rates that enable them to recover their costs while encouraging conservation and efficient use. Water agencies should be required to establish a transparent and understandable record of decisions, but not held to unreasonable standards of precision regarding the allocation of costs to individual parcels (Box 4).

The future of portfolio-based supply management

Conservation is one of several nontraditional tools that water managers are using to meet the water demands of California's economy. Although new water sources are generally more expensive than existing supplies, sources such as recycled water, captured stormwater, and desalinated ocean water not only help accommodate growth but often improve system reliability for existing customers as well. This is especially important for communities reliant on variable Delta exports. More generally, new water sources can act as a hedge against the increasing variability anticipated with climate change. The search for water sources is also consistent with state policy, which encourages water utilities to develop local supplies.⁵¹

If applied without an understanding of the realities of contemporary water management, Proposition 218's requirement that water rates reflect the costs of water service to each parcel could undermine the ability of water agencies to develop and use alternative supplies as needed as part of their overall water service portfolios. A case in point is a recent trial court ruling in Southern California, *Capistrano Taxpayers Association v. City of San Juan Capistrano* (2013), in which the court interpreted Proposition 218 to prohibit agencies from charging customers for any component of water service (in this case, recycled water) that does not make the component water physically available to them.

This fragmented interpretation of water service costs threatens to undermine one of the hallmarks of contemporary water management, which recognizes that water service is an integrated endeavor. Because the various components of a water system—including the management of native surface water and groundwater supplies, the acquisition of imported water, recycled water programs, stormwater capture, conjunctive ground and surface water management, and demand reduction strategies—cannot be segregated from one another, it is lawful to charge individual property owners and water users a share of all of the system costs. For example, providing recycled water to one part of the service area improves water service for all, so it is lawful to spread the cost of recycled supply among all parts of the service area, including those that do not physically receive that supply.

The future of sustainable management of groundwater basins

Many of California's groundwater basins are at risk, suffering from the effects of long-term pumping that has exceeded the natural rates of recharge. One promising way to stabilize groundwater basins is by charging all pumpers a volumetric fee to limit pumping to sustainable levels and to cover the costs of recharging the basin with imported surface water, local recycled wastewater, or stormwater. This practice has been used successfully for some decades by the Orange County Water District, the Water Replenishment District of Southern California, the Pajaro Valley Water Management Agency, and the Santa Clara Valley

⁵¹ For instance, several state policies encourage the expansion of recycled water use. The recently signed Senate Bill (SB) 322 (October 2013) charges the DPH and the State Water Resources Control Board (SWRCB) to develop a uniform water recycling criteria. The SWRCB Recycled Water Policy aims to increase recycled water from municipal wastewater sources and strongly supports recycled water as a safe alternative to potable water. The state's objective to achieve a 20 percent reduction in per capita water use by 2020 counts recycled water as a way to offset urban use and reach goals (California Department of Water Resources 2010). And the Delta Reform Act (2009) made it state policy to reduce the reliance on water from the Delta, highlighting recycled water as a way to achieve more local self-reliance.

Water District—districts with special legislative authority to manage groundwater supplies on behalf of their communities (Blomquist 1992).

Groundwater overdraft does not affect all pumpers in the same way. For instance, those located closer to the ocean experience saltwater intrusion faster, and so bear greater costs from overdraft than those located further inland within the same basin. Yet the inland pumpers contribute to the problem. A hydrologically accurate cost-of-service analysis would need to account for the external costs of pumping to all users of the basin, not just the costs to the individual property owner. Even if the specific effects of individual pumping vary in time and space, everyone pumping from the basin contributes to the problem, and everyone overlying the basin benefits from more sustainable management in the longer term. Landowners and groundwater users in several districts have challenged groundwater extraction charges under Proposition 218, alleging that they may not be charged a uniform volumetric fee unless they receive the same benefits from the agency's groundwater management program as other users.

In a step forward for sustainable groundwater management, the California Court of Appeal recently rejected claims that Proposition 218 prohibited the local groundwater management agency from imposing a fee on all groundwater extraction as part of its program to prevent overdraft and saltwater intrusion and to augment native groundwater supplies by blending them with recycled water (*Griffith v. Pajaro Valley Water Management Agency* 2013). The court noted that the agency “was created to manage the resources ‘for the common benefit of all water users,’” and held that the augmentation charge pays for “‘the activities required to prepare or implement any groundwater management program’” (*Id.* quoting Pajaro Valley Water Agency Act). The agency “is not using money from the augmentation charge for ‘general governmental service,” the court reasoned. “Rather, it is using the money to pay for the water service provided” (*Id.*).

This important decision recognizes that water service is a multifaceted and integrated endeavor and that pricing for such services as recycled water and groundwater replenishment need not be based on where the water molecules are actually delivered. The court also concluded that agencies must have some flexibility in the way they apportion fees: “Proposition 218 prescribes no particular method for apportioning a fee or charge other than the amount shall not exceed the proportional cost of the service attributable to the parcel . . . [The law] does not require a more finely calibrated apportion” (*Id.*).

Although the *Griffith* decision reflects an informed judicial understanding of the realities of modern water administration, the development of rate structures nonetheless remains an area fraught with legal uncertainties for water managers, who need to think comprehensively about their portfolio of water sources to provide reliable service over the long term. If Proposition 218 is interpreted by the courts as requiring molecular-level accounting of the costs and location of each drop of water, it will undermine the ability to manage California's increasingly sophisticated and interconnected water system so as to provide reliable service despite increasing water scarcity. Balancing costs among users in water systems is an inherent governmental function, not subject to simple accounting solutions (Box 4).

Affordability for low-income households

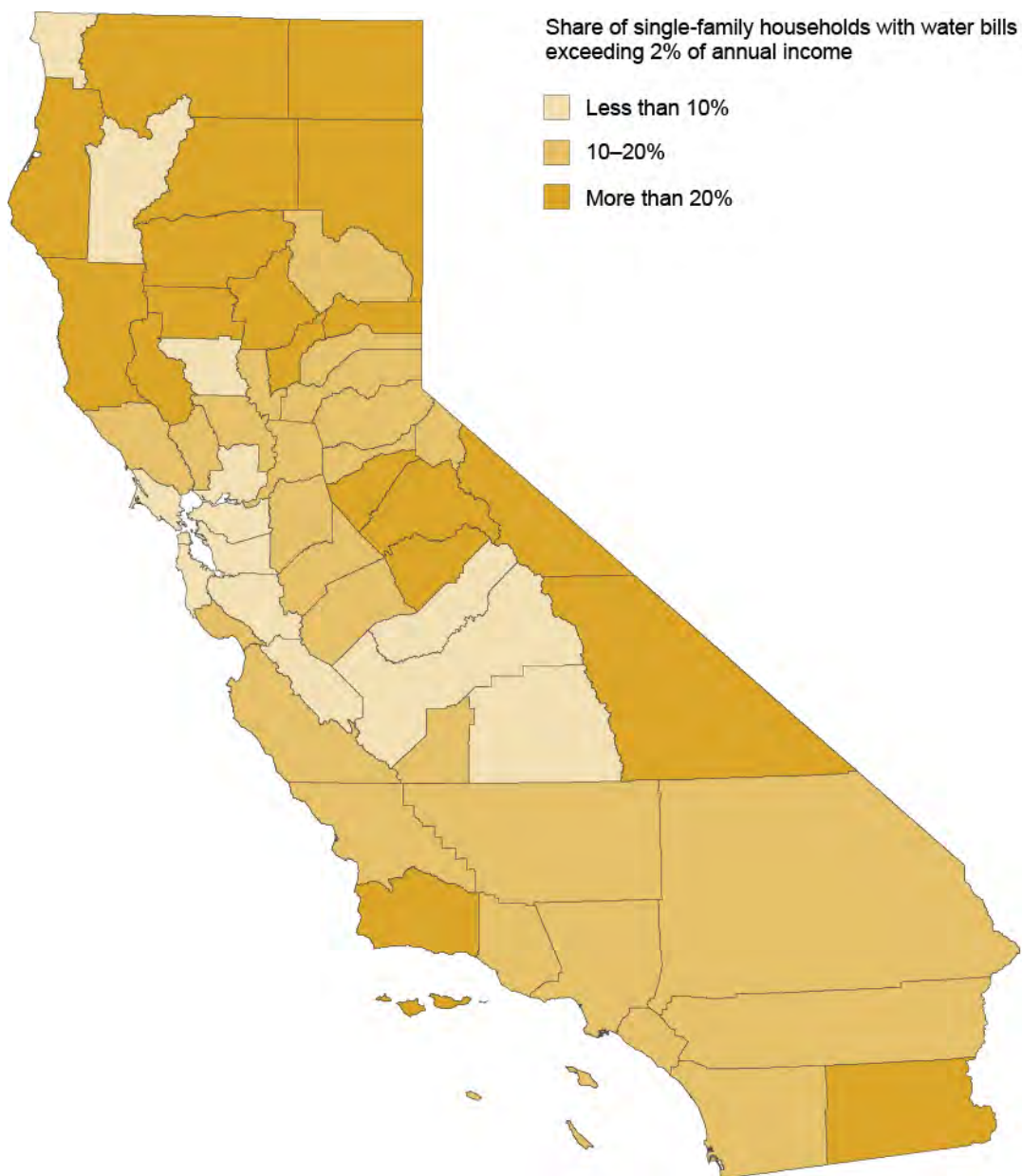
Proposition 218's proportionality requirement may also make it difficult for utilities to offer affordable “lifeline” rates to low-income households. The state's Public Utilities Commission authorizes private energy and water utilities to cross-subsidize low-income customers with rate revenues, and lifeline rates funded in this way are common in both sectors. In contrast, public agencies that did not already have such rates in place prior to Proposition 218 must either use available income from sources other than rates (e.g., revenues from property taxes) or seek voter approval of new tax revenues for this purpose. Tiered rate structures can

help manage this problem, giving low-income consumers (and everyone else) some basic supplies at a lower price. Conversely, high fixed service charges disproportionately affect lower-income households, and many utilities seem to be moving in this direction in an effort to stabilize revenues in the wake of the recent declines in water sales. As the real costs of water and wastewater services continue to rise, Californians may need to reconsider whether Proposition 218's restrictions against cross-subsidies for low-income households are a desirable policy.

Indeed, the state recently adopted legislation affirming that all Californians have the right to "safe, clean, affordable, and accessible water adequate for human consumption" (Assembly Bill [AB] 685, 2012). Companion legislation (AB 2334) that sought to define affordability thresholds and required the Department of Water Resources to develop strategies to make water more affordable in "high-cost communities" did not pass. The guidelines introduced in that bill—flagging water bills exceeding 2 percent of household income as potentially unaffordable—are nevertheless instructive.

Our county-level estimates show the share of single-family households that may already face water bills exceeding 2 percent of their annual incomes (Figure 5). Statewide, the share is nearly 13 percent. The lowest-income households (with annual incomes at or below \$25,000) are potentially affected in most counties, and lower-middle-income households (with annual incomes between \$25,000 and \$50,000) are also affected in counties where water rates are especially high, like Santa Barbara. Although the appropriateness of AB 2334's affordability guidelines for California remains an open question, the state will clearly need to consider affordability for lower-income households as water bills continue to rise. Some of the households exceeding the 2 percent threshold live in areas with small, rural systems with special affordability problems (discussed below), but most are served by larger water systems that could address affordability through local lifeline rate programs. Water is still highly affordable for the vast majority of California's households and businesses, and lifeline rates are a straightforward approach for helping those who are less fortunate receive an essential service.

FIGURE 5
Lower-income households across California may face growing affordability challenges as water bills climb



SOURCE: Author calculations using information from the water fee model (Appendix D).

NOTES: The figure depicts the share of single-family households with water bills likely to exceed 2 percent of household income. The calculations are for entire income groups, based on estimated water use and water bills by group. In most counties, the lowest income group (\$25,000/year or less) has average bills exceeding the 2 percent threshold. In some, the lower-middle-income group (\$25,000–\$50,000/year) exceeds this threshold. In more-rural counties, the data on household water use and water bills may be less reliable.

To recap, the state’s water and wastewater systems can remain fiscally robust despite looming cost challenges as long as utilities do not face unreasonable legal impediments to raising the funds they need from the local ratepayers who rely on their services. Later we suggest some constitutional reforms to remedy problems in the laws as now written, as well as steps that the courts, the California legislature, and water managers can take to help the water system navigate this evolving terrain.

Four Areas Where California Is Failing, and One on the Brink

In contrast to this picture of relative fiscal health for water and wastewater utilities, four areas of water management already face structural funding gaps that make them unable to deliver the level of services California residents expect. California is failing in these four areas: small, rural water systems in low-income communities; flood protection; stormwater management; and aquatic ecosystem management. The reasons for failure include high costs and inadequate community resources (for small water systems and for many communities facing a high risk of flooding), outdated cost-sharing arrangements with the federal government (an added problem for flood management), and lack of a clear “fiscal home” — either unclear lines of responsibility for addressing the problem (in the case of ecosystems) or funding rules at odds with assigned responsibility (in the case of stormwater). Finally, despite its promise for addressing water management in more cost-effective and environmentally effective ways, integrated water management is on the brink of financial failure for similar reasons.

Safe drinking water in small, disadvantaged communities

Several recent studies indicate that a lack of access to safe drinking water in poor, rural communities is a serious problem.⁵² Small water systems generally rely on groundwater supplies. They have little ratepayer capacity and high unit costs for supplying safe piped drinking water to households, and they are often in areas where groundwater is highly contaminated. For example, the Tulare Lake Basin and the Salinas Valley have significant and sustained nitrate contamination of groundwater, primarily from fertilizer and animal manure on agricultural lands (Harter et al. 2012; Honeycutt et al. 2012). Arsenic (a naturally occurring contaminant) is another prevalent problem, and small-scale treatment for newly designated contaminants, such as chromium-6, is technically and financially difficult.

Getting an overall handle on the scale of this problem and the potential costs is challenging. Some 2,300 small water systems regulated under the Safe Drinking Water Act (systems with 15 to 999 connections) serve about 1 percent of California’s population, or around 380,000 people. Recent studies have found that 185 of these systems (8% of the total, serving 58,000 people), have recently failed to meet the standard for one or more health-based maximum contaminant levels (MCLs). A slightly larger number of water systems (215, serving 95,000 people) relies on at least one contaminated groundwater well and failed to meet the standard for at least one MCL between 2002 and 2010.⁵³ Figure 6 shows the locations of these 215 small systems; although they are more concentrated in the Tulare Lake and Salinas basins, they are present throughout California. An added complication is that state agencies have no estimates of exposure rates for the roughly 1 percent of Californians served by even smaller water systems or domestic wells. A detailed study of nitrate in the Tulare and Salinas groundwater suggests that these populations are at least as susceptible as those served by the small systems regulated by the Safe Drinking Water Act (Honeycutt et al. 2012). Taken together, perhaps 80,000 to 160,000 Californians (0.2 to 0.4% of the state’s population) live in small, disadvantaged communities that have difficulties providing safe drinking water.⁵⁴

⁵² See Harter et al. (2012), Honeycutt et al. (2012), State Water Resources Control Board (2013b and 2013c), and California Department of Public Health (2013).

⁵³ The first numbers are from the California Department of Public Health (2013) and the second are from the State Water Resources Control Board (2013b).

⁵⁴ Not all small systems have low-income customers; small mutual water companies in some more affluent, urbanized areas also have water quality problems. This estimate assumes that about 80 percent of small systems have economically disadvantaged populations, based on results from Honeycutt et al. (2012) for Tulare and Salinas. State law defines disadvantaged communities as those with median household incomes at 80 percent or less than the statewide median income, which may be an overly broad definition (e.g., it includes communities with many college students, as well as some retirement communities in which residents may have significant assets but below-average annual incomes). Larger numbers of Californians served by larger water systems are also potentially at risk from groundwater contamination, but these systems can more readily benefit from scale economies to cover the costs of solutions, such as blending sources and wellhead treatment.

FIGURE 6

Small water systems with contaminated groundwater are located across the state



SOURCE: State Water Resources Control Board 2013b.

NOTE: The figure shows 215 small water systems (with 15 to 999 connections or serving approximately 50 to 3,300 individuals) that had at least one contaminated groundwater well and at least one MCL violation between 2002 and 2010.

Statewide, providing safe drinking water to these communities cost-effectively would likely require additional expenditures between \$30 million and \$160 million per year. Solutions include physically consolidating small systems into larger neighboring systems (where practical), blending water sources, drilling new or deeper wells, or using point-of-use and point-of-entry treatment. In the longer term, as nitrate contamination migrates deeper into aquifers, digging new wells will be a less viable option, but technological advances, such as remote monitoring systems now in pilot development, may make point-of-use treatment more attractive (Cohen and Rahardianto 2013).⁵⁵ Administrative consolidation of

⁵⁵ Public health officials have been reluctant to consider supporting point-of-use treatment as a long-term solution because of safety concerns if these home-based systems are not regularly maintained and monitored.

utilities—with combined management and technical oversight—may also help reduce costs and improve performance where physical consolidation is impractical, but this process can also face obstacles.⁵⁶

Substantial sums have been available to support safe drinking water delivery under numerous state and federal programs, but this funding is often difficult for small systems to access because of their limited organizational capacity. Moreover, most funds, including those specially earmarked for small systems, have been restricted to capital improvements rather than the ongoing operations and maintenance support that these systems often need. The smallest systems (those not regulated by the Safe Drinking Water Act) are ineligible for many funding programs. Some of these gaps could be addressed through better organization of existing funding programs. Legislation signed in 2013 moves in this direction by augmenting targeted support for small systems (AB 21 and AB 30) and helping government agencies to apply for funds on behalf of disadvantaged communities (AB 115).

Creating a single application for the numerous funding programs would also help, as would facilitating physical and administrative consolidation by indemnifying utilities that agree to annex small systems from potential liabilities for pre-existing problems. The responsibility for overseeing improvements in small systems could be assigned to a local body—e.g., county departments of public health or public works. These entities could help communities address problems with water supply as well as problems with sewer, septic, and drainage systems. In addition, the state should focus attention on understanding the needs in the communities that are currently falling through the cracks because their water systems are too small to be regulated under the Safe Drinking Water Act. One relatively low-cost first step would be to create a single statewide repository for data on systems serving 5 to 14 connections, information that is currently collected by counties.

Flood Protection

California's hydrology and physical features make many areas highly prone to flooding, and managing flood risk has been an important objective since before statehood. Local, state, and federal authorities have long shared these responsibilities. Local agencies generally manage and maintain local infrastructure, such as levees and seawalls. The U.S. Army Corps of Engineers oversees the flood management functions of the state's large reservoirs. The Federal Emergency Management Agency (FEMA) oversees the floodplain mapping that deems which properties lie within the most flood-prone areas (the so-called 100-year floodplains), and it sells flood insurance to individuals and businesses with rate differentials that reflect this mapping.⁵⁷ The state Department of Water Resources (DWR) works in partnership with the Army Corps of Engineers to manage flood protection infrastructure during flood emergencies and to conduct large-scale flood management planning. Both agencies supplement local funding, especially for capital investments. Within the Sacramento and San Joaquin River hydrologic regions, the state also has primary responsibility for a large federally authorized flood control project that includes 1,600 miles of levees and thousands of acres of bypasses that periodically divert floodwaters away from urban areas. A 2003 court ruling (the *Paterno* decision) found the state liable for flood damages behind these levees even when they were built

⁵⁶ The Legislative Analyst's Office (2011) highlights some of these challenges in a recent review of small special district performance issues in several counties. The process itself, which occurs under the auspices of the Local Agency Formation Commission (LAFCO), can be costly, since it typically requires updated municipal service reviews, sphere of influence updates, or special feasibility studies. LAFCO-imposed terms of consolidation can result in higher-cost personnel agreements. Agencies absorbing another district through consolidation can also face significant up-front costs as they repair aging infrastructure, purchase required equipment, or begin to build a reserve for emergencies or future upgrades. LAFCOs tend not to push consolidation if there is opposition on the part of district management.

⁵⁷ A 100-year flood refers to a flood large enough that it has a 1 percent chance of occurring in any given year.

(and subsequently maintained) by local agencies, potentially exposing taxpayers to billions of dollars in liabilities from future floods (California Department of Water Resources 2005).

This lawsuit and the devastating flooding that Hurricane Katrina brought to New Orleans—a city that was believed to have a significantly higher level of protection than metropolitan Sacramento—prompted a concerted effort by state officials to increase attention to managing flood risk in California.⁵⁸ In theory, federal policy provides for federal cost shares of up to 65 percent of capital investments for local projects, but the slow pace of this funding caused severe investment backlogs, as locals waited in line for the funds. In 2006, the Schwarzenegger administration allocated half a billion dollars in general fund support to capital projects in lieu of the federal government. Two bonds passed by voters in November 2006 made another \$5 billion in state funds available for this purpose, with much of the focus on the Sacramento and San Joaquin River regions where the state is now liable. A 2007 legislative package also aimed to tighten the rules for local building decisions: instead of following the federal guidelines that restrict new construction only within the 100-year floodplain, urbanized areas within the Central Valley would be required to provide protection against a 200-year flood if they wanted to authorize more growth.⁵⁹

Recent planning efforts by DWR and the Army Corps of Engineers have determined that roughly 25 percent of the state’s population is living in a floodplain: 4 percent in the least protected areas, and another 21 percent in areas rated as having protection from a 100-year flood but still susceptible to larger and less frequent floods (the so-called 500-year floodplain).⁶⁰ Many of these lands are protected by levees subject to rupture or overtopping. The estimated replacement value of buildings in these floodplains exceeds \$430 billion. In addition to buildings, many other exposed assets carry significant value, including building contents and crops, as well as public infrastructure (major airports, roads, rail lines, and hospitals). Economic losses from flooding depend on the depth and duration of the flood, and the degree of disruption for businesses; in some places, flooding also poses risks to human life. The severity of flooding could increase with climate change, as warmer winters (with more rain and less snow) raise the prospect of higher winter and early spring flood flows, and as an accelerated rise in sea level causes higher and more frequent storm surges in coastal areas.

The new study by DWR and the Army Corps of Engineers also provides estimates of new capital investments needed to shore up the system and, in some cases, to improve its functionality from an environmental perspective. For instance, “setback” levees, which are set back some distance from the river’s edge, can ensure better flood protection while improving riparian habitat. The lower bound estimate, including only those projects with existing cost estimates, is \$34 billion.⁶¹ If these projects were implemented over the next 25 years, this would require annual investments of nearly \$1.4 billion—more than double the current capital spending in this sector.

⁵⁸ In 1995, the Sacramento Area Flood Control Agency (SAFCA) developed a widely used comparison chart showing that much of Sacramento only had protection against a 70-year flood, whereas New Orleans’ flood protection infrastructure at that time was rated to protect the city against a 300-year flood.

⁵⁹ Senate Bill 5 (2007) included this requirement, which took effect in 2012, following the adoption of the Central Valley Flood Protection Plan.

⁶⁰ See California Department of Water Resources and U.S. Army Corps of Engineers (2013). These estimates used 2000 census tract files to estimate population shares, but with 2012 floodplain maps.

⁶¹ We replaced the study’s estimates for Delta levees that are not part of the federally authorized project (and covered as part of the Central Valley Flood Protection Plan) with estimates from the Delta Protection Commission (2012), and we included the U.S. Army Corps of Engineer’s preferred strategy for Los Angeles River restoration (\$456 million), which became available after the draft report from DWR and the U.S. Army Corps of Engineers was issued.

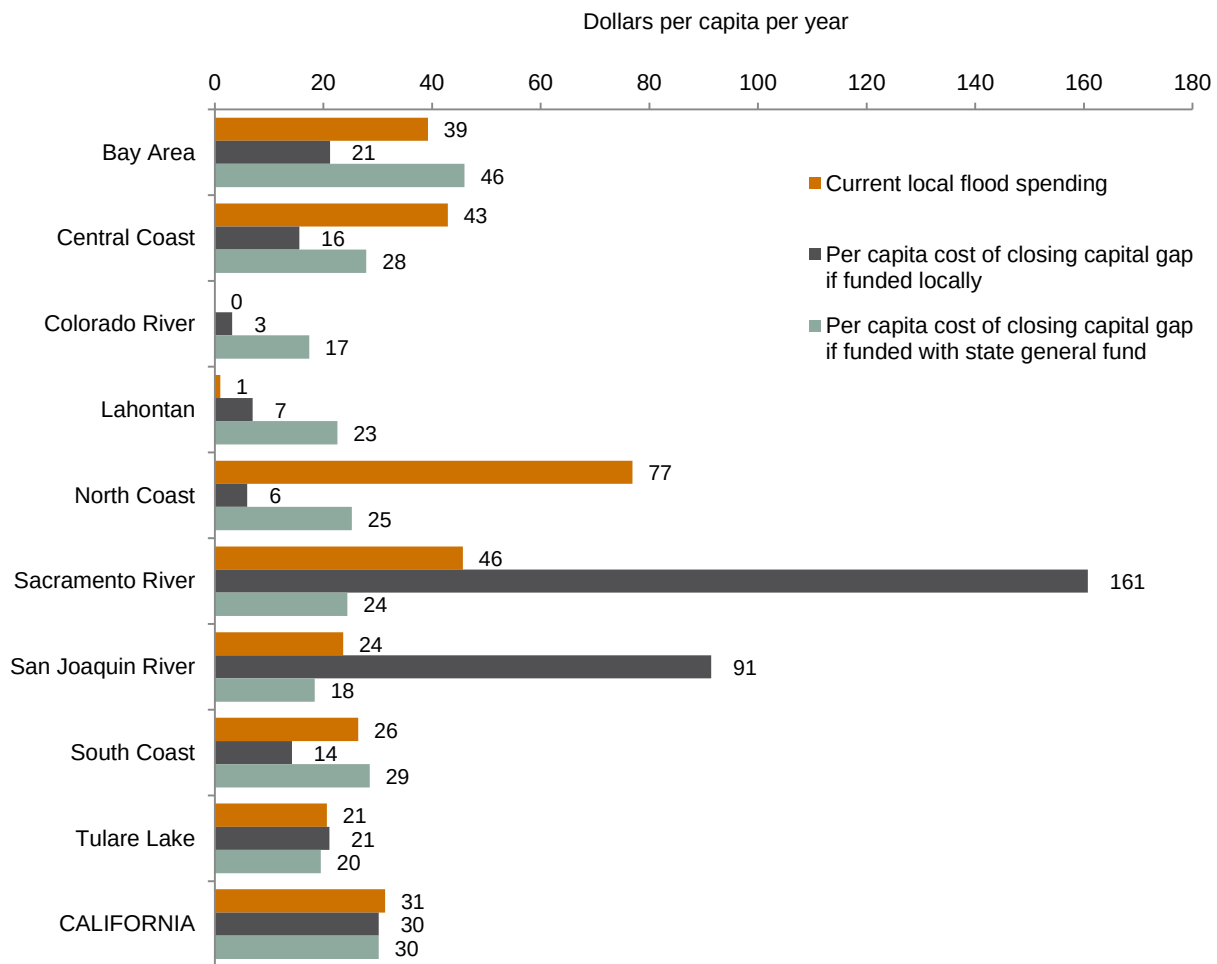
The new funding needs are potentially even larger, because current expenditures include substantial state spending from GO bonds that are nearly exhausted. Under the optimistic assumption that this is the only additional gap that needs filling, California could be facing a shortfall in flood funding of roughly \$1 billion annually.⁶² It would take at least 75 years to undertake these investments at current rates of local and federal spending.

Statewide, filling this gap would mean doubling the sums currently spent by local residents on flood management. This may not seem large, on average. In 2011, Californians spent \$31 per person, and it would cost another \$30 per person per year to fill this gap. But the estimated needs vary greatly by region, such that some regions would end up carrying much larger burdens than others if the funds had to be raised locally. This discrepancy can be seen in Figure 7 by comparing the middle bars (which show the added costs to regional residents if the gap is funded with local taxes and fees) with the bottom bars (which show added costs to regional residents if the gap is instead paid for by state general fund taxes). With local funding, added per capita costs would be especially high in the Sacramento River region (\$161/year) and San Joaquin River region (\$91/year); together these regions account for half of the total estimated needs. To anticipate the discussion on funding options below, residents in coastal areas, and especially the San Francisco Bay Area, would pay a much higher share of costs if these added costs were paid for by general fund taxes, because the state's general fund relies heavily on progressive income taxes, and incomes are higher in these regions.

⁶² This assumes that federal spending and the operations and maintenance costs for the system remain at current levels.

FIGURE 7

Filling the flood investment gap: Costs to residents vary widely if funded locally or statewide



SOURCE: Authors' calculations using SCO local government data files, California Department of Water Resources and U.S. Army Corps of Engineers (2013), California Department of Water Resources (2012), and Delta Protection Commission (2012) and the water fee model. See [Appendix B](#) and [Appendix D](#).

NOTES: Current local spending and the estimated capital gap are both around \$1.1 billion annually. Population figures are for 2005 and local spending is for 2011. Regional definitions approximate hydrologic regions (see map at the beginning of this report). Colorado River region estimates are for Imperial County, for which no local flood expenditures were recorded in SCO data files for 2011.

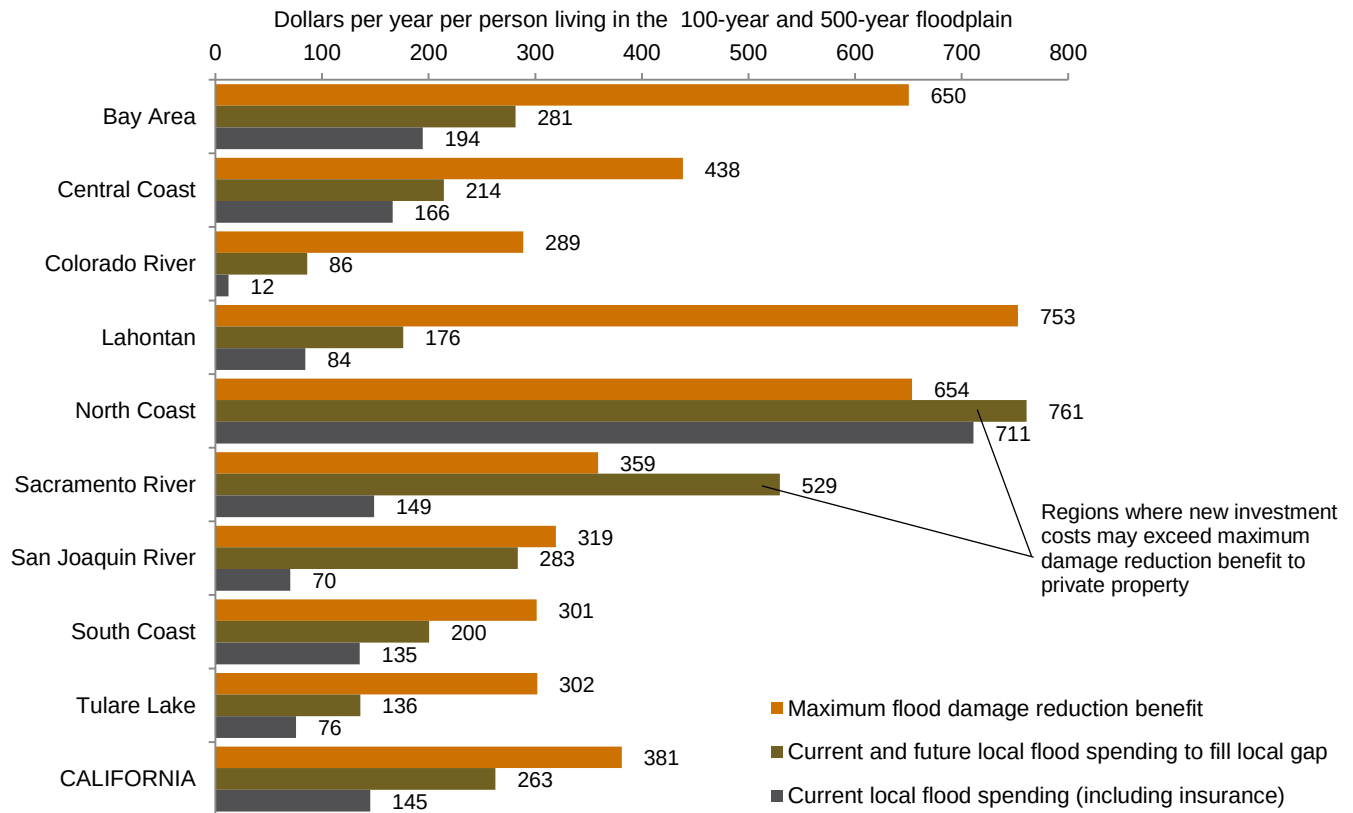
Raising these revenues locally in the places facing large new investment costs is likely to be challenging, especially given the voter approval hurdles in place since Proposition 218. There is also a question of whether some of this spending is worth it to local residents (or to the state). Will it cost more than the value of the protection it would provide? Only a quarter of the total \$34 billion investment price tag has already been determined to have benefits that exceed the costs; for the rest (including most spending indicated for the Sacramento and San Joaquin River regions), this assessment still needs to be done.⁶³

⁶³ Only the projects that have already been vetted by the Army Corps of Engineers (\$7.5 billion) have systematically passed a cost-benefit test. Some local projects may also have undergone such analysis. The \$13.5 billion in Central Valley Flood Protection Plan investments have yet to be analyzed in this way.

To get a rough idea of how things stack up, we estimated the expected benefits of new investments in terms of reduced risk of private losses of buildings and contents.⁶⁴ Figure 8 summarizes the results of this analysis in terms of value of the investments (the top bars) and their costs per person living within the 100-year and 500-year floodplains. Current costs are shown in the middle bars, and future costs, including the added investments, are shown in the bottom bars. This analysis—while somewhat preliminary—raises doubts about whether all the anticipated investments are justified, at least in terms of these material flood damages. Statewide, the higher level of annual spending required to cover current and new investments appears worth the cost, albeit marginally: \$263 per exposed resident, compared with \$381 in expected losses for buildings and contents. In the North Coast, current spending (at \$761 per exposed resident) already exceeds the value of flood protection spending for private property (\$654). In the Sacramento River region, the costs of filling the investment gap (\$529 per exposed resident) will exceed the value of protection (\$359). The potential gap is even wider in some of the more rural counties within this region ([Appendix B](#)).

⁶⁴ See [Appendix B](#) for details. For buildings, we took the estimated replacement values from the *Flood Futures* study by DWR and the Army Corps of Engineers (California Department of Water Resources and U.S. Army Corps of Engineers 2013). As discussed in [Appendix B](#), these estimates have some limitations, but on average they appear reasonable relative to building costs in different regions of the state. For contents, the estimates from the study seemed too high, so we used an estimate of 20 percent of the value of buildings, a ratio similar to that used in multi-hazard insurance. (Content coverage in flood insurance contracts in California is slightly lower, at 16%).

FIGURE 8
Not all investments may be worth the costs to floodplain residents



SOURCE: Authors' calculations using SCO local government data files, California Department of Water Resources and U.S. Army Corps of Engineers (2013), California Department of Water Resources (2012), and Delta Protection Commission (2012). See Appendix B.

NOTES: Current local spending includes flood management (\$1.1 billion) and premiums paid for flood insurance (\$212 million). Current and future local spending also includes 1/25 of the total estimated investment need. Values are calculated per person living in the floodplain (25% of statewide population, share varies by region). Benefit of investments is estimated in terms of the reduced probability of loss of buildings and contents, assuming that current annual risk of serious flooding is 1 in 70 in the 100-year floodplain and 1 in 200 in the 101-year to 500-year floodplain. The calculations may overstate the value of investments because they assume that flooding would cause a total loss of the assets and that the investments eliminate all flood risk. Local projects within each region could be more or less worthwhile than the regional average. Appendix B provides county-level results.

In other words, in some regions, the avoided costs of private property damage are enough to justify the added expenditures on flood protection, but in others—notably, the Sacramento River, the North Coast, and possibly also the San Joaquin River regions—other benefits will likely be needed to justify these new investments. Of course, there are many other reasons why flood investments are valuable, including the protection of public safety, the prevention of losses due to business interruption, the safeguarding of public infrastructure, and, in some cases, the added ecological and recreational benefits.⁶⁵ Some more eco-friendly projects might also provide the system with more flexible capacity, enabling systems to cope with the increased hydrologic variability anticipated with climate change. However, these findings underscore the importance of doing a detailed risk-based analysis of proposed investments at local and regional scales,

⁶⁵ Some state flood managers would also argue that costlier up-front investments may be more resilient over the long run (i.e., that a levee can break, while a bypass system is more robust). To the extent that some types of investments (such as bypasses and setback levees) improve ecological function, they may reduce future mitigation needs for the water system as a whole (in particular, potentially making it easier to continue diverting water supplies to cities and farms).

especially given the size of the potential funding gap facing the state. The results are also consistent with what we heard from water managers regarding the special problems of rural counties, where the combination of new standards for levees, low population densities, and low land values make it virtually impossible to attain the 100-year levels of protection needed to qualify for lower insurance rates and new building permits. These challenges mirror problems some rural communities face in their efforts to meet drinking water and wastewater standards.

Stormwater and other polluted runoff

Stormwater management used to be the younger sibling of flood management—a somewhat mundane job of draining streets from rainfall and excess landscape water. As such, stormwater runoff was mainly handled by municipal public works departments as part of street design and maintenance. This began to change in the early 1990s, when the USEPA started to focus on the “second generation” of problems targeted under the Clean Water Act, including pollutants from “nonpoint” sources such as stormwater runoff. (The “first-generation” efforts concentrated on wastewater treatment and reducing other “point” sources of pollution, like industrial discharges.) Initially, only the largest urban areas (with populations above 100,000) were required to get pollution management permits for urban stormwater. Since the 2000s, smaller municipalities and counties (with populations above 50,000) have also come under the law, which has separate permitting requirements for some high-impact sectors and activities, such as transportation and general construction. Agricultural runoff has also increasingly come under the law’s purview, though not through a formal permitting process (Gray et al. 2013).

Urban stormwater permits are reissued every five years, and the requirements have become increasingly stringent. In coastal areas, requirements now typically include high levels of on-site retention of storm runoff for new and redeveloped properties; for water bodies receiving runoff, there are a variety of water quality targets relating to trash, bacteria levels, and various chemical pollutants. Although there is little doubt that the costs of these requirements have also been rising, by just how much is a matter of some dispute. In general, preventing pollution at the source costs much less than capturing and treating polluted runoff before it enters the affected water body, but this can require changing business practices and behaviors of thousands of individuals.⁶⁶ Incorporating on-site retention features in new development often can be achieved with little added expense, but it can be very costly to retrofit existing communities.⁶⁷ The costs of management also skyrocket when the regulatory target is zero pollution, rather than something less absolute and more affordable.⁶⁸ Although few fines have been issued for stormwater permit failures, the regulatory trend appears headed in the direction of stricter limits and lower tolerance.

What is clear is that stormwater agencies face extreme challenges to pay for their new obligations, most of which have come in the years since Proposition 218 was passed. Property-related fees are an appropriate funding source for local stormwater programs, because the impervious surfaces on properties are an important source of stormwater runoff. Landowners are charged fees in order to help solve the problems that they have created or exacerbated—in economic terms, they pay fees to internalize the external costs of

⁶⁶ See [Appendix B](#) for some examples of recent work in source control, including successes with regards to copper brake pads and pyrethroid pesticide use, both achieved through state regulation.

⁶⁷ See Kalman et al. (2000) and Center for Watershed Protection (2013).

⁶⁸ For an example, see the discussion in [Appendix B](#) of estimates for meeting the trash requirements in Los Angeles. One study estimated that full compliance with Los Angeles County’s “zero trash” limit could cost as much as \$284 billion in capital investments, assuming the installation of advanced treatment facilities in 65 locations, with a capacity to capture and treat 97 percent of the runoff from historic storms. Although costs could be much lower with some alternative control mechanisms, this example shows how very strict regulations combined with downstream, management, rather than source control, can induce very high costs.

their contributions to stormwater production. Proposition 218 requires elections in which property owners willingly impose these fees on themselves, even though the benefits accrue principally to others, including any downstream residents and the broader environment. Not surprisingly, this is proving to be a hard sell.⁶⁹ Since Proposition 218, elections by property owners to establish or raise fees on impervious surfaces have been attempted in only a handful of places and have succeeded in even fewer.⁷⁰

Proposition 218 does not apply to non-property-related sources of polluted runoff, such as vehicle use, toxic chemicals, and litter, but local agencies have had limited success raising funds from these sources. Although the law still allows such non-property-related sources of pollution to be subject to regulatory fees (e.g., a surcharge on gasoline, chemicals, or cigarettes—a common source of stormwater trash), local agencies are concerned that Proposition 26 could make it more difficult to establish these types of fees.⁷¹

The alternative to regulatory fees or to having property owners pass property-related fees is a two-thirds majority approval of local bonds or special taxes to support stormwater management. This is not inconceivable. Los Angeles voters approved a \$500 million bond in 2004, and several smaller coastal cities approved special taxes for this purpose.⁷² But this is a high electoral bar for something that is not very visible to voters, especially outside of coastal communities whose economies are closely tied with the condition of local beaches. As one manager lamented, comparing the plight of raising funds for stormwater services to that of raising funds for the upkeep of sewers, “It’s too bad that stormwater doesn’t smell.” Sewer managers are also able to meet their regulatory obligations under the Clean Water Act without having to get voter approval for every rate increase, thanks to their exemption from Proposition 218’s vote requirement.

As a very rough indication of the funding gap, we estimate that the total annual costs of meeting urban stormwater permit requirements are in the range of \$1 billion to \$1.5 billion. Agencies have stable funding for no more than half that amount, leaving a gap of \$500 million to \$800 million per year, or roughly \$40 to \$60 per household ([Appendix B](#)). Although raising this level of funding will be challenging in the fiscal environment facing stormwater agencies, the gap could grow even larger unless regulatory and management approaches are employed to help contain costs. As the discussion above suggests, it will be essential to examine alternatives to simply capturing and treating all stormwater before it is discharged into water bodies. Some of the most cost-effective approaches for stormwater pollution prevention involve source control and hence may require action at the state level rather than at the level of the municipal authorities

⁶⁹ See Box 1, above, on the general difficulties of funding programs to address externalities.

⁷⁰ It appears that only 12 cities or counties attempted property-owner ballot measures for stormwater fees since Proposition 218. Measures passed in only seven of these: San Clemente (2002, 2007, 2013), Palo Alto (2005, after a failed attempt in 2003), Rancho Palos Verdes (2005, then recalled and reduced in 2007), Ross Valley (2007, overturned by lawsuit), Solana Beach (2007), Burlingame (2009), and Santa Clarita (2009). Communities where elections have failed include: Carmel (2003), Encinitas (2005), Woodland (2007), Stockton (2009), and Contra Costa County (2012). (See [Appendix E](#) and the accompanying [online data set](#).) In 2012, Los Angeles County supervisors decided not to proceed with an election following protests at the rate hearing. (The hearing is the first part of the two-part election process under Proposition 218. See text above and [Appendix A](#) for more on the process.)

⁷¹ Although Proposition 26 does not have the same cost proportionality standards as Proposition 218, it requires that the fee “bear a fair or reasonable relationship to the payor’s burdens on...the governmental activity” (Cal. Const., Art. XIII A, § 3(d) and Art. XIII C, § 1(e)). Industries or groups not wishing to pay such fees are likely to seek to challenge what constitutes a “fair or reasonable” relationship, especially in an area like polluted runoff, which has multiple, diffuse causes. More generally, there is a concern that some courts may interpret the definition of “governmental activity” in very narrow terms, excluding the costs of mitigation.

⁷² Communities that have passed special taxes focused on stormwater include Ferndale and Corte Madera (1997), Santa Monica (2006), and Santa Cruz (2008). Nine communities have passed special taxes or GO bonds for stormwater management along with local road improvements. Some communities have also enacted new general taxes that include stormwater among many other functions. San Mateo County voters approved transportation-related charges in 2005 to support stormwater programs by simple majority vote under special authorization from the legislature. See [Appendix E](#) and the accompanying [online data set](#).

who currently carry the permitted responsibility—in effect, responsibility for actions over which they do not have control, at a point in the system where problems are most costly to address.

Aquatic ecosystems

California’s historical land and water management practices have altered the state’s varied ecosystems, which are now less able to support native species and functions. More than 80 percent of the state’s 122 remaining native freshwater fish species are in decline, with a quarter (31 species) listed as threatened or endangered under the federal and state Endangered Species Acts (Moyle et al. 2011). Many other species that depend on aquatic, riparian, and wetland habitat are also under threat. Modern regulations, reflecting society’s goals to improve the health of aquatic ecosystems and the species that depend on them, call for new investments, both to mitigate the impacts of past actions and to prevent damage from new actions.

There is no one place to go to find a price tag for such efforts, or to figure out how much is already being spent to address the problem. Our estimates of aquatic ecosystem spending of about \$700 million per year (see Table 1, above) cover the activities of state and federal regulatory agencies that oversee species management, some other resource-management oriented agencies (e.g., conservancies that acquire and manage habitat), and some research and experimentation. Some additional costs of ecosystem protection are embedded in the budgets of other parts of the water system. For example, wastewater system upgrades reduce harmful discharges, and environmental mitigation is a standard component of maintenance and new investment activities across the board, typically 3 to 10 percent of a project’s costs.⁷³ In addition to these on-budget expenses, some environmental mitigation activities are costly because they reduce economic activity—for instance regulatory cutbacks in pumping and diversions often reduce agricultural production.

To get a sense of the potential financial costs of new investments to improve aquatic ecosystem function in California, we gathered information from several sources:⁷⁴

- **Recovery plans for listed species.** Recovery plans, prepared by federal wildlife agencies, identify a suite of actions to promote species recovery. They do not necessarily reflect the most cost-effective ways to achieve these goals, and they do not come with detailed funding or implementation plans. They suggest annual costs of about \$450 million to \$480 million to support many (but not all) of California’s endangered native fish species (especially salmon and steelhead trout) plus some other species dependent on tidal marshes.
- **State and federal habitat conservation plans.** These plans, called “Natural Community Conservation Plans” (NCCPs) under California law, promote species recovery in conjunction with the permitting of an economic activity that otherwise compromises endangered species. Unlike the recovery plans, these plans are designed with the objective of full implementation. Seven major plans approved to date have been conceived in conjunction with the authorization of new development; they have focused on land acquisition and terrestrial species, but with some benefits to aquatic or wetland habitat. Developer fees and other local resources provide most of the funding, and annual costs are about \$65 million. Another 14 such plans, covering over 30 million acres, are in development, and most do not yet include cost information. One major exception is the Bay Delta

⁷³ For instance, environmental mitigation for the San Diego County Water Authority’s new emergency storage project accounted for about 3 percent of the total project costs of \$1.5 billion, and mitigation for the Carlsbad desalination plan accounted for 5 percent of the project costs of \$540 million. Mitigation costs accounted for about 9 percent of the \$400 million Natomas Levee Improvement Project implemented by the Sacramento Area Flood Control Agency. We also estimate that nearly 10 percent of the Department of Water Resources staff works on ecosystem-related issues. (See [Appendix B](#).)

⁷⁴ The annual costs assume that the total costs are spread out evenly over the lifetime of the projects—often as long as 50 years. Costs would be higher if the investments were front-loaded. For details, see [Appendix B](#).

Conservation Plan (described above), which foresees \$6.9 billion in ecosystem expenses over a 50-year time frame, and which focuses on many listed aquatic species and some terrestrial species. Project planners are assuming that most of this tab will be paid for by the general public, but this funding is not yet secured. If costs are spread evenly over the full 50-year time frame, annual expenditures would be about \$140 million a year, and as much as 50 percent higher with the accelerated investment time frame envisaged by project planners.

- **Other restoration projects.** Other regulatory programs include dam removal on the Klamath River to improve fish passage, part of a hydropower relicensing effort that will cost the state \$10 million per year for its share. Some nonregulatory programs with benefits to aquatic species include the Southern California wetlands recovery project and the Central Valley Joint Venture for migratory birds, together costing about \$20 million to \$30 million per year. Some of the program activities for migratory birds have begun with grant support, but neither program has stable funding.

Taken together, these plans entail \$490 million to \$670 million annually for aquatic ecosystem investments that currently lack a funding source, depending on the degree of overlap among plans that address the Delta watershed. About half this cost is for work in the Delta and the greater Sacramento–San Joaquin watershed, and about half is for coastal and estuarine ecosystems.

These cost estimates may be on the high side, given the overlap between projected flood investments (e.g., for floodplain habitat in the Central Valley and restoration of the Los Angeles River), and given the potential to reduce the costs of these efforts without losing their core effectiveness. For instance, there are questions about whether the vast habitat expansions planned as part of the BDCP—a large component of total costs—will have enough environmental payoff to warrant the expense (Mount et al. 2013); similar questions are being posed about the ecological value of removing some upstream dams as part of the Central Valley salmonid recovery plan.⁷⁵ On the other hand, these cost estimates are also missing key elements that are likely to be important in some regions, such as a recovery plan for the endangered Santa Ana sucker (a fish native to Southern California), addressing environmental problems of the Salton Sea,⁷⁶ and upper watershed management in the Northern Sierras, where actions such as forest clearing for fire management can generate both species and water quality benefits. Additionally, many of the plans included in these estimates rely heavily on habitat restoration, without much attention to the mitigation of other environmental stressors, such as poor water quality and invasive species, which could further increase costs, particularly under a changing climate (Moyle et al. 2013).

When not required as part of permitting or mitigation programs, these types of ecosystem-related investments lack a natural local funding base. Nonetheless, as we discuss below, some communities have approved fees or taxes to support their local watersheds. As seen in Figure 2 (above), a substantial share of the recent state GO bonds were earmarked for ecosystem improvements. Figure 9 shows how roughly \$2.3 billion of these funds have been allocated across different types of activities since 2003. Slightly more than half (54%) went to land preservation activities around the state, including some projects without any

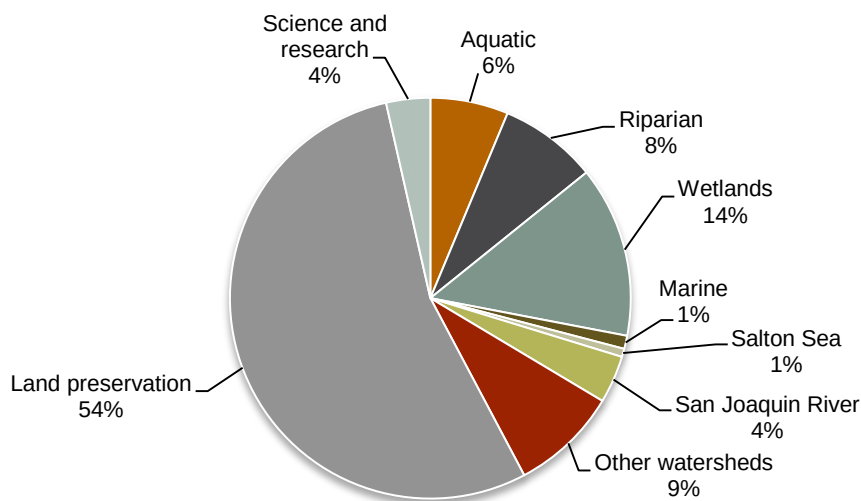
⁷⁵ Englebright Dam, for example, has been considered for removal, but the benefit to the status of existing salmonid populations is not clear owing to the already high concentrations of fine sediment in the Yuba River and the large volume of mercury-tainted sediment that would be released upon removal. The benefit could be greatly increased if a viable method is found to deal with the mercury-laden sediment stored in its reservoir prior to dam removal and if releases from upstream dams could be adjusted to benefit the restored salmonid populations (personal communication with Rebecca Quiñones, UC Davis Center for Watershed Sciences, October 2013).

⁷⁶ The Salton Sea is a terminal saline lake that relies primarily on agricultural drainage water for replenishment. The state's most recent plan for the Salton Sea (California Resources Agency 2007) projects restoration efforts to reach costs as high as \$9 billion to address the combined effects of higher salinity (which will make the Salton Sea unable to support aquatic life and the migratory birds that depend on it) and reduced area (which will cause significant air quality problems in the region). It might be more cost-effective and environmentally beneficial to address the first issue by rewatering parts of the Colorado River delta.

particular relationship to water management.⁷⁷ A small share (3%) went to science and research, and the remainder was devoted to various aquatic, riparian, and wetlands restoration, as well as watershed improvements (e.g., erosion control and fire prevention).

Although this funding has undoubtedly helped to support California’s compromised aquatic ecosystems, the allocation process does not always appear to have prioritized actions that will deliver the greatest benefits. To be more effective, future bonds will need to focus more systematically on a holistic set of ecosystem goals and components, including building connectivity among various habitats, improving physical and biological processes that support aquatic species, and strengthening natural food webs. To support this prioritization effort, it will be necessary to develop clearer objectives and ways to measure the effectiveness of various actions. This will require a larger, more focused science and experimentation program. Bonds—typically used to fund long-term investments—may not be the best funding source for this ongoing scientific work (see Box 3, above). California must nevertheless find a way to fund the scientific work and the evaluation effort needed to make sure our ecosystem spending truly supports the goals of more effective water system management for the benefit of the economy and the environment.

FIGURE 9
Over half of ecosystem spending from GO water bonds has gone to land preservation



SOURCE: Authors’ calculations using bond project data provided by the California Natural Resources Agency and the California Department of Water Resources. See [Appendix C](#) (Figure C5).

NOTES: This figure shows the breakdown of awarded bond funds from Propositions 40, 50, 1E, and 84, totaling \$2.3 billion. This spending made up 24 percent of the \$9.5 billion in awarded funds for which detailed spending information was available as of October 2013. [Appendix C](#) describes the categories.

Implementing integrated water management

Integrated water management approaches are essential for improving cost-effectiveness and achieving multiple benefits with scarce water dollars. Here we describe what integration entails, the progress to date, and the challenges of mobilizing the dollars needed to make these approaches more widespread and systematic.

⁷⁷ This includes outright land purchases and the purchase of conservation easements, under which landowners retain title but agree not to develop the land. Based on project descriptions, only about a third of these funds (31%) are purposefully directed toward work relating to aquatic ecosystems (i.e., mentioning one or more of the following terms: water, river, wetland, riparian, lake, marsh, stream, or creek). See [Appendix C](#).

In decentralized management systems like California's, integration can occur along both geographic and functional lines. Geographic integration occurs when smaller management entities aggregate or combine forces to implement larger projects. A classic example of this is wholesale water supply networks, which allow retail water suppliers and their customers to benefit from scale economies in water supply investments and to draw on a more diversified set of sources, enhancing reliability. The Metropolitan Water District of Southern California, with a service area covering roughly half of the state's population, is the largest of such networks, and there are about three dozen smaller wholesalers in various parts of the state, often at the county scale. Federal support for wastewater investments in the 1970s and 1980s encouraged the regional consolidation of many wastewater systems. Regionalization has also begun for some flood management and stormwater management programs. For flood management, a good example is the Sacramento Area Flood Control Agency (SAFCA), a joint powers authority (JPA) with seven member agencies spanning Sacramento and Sutter Counties. For stormwater and runoff management, the issuance of regional permits, coordinated by county agencies, has begun to supplant individual municipal-level permits in San Diego, San Mateo, and some other Bay Area counties. Joint powers authorities—comprised of an ad hoc assortment of cities, counties, and special districts—are often a favored institutional arrangement for new regional associations.

“Functional integration” refers to the coordinated management of multiple water system functions at once: water supply, water quality, flood protection, and ecosystem management. Because most local water agencies were formed for a single purpose, this type of integration usually involves interagency partnerships. For instance, the first successful project to use highly treated wastewater to recharge groundwater supplies was implemented by a partnership between the Orange County Water District (which manages the county's groundwater) and the Orange County Sanitation District (which treats the county's wastewater). In some cases, individual agencies have accumulated mandates for multiple functions. This is most common for water supply and wastewater management; about 40 percent of the state's major urban agencies share these functions (Hanak 2005). Less common, but especially useful, are cases where other types of functions are combined. For instance, the Yuba County Water Agency is responsible for both flood management and the delivery of irrigation water within the county; it also produces and sells wholesale hydropower. The Santa Clara Valley Water District manages the county's groundwater basin, delivers imported surface water to retail agencies, oversees flood works, and most recently added watershed protection responsibilities. The Irvine Ranch Water District in Orange County recently changed its charter to incorporate stormwater clean-up responsibilities; the district now captures and treats polluted runoff from landscape overwatering within its service area to help protect the local bay. Another innovative integrated framework is the San Mateo City/County Association of Governments (CCAG), a JPA with countywide responsibilities for congestion management (i.e., local transportation planning). CCAG implements a countywide water pollution prevention program to help its member agencies meet regional stormwater mandates.

To reap the greatest benefits from integration, these functional approaches should be combined at the scale of larger watersheds—the drainage basins that are relevant for many water quality, flood management, groundwater, and ecosystem-related issues. In California, one of the earliest models for this type of integration was the Santa Ana Watershed Project Authority (SAWPA), a JPA established in 1974 to deal with salinity problems within the Santa Ana River watershed.⁷⁸ SAWPA members work jointly and with other agencies to manage a range of water-related activities within the watershed, from groundwater recharge, to

⁷⁸ See Hanak et al. (2011), ch. 6.

wetlands treatment of polluted runoff, to optimization of reservoir use, to protection of source water quality and water supplies in the forested upper watershed.

Inspired by some early successes of this type, the state has been promoting regional integrated management as a central component of its water policy since the early 2000s.⁷⁹ Roughly \$1.5 billion was earmarked for integrated regional water management (IRWM) programs in two of the most recent water bonds (Figure 2, above), making \$100 million to \$200 million available annually since 2003 for these programs.⁸⁰ To qualify for these funds, nearly 50 IRWM programs have been formed, covering the most populated areas of the state. Although a few (including SAWPA) correspond to the regional boundaries of the state's major watersheds, most reflect ad hoc groupings based on pre-existing political affinities (e.g., counties) or boundaries for particular aspects of water management (e.g., members of a wholesale water supply network). These ad hoc boundaries often do not line up well with broader water management functions that require a watershed approach to be most effective, such as pollution prevention, species protection, flood management, and groundwater basin management.

From the perspective of water finance, there are two big policy questions: How well are integrated management programs working? And does the state need to continue funding these efforts to keep them going? In our regional workshops with water managers, we sought feedback on how well integration efforts in general—and the state-supported IRWM programs in particular—were succeeding. We found strong support for the idea of bringing about geographic and functional integration, as well as for implementing coordinated approaches and partnerships. Some managers also suggested the need to extend individual agency mandates to facilitate more integrated management across functional areas.

Among the advantages: integrated agencies can make smart plans for water finance. Many of the agencies highlighted above serve as examples. The Yuba County Water Agency uses revenues from dry-year sales of water to help fund local flood works. Irvine Ranch uses revenues from the top tiers of its water rate structure to capture and treat the runoff from overwatering (also known as “urban slobber”). The Santa Clara Valley Water District was able to pass two multipurpose parcel tax measures with two-thirds majorities. (In both cases, the programs contained a diverse range of salient water management actions that appealed to different groups around the county.) And lastly, San Mateo's CCAG was able to raise funds from a surcharge on vehicle registration fees to jointly fund transportation improvements and manage polluted stormwater from the county's roadways.⁸¹

We also heard of considerable frustration with the state's current approach toward IRWM funding. Thus far, the bulk of the bond dollars have been reserved for cost-sharing grants for larger projects, with more limited funds going toward initial planning efforts. Managers were critical of the frequent rule changes, the cumbersome procedures for approval and reimbursement,⁸² and the difficulties in directing funds toward areas with serious funding gaps, like stormwater management.⁸³ In many cases, bonds are funding activities

⁷⁹ California Department of Water Resources (2005, 2009, 2013). (See *California Water Plan Updates* and *Water 360*, available at www.water.ca.gov/publibrary/reports/water360highlights.pdf.)

⁸⁰ In addition, Proposition 1E (passed in 2006) includes \$300 million in stormwater-focused funding that is also targeted toward integrated regional water management. In Figure 2, this funding appears under “pollution prevention (stormwater).”

⁸¹ See *Appendix A*, Box 2.

⁸² As some observers noted, recipients essentially have to be able to front the money to get one of these grants, making it especially hard for the most cash-strapped (and by extension, perhaps also most needy) programs to gain access.

⁸³ As one example, local agencies in San Mateo County were unable to pursue a state-bond-funded grant for low-impact development “green streets” investments that were integrated with its broader “complete streets” transportation improvements, because the required local cost share (coming from CCAG's congestion management budget) was considered to be state-funded. (Congestion management agencies, like other

that larger agencies would likely have undertaken on their own, and thus represent a questionable use of scarce state resources. Rather than reflecting a lack of oversight, this reflects the policy decision that projects should rise to the top if they are “shovel ready” and have identified funding in place—i.e., they have already run through the environmental review process that occurs when agencies are already intending to make the investment.

Although outside funds are ultimately always welcome to local managers, these critiques suggest the need to rethink the premises of bond funding for IRWM programs. Managers readily agreed that some valuable projects requiring integrated management are hard to fund through existing local resources. Regional incentive funds to encourage and support integrated management activities may be especially helpful to jump-start collaborations across agency boundaries, an effort that can require high start-up costs. Outside support can also facilitate the pooling of resources to implement projects when some of the participating agencies lack their own funds, as is often the case for stormwater agencies. Although there are no good estimates of how much seed money is needed to support more integration among local agencies, it seems reasonable to expect that California would benefit from the levels available in recent bonds—\$100 million to \$200 million per year—in regional incentive funds. As we discuss further below, there are other options besides state bonds to provide this seed money, including regional surcharges on water use, or parcel or sales tax increments, though few of these options are easy to achieve in the current legal environment.

Our regional workshop participants also described the obstacles hampering effective integration at the state and federal levels, resulting in costlier, less effective programs. In their critiques, they mentioned duplicative permitting and approval processes; the promotion of actions that are at cross-purposes with requirements of other agencies (e.g., different policies on levee vegetation by the Army Corps of Engineers and wildlife agencies); mismatched regional boundaries and jurisdictions for purposes that should be managed jointly; and the promotion of actions that are more costly but easier to regulate (e.g., new requirements for on-site retention of stormwater even in places where the system is set up to capture and treat it downstream for water supply). More generally, managers expressed the need for regulatory agencies to be willing and able to collectively consider realistic, analytically sound goals for a region, given the potential costs and unclear payoff of some new mandates, including those related to water quality protection and endangered species management.⁸⁴

In this context, it is also important to consider the capacity of state agencies to contribute to the planning and analysis needed for effective integration. Funding is not the only challenge, but it is one part: several state agencies have come to rely on an infusion of GO bond funds to support their core work.⁸⁵ California must find ongoing funding for the transparent, integrated scientific and technical effort required to effectively manage systems regionally, statewide, and *across* management functions. For example, the new Delta Science Plan aims to bring together numerous modeling, monitoring, and analytical efforts to improve understanding of ecosystem management approaches that work best within this large and important

regional transportation agencies, receive most of the transportation funds collected at the state level through taxes on gasoline.) Local jurisdictions were unable to come up with other funds for this match, because it is so difficult to raise dedicated funds for stormwater. As a result, the county could not receive a grant to support the very integration that will be needed to prevent water pollution.

⁸⁴ Many of these critiques reflect the complexities and challenges of adapting regulatory oversight for individual environmental laws—now on the books for several decades—to the realities of 21st century water management. For more discussions on this theme, see Hanak et al. (2011), chapters 5, 7, and 9, and Hanak et al. (2013).

⁸⁵ For instance, the Delta Stewardship Council has been largely funded by bonds, as have DWR’s statewide water-planning activities. On average, over \$181 million per year of state operational budgets for water management agencies came from bonds in 2008–2012 (Appendix C, Table C14).

watershed (Delta Stewardship Council 2013a). But it is currently an ambitious plan with no funds attached to do the work.

Again, there are no good estimates of the funding gap for the scientific and technical work necessary to support integrated management for state agencies. As a rough, lower bound estimate, \$100 million per year in additional, stable funding seems necessary for this purpose. Adding this to the estimated gap for regional incentive funds, California needs to find \$200 million to \$300 million a year to support integrated water management.

Summing Up: The Funding Gap Scorecard

Table 3 summarizes the results of our review of funding for California’s water system. Water supply and wastewater systems are doing a decent job of maintaining needed investment levels, though legal challenges related to Proposition 218 could threaten this passing grade. Four areas (safe drinking water in small, rural communities; flood protection; stormwater management; and aquatic ecosystem management) are failing outright (in part owing to the voter approval requirements of Propositions 218 and 26). One area—integrated management—needs a better funding system to become more successful. We next examine options for improving this scorecard.

TABLE 3
Funding gap scorecard for California’s water system

	Overall grade	Annual gap (\$ millions)	Key funding challenges
Water supply	Passing (mostly)	—	Rising costs; Proposition 218 threatens legality of modern management techniques and lifeline pricing.
Wastewater	Passing (mostly)	—	Rising costs; Proposition 218 threatens legality of modern management techniques and lifeline pricing.
Safe drinking water (small rural systems)	Failing	\$30–\$160	High per capita costs; low-income ratepayers; limited management capacity and funding access.
Flood protection	Failing	\$800–\$1,000	Unfulfilled expectation of large federal cost shares; Proposition 218 requires local property owner/voter approval of new local funds; inadequate incentives for locals to approve funding; high per capita costs in some rural areas.
Stormwater management	Failing	\$500–\$800	Proposition 218 requires property-owner approval; Proposition 26 may increase difficulties of imposing non-property-related regulatory fees without a two-thirds popular vote; state action needed for many low-cost approaches.
Aquatic ecosystem management	Failing	\$400–\$700	No obvious local funding source for actions not required as mitigation.
Integrated management	On the brink	\$200–\$300	Reliance on unstable, and not always well-allocated, state bonds for regional seed funds and for scientific and technical work at state level.

NOTE: For flood and ecosystem management, the lower bounds reflect the possibility that some projects included in the cost estimates discussed in the text are not cost-effective.

Filling the Gaps

Our review of California’s water funding gaps suggests the need to find another two to three billion dollars annually to enable the state to pursue five societal objectives for water management: (1) delivering safe drinking water in small, disadvantaged communities; (2) ensuring adequate flood protection; (3) preventing contamination of the state’s waterways and beaches from stormwater and other polluted runoff; (4) restoring health to the state’s aquatic ecosystems; and (5) providing information and incentives for more integrated, cost-effective approaches to water management. These sums are not large relative to the size of California’s economy (more than \$1.9 trillion), or even to total annual spending in this sector (more than \$30 billion). Moreover, the benefits to the state’s residents from such spending would likely be much larger. The gaps occur in areas that lack clear lines of management responsibility or funding authority, or where local populations are too resource-constrained to cover the costs.

California will need to find these resources here at home, because federal support will at best continue at current levels (and quite possibly decline). Many state and local sources are potentially available; each comes with tradeoffs, and some are more suitable than others for specific activities. We assess the pros and cons of different options from a variety of perspectives, and we propose a mix of sources most appropriate for filling the gaps.

What Are the Options?

California will need to continue to use a combination of local and state fees and taxes to pay for water services and should consider some additional sources as well. We suggest a range of options (Table 4). This list includes some broad revenue sources, such as general fund taxes and special sales or parcel taxes, all of which do not have a tight connection (or “nexus”) to the activity being funded. These will always qualify as taxes under California law. Surcharges on water use, chemical use (e.g., fertilizers and pesticides), and road use (e.g., fuels and vehicle license fees) do have a close connection to many of the areas with critical gaps, though not necessarily enough of a connection to qualify legally as regulatory fees rather than taxes. Other sources, including property assessments and developer fees, must have a tight nexus to be lawful. Although the surcharges listed in the second group could fill any funding gap, we only consider sources of funding that have some connection with the management area. The shaded cells in Table 4 denote the areas we exclude because they lack such a nexus.

Table 4 further indicates whether the source is currently in use for funding a particular activity; “possible” indicates cases where this is not yet happening but might be worth considering. Bonds are not listed as a separate funding source because they are simply a means of borrowing against a revenue stream (see Box 3, above). Any of the sources listed here could be used to repay bond borrowing. Most of the specific revenue sources could be levied at the state, regional, or local levels.

TABLE 4
Potential funding sources to fill critical gaps

	Safe drinking water ^a	Floods	Stormwater	Ecosystems	Integrated management
No close connection to the activity being funded (always a tax)					
State general fund	Common	Common	Common	Common	Common
Broad special taxes (state)	Possible	Possible	Possible	Possible	Possible
Local general fund	Possible	Common	Common	Possible	Possible
Broad special taxes (local)	Sometimes	Sometimes	Sometimes	Sometimes	Possible
Some connection to the activity being funded (fee or tax, depending on specifics)					
Water use surcharge	Possible		Sometimes	Sometimes	Sometimes
Chemicals surcharge (e.g., fertilizers, pesticides)	Possible		Possible	Possible	
Road use surcharge (e.g., fuels, vehicle licenses)			Sometimes	Possible	
Hydropower surcharge				Possible	
A close linkage to the activity being funded (always a fee)					
Property assessment		Sometimes	Sometimes	Possible	
Developer fee		Common	Sometimes	Common	

NOTES: "Common" means already commonly used for this purpose, and "sometimes" means sometimes used. "Possible" means the source could be appropriate, but it is not yet used for this purpose in California. Shaded cells denote a lack of nexus between the funding source and the management area. Were the funding source tapped for this purpose, it would automatically be a tax. One exception is the use of a surcharge on water use for safe drinking water programs. Even though this would be a tax, we consider it as a potentially relevant funding source for this activity, for reasons described in the text.

^a As discussed in the text, the gap estimate is for small systems with low-income populations. Larger systems are better able to pay their own way because they benefit from scale economies.

Many, but not all, of these sources are already in use.

- **State general fund:** State support primarily comes from the recent GO bonds, which have provided funding for all five areas, among other services (see Figure 2, above). These bonds are all being repaid with general fund revenues, as would several bonds under consideration for the November 2014 ballot.
- **Local general fund:** Many communities tap these resources for flood and stormwater programs.⁸⁶
- **Broad special taxes (state and local):** Broad taxes that are or could be used to fund water system gaps include sales tax increments, parcel taxes, and property tax surcharges (Box 5).
- **Water use surcharges:** Introduction of a statewide surcharge has been under discussion since the mid-2000s. Although it is not commonly recognized, such surcharges are already in use at the local and regional levels (Box 6).
- **Chemical surcharge:** A small surcharge on chemical sales supports the operations of the state's regulatory oversight programs, but surcharges are not currently being used to help fund programs to mitigate the harmful impacts of agricultural pesticides and other chemicals on public health or ecosystems.
- **Road use surcharge:** Road use is a major source of stormwater pollution, and Caltrans now supports its stormwater mitigation programs out of its general budget, largely funded by taxes on motor fuels. San Mateo County's surcharge on vehicle registration fees helps fund the countywide stormwater program.
- **Hydropower generation surcharge:** A small surcharge on the generation of hydroelectric power might be worth considering, particularly to fund ecosystem recovery.
- **Property assessments:** In addition to numerous pre-Proposition 218 legacy assessments for both flood and stormwater programs, new assessments have successfully been raised for flood works by several Sacramento Valley flood management districts and for stormwater by several coastal communities (see note 69).
- **Developer fees:** These fees, imposed to require new developments to compensate for the burdens they add to public services and the environment, sometimes help fund flood protection investments. They have also been the main source of funds to support habitat preservation under NCCPs as mitigation for building on lands that provide habitat.⁸⁷

⁸⁶ Local funds include new allocations of general fund revenues for these purposes by the city council or county board of supervisors. Flood districts also receive their share of property tax revenues based on the proportional allocation among local agencies calculated after the passage of Proposition 13 (See [Appendix B](#) for recent revenues from this source).

⁸⁷ Developers and local agencies often also create financing districts known as Mello Roos Community Facilities Districts that levy a parcel tax on properties within the district to pay for infrastructure needed to support new development. They are authorized to pay for flood and storm protection services, including storm drainage (Cal. Gov't Code §53313(e)). Most of these districts are created before they are inhabited, which allows a landowner vote (one acre, one vote). (If the area of the district is inhabited by 12 or more voters, a regular popular vote must be held.)

Broad special taxes: Locals use them, so could the state

Sales tax increments: Cities and counties may seek voter approval for supplemental sales tax increments of up to 1.5 percent for general or specific purposes. Most of the state's urbanized counties have a supplemental sales tax to support transportation funding, and San Diego County has been considering asking voters to augment the current transportation-focused tax by an additional half cent to support habitat restoration for the county's NCCP and possibly also its stormwater programs. Marin County voters recently approved a quarter-cent sales tax to support parks and open space, with many activities directly supporting local watershed health (Marin County Parks 2013).^{*} In California, the state sometimes uses sales tax earmarks to support other sectors (such as transportation and education) but not water. In 2008, Minnesota voters approved a three-eighths-cent sales tax increment to fund water resources and environmental restoration projects under the Clean Water, Land and Legacy Amendment. In 2010, Iowa voters established a Water and Land Legacy Fund and authorized the allocation of a three-eighths-cent sales tax for clean water and flood control projects to begin the next time the state legislature approves a sales tax increase.

Parcel taxes and property tax surcharges: Unlike property assessments, which must be tied directly to the benefits that property owners receive, these broader taxes can fund a wider range of programs. The Santa Clara Valley Water District's multipurpose water management parcel taxes (passed in 2000 and 2012) support a diverse range of activities (flood protection, seismic safety of water infrastructure, safe drinking water for residents drawing on compromised groundwater wells, and watershed improvements). The City of Los Angeles's GO bond to fund stormwater investments is being repaid with a property tax surcharge. These measures, approved by two-thirds supermajorities of voters, cost roughly \$35 per household annually in Los Angeles and \$55 per household in Santa Clara County. The state does not levy parcel taxes, but it could.

^{*} See Appendix E and the accompanying [online data set](#) for other examples of local special taxes supporting the water system.

Water bill surcharges: More common than one might think

Water supply utilities have lobbied hard against a statewide surcharge on the water bill, but such surcharges already help fill critical gaps in some places:

Ecosystems. Water users routinely fund some ecosystem protection efforts through their water bills. Some money from these bills goes toward mitigation for the direct impacts of investment projects as well as installation of more environmentally protective facilities (e.g., fish screens on diversions, and most recently dam removal on the Carmel River). The costs are often folded into the basic water bill, along with the utility's other costs of doing business. But explicit eco-surcharges also exist. The Sonoma County Water Agency adds a surcharge (currently \$81/acre-foot [af]) to water sold to retail agencies to fund the costs of ecosystem enhancement on the Russian River for coho salmon, with the aim of protecting supply reliability. Since the passage of the Central Valley Project Improvement Act in late 1992, the CVP also collects a smaller volumetric surcharge (currently about \$9/af for agricultural customers and \$18/af for urban and hydropower customers) to support restoration activities, including water purchases for wildlife refuges and a variety of programs to support salmon. San Francisco's water system also charges its retail agency customers (and its own ratepayers) to support environmental resources in the Tuolumne River watershed and within local Bay Area watersheds.

Stormwater. Irvine Ranch Water District uses revenues from the top tiers of its rate structure to capture and clean up the polluted runoff from overwatered landscapes.

Regional integration. To improve system reliability, the Metropolitan Water District of Southern California and the Sonoma County Water Agency—both wholesale water agencies—use a volumetric surcharge on all water sales to fund cost-shares to member agency projects for conservation programs and local supply development (see [Appendix A](#)).

Statewide surcharge? Some policymakers have proposed a statewide water surcharge to support these and other types of water-related activities. In 2006, the Schwarzenegger administration proposed a “capacity” charge on all water retailers, levied per retail connection on a slightly graduated scale to support state programs and IRWMs (AB 1839, Laird). In the 2011–2012 legislative session, Senate Bill 34 (Simitian) proposed a volumetric fee on water users for broadly similar purposes. In these proposals, agriculture would have contributed a small share of revenues; in the Simitian bill, the charge would have been imposed per irrigated acre to avoid the problem of accounting for unmetered groundwater use (see [Appendix D](#)). Both fee proposals met with stiff resistance from water industry officials.

In addition to the advantages of collecting a surcharge for statewide purposes, there could be practical advantages for having the state implement water surcharges on behalf of regional or local authorities. A state-imposed surcharge on water users would not be subject to the election requirements of Proposition 218, which applies only to local agencies.

A Pros and Cons Checklist

Before examining the desirability of increasing funding from each source for the five areas with funding gaps, it is useful to review a general checklist of points to consider:

- **Is there a connection, or nexus, between the funding source and the activity to be funded?** The connection could be positive (if the money would improve service for those who are paying), or compensatory (if the money would instead reduce harm caused by those who are paying).⁸⁸ There are fundamental fairness arguments in favor of nexus-based payments because they are tied to activities that directly benefit from (or are directly responsible for the need for) the program. In addition, economic efficiency considerations often favor this type of funding source. When the form of payment affects prices, it can directly align the incentives of those paying with the goals of the program. For instance, surcharges on the cost of fertilizers and pesticides can encourage more judicious applications. Thus, this surcharge both directly reduces pollution of streams and groundwater basins and contributes to mitigation costs. A volumetric surcharge on water use can reduce demand, thereby improving water system reliability and potentially alleviating pressure on instream flows that support aquatic species. Irvine Ranch Water District's surcharge for excessive outdoor water use saves water and reduces pollution.
- **Are there broader social equity considerations?** The goal of establishing a nexus between funding and a specific activity is sometimes worth overriding for social justice considerations, such as making sure that all California residents have access to affordable and safe drinking water. In such cases, support from other sources, such as general tax dollars, can be preferable. It is also important to consider who pays for general funding sources, some of which are more "progressive" than others (i.e., levied disproportionately on higher-income households). Because California's income tax is progressive and makes up a large share of state general fund revenues, the state's general fund is the most progressive of the funding sources discussed here (Figure 10). Because higher-income households are concentrated in coastal areas—and especially in the San Francisco Bay Area—using state general fund resources to pay for water activities also means that Bay Area residents pay a larger share of these costs relative to their share of the population (Figure 11). Volumetric water use charges, sales taxes, and uniform parcel taxes are much less progressive.⁸⁹ The progressive nature of the state general fund makes state GO bonds a relatively fair way to pay for some water activities, unless debt repayment requires cutting other programs that target lower-income households.⁹⁰
- **Are there broader public benefits?** Other broader societal benefits can also justify using general public resources. For instance, flood damage can adversely affect local or even regional economies and not just the people who own properties within the floodplains. Broader communities often benefit from ecosystem enhancements, especially when they also improve recreational opportunities. Many broader benefits are local or regional in nature, making a local or regional funding source more appropriate than state tax dollars. In policy discussions on this topic, this geographical dimension is usually ignored, with the result that even local public benefits are deemed appropriate for state GO bond funding.⁹¹
- **How hard is it to administer the funding source?** Once approved, it would be relatively straightforward to tap existing funding sources, as collection methods are already well established. In contrast, some new sources would entail enough administrative burden to be impractical. As an

⁸⁸ The terms "stressor pays" and "polluter pays" are sometimes used to refer to cases where payments are made to reduce the negative impacts of one's actions (e.g., in the Delta Stewardship Council's *Final Delta Plan*). The term "beneficiary pays," which has often been used in discussions of water finance in California since the mid-1990s, can refer to payments either in exchange for positive benefits or to reduce negative impacts caused by one's actions.

⁸⁹ Higher-income households pay more than their share of the population for these revenue sources, because they consume more than lower-income households, but they pay less as a share of their total income.

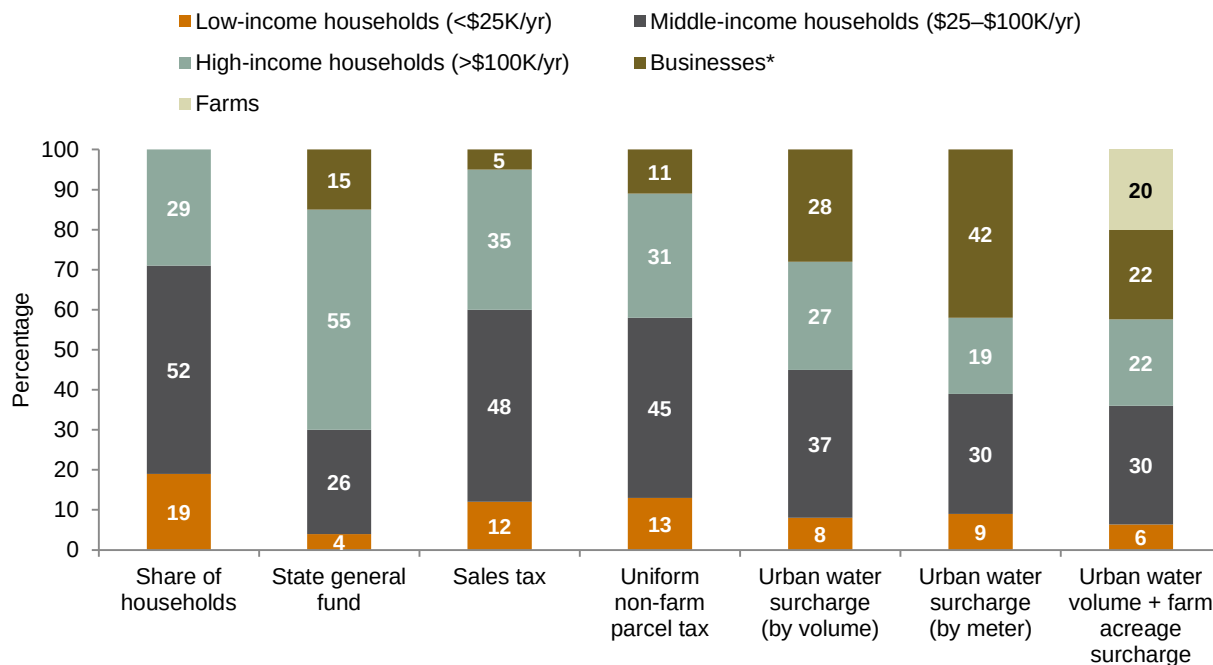
⁹⁰ Payment of GO bond debt service is second in priority after K-14 education funds mandated under Proposition 98.

⁹¹ This is the case, for instance, in the definition of public benefits in the bond act currently slated for the November 2014 ballot (SBX7-1, 2009).

example, a volumetric fee on agricultural water use might be desirable—making a direct connection between users and fees—but it is impractical since groundwater pumping is not metered in most areas. This makes an irrigated acreage fee more administratively attractive, even though it does not affect prices. For similar reasons, it may be most expeditious to charge the general public, rather than those directly responsible, when dealing with legacy pollutants like mining debris and in situations where many parties and activities are responsible for environmental harm, as in the Delta ecosystem.

FIGURE 10

The state general fund is the most progressive revenue source available to the state government



SOURCE: Author calculations using the water fee model. See Fee Model Technical Specification at end of [Appendix D](#) for data sources and model specification.

NOTES: The “urban” volumetric water surcharge is set to match the shares of water use by each income group for the entire state (including suburban and rural areas, but not farm water use). The urban water volume plus farm acreage surcharge assumes that 20 percent of the revenues would be paid through a charge on irrigated acreage. The urban water connection surcharge varies in proportion to meter size, and we assume that multifamily, commercial, and industrial connections have single-family meter equivalents of 3, 6, and 12, respectively; other proportions could be considered.

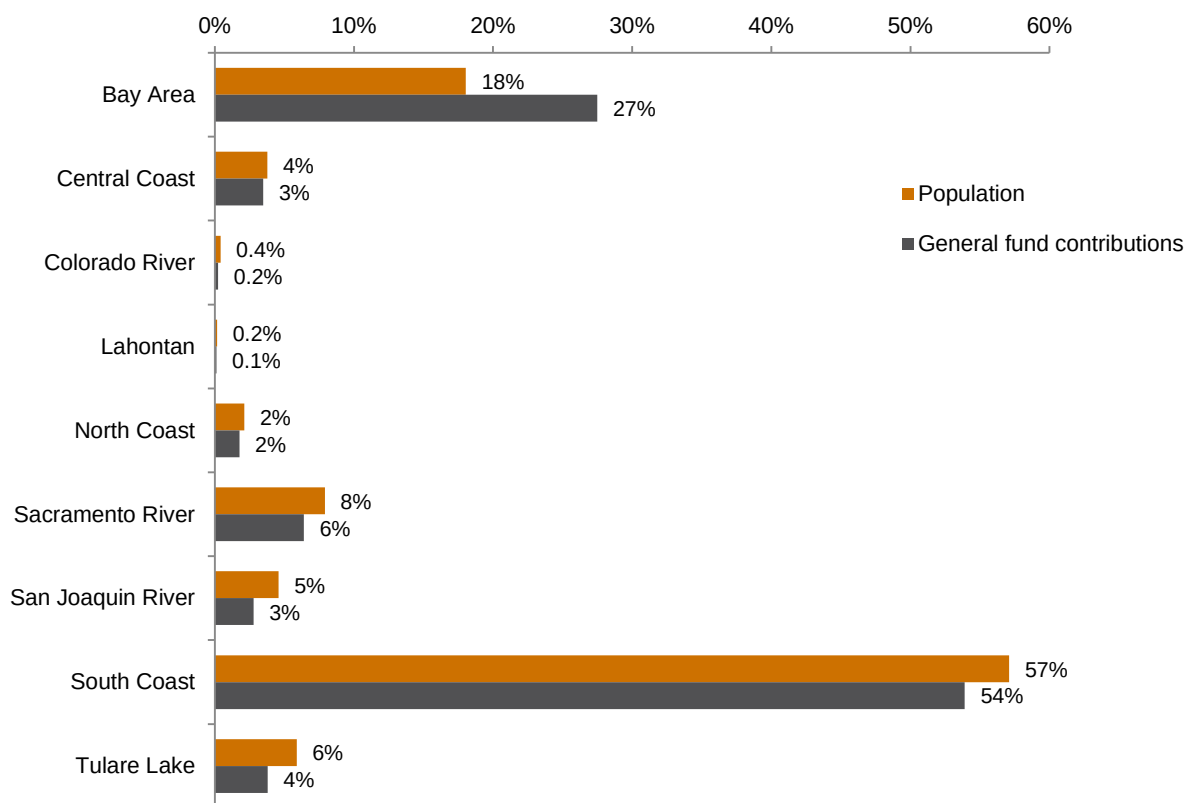
* Although many of the costs paid by businesses would ultimately be borne by California households, there is not adequate information to determine how to allocate these payments across income groups. One exception is the sales tax, which economic research suggests is largely passed through to households directly. For the general fund and the sales tax, businesses include farm businesses; for the other charges, only nonfarm businesses are included.

- **How hard is it to get the funding approved?** Since the passage of Propositions 13, 218, and 26, the overriding consideration is often simply whether it is possible to get the funding approved. In principle, cost-based payments can be considered fees for services to properties, but the tight proportional cost restrictions imposed on the definition of fees have made this difficult for many of the gap areas. Instead, management agencies need to look for local tax-based sources that usually require two-thirds of local voters to sign on. Even flood control and stormwater management charges that still qualify legally as fees require voter approval (at a minimum, by 50% of affected property owners). These changes have enhanced the attractiveness of two sources that have fewer hurdles: state GO bonds (which require a simple majority approval from the state’s voters) and developer fees (which require no voter approval, and which have looser nexus standards than the strict requirements regarding cost of service and other substantive standards of Proposition 218).

- **How reliable is the funding source?** These two relatively easy sources have a drawback, however: unreliability. The recent pattern of postponing new GO bond ballots underscores the potential for stop-and-go funding for bond-reliant activities, such as ecosystem management. During the recession, the state was also forced to suspend bond sales (and the activities that depended on them) because of difficult credit market conditions. Developer fee revenues are tied to the vagaries of state and local housing market conditions. They all but vanished during the recession, causing problems for agencies relying on this source to fund capital projects.

FIGURE 11

Because they have higher incomes, San Francisco Bay Area residents contribute disproportionately to the state's general fund



SOURCE: Author calculations using the water fee model. See Fee Model Technical Specification at end of [Appendix D](#) for data sources and model specification.

NOTE: The figure shows population and general fund contribution shares for counties within each hydrologic region; counties within more than one region are included in the region where most of their population lives. For a list of counties included in each region, see the map at the beginning of this report.

Matching Funding Sources to Gaps

As this review suggests, there is no magic formula for how to fill the critical gaps. But California should try to follow the general principles outlined above in deciding whether responsible parties and direct beneficiaries, or the broader local, regional, or statewide community should pay for different activities. In practice, some less-than-ideal alternatives might also help in the near term, given that the best options are not always feasible because of legal or political constraints. State GO bonds backed by the general fund have often been used as the stopgap solution, but they cannot do all of the heavy lifting, given the scale of unmet needs and the practical limits on how much the state can tap this source without compromising other important programs. Over the longer term, California will need a funding system better tailored to meet

societal demands for water management. Some of the financial solutions identified here will be difficult to implement without reforms to California's laws, a topic addressed below.

Safe drinking water in small, disadvantaged communities

Roughly \$30 million to \$160 million is needed annually to bring safe drinking water to small, disadvantaged communities that face special problems of costs and affordability. Many of these communities likely also need support for safer management of wastewater. Tens of millions of dollars are available every year for these communities through existing programs, such as the small system grants administered as part of the Safe Drinking Water Revolving Fund (for drinking water), the Clean Water Revolving Fund (for wastewater), and the U.S. Department of Agriculture's programs for rural water systems—all funded by federal tax dollars (Appendix B). But these funds need to become more accessible and more flexible so that these communities have the resources not just for new capital investments but also for special needs, such as organizing local water systems.

Additional funding could come from a mix of sources. A surcharge on commercial nitrogen fertilizers, which are currently exempt from the state sales tax, is appropriate to help fund solutions for nitrate-impacted communities. As a frame of reference, a 7.5 percent sales tax on fertilizers in the Tulare Lake and Salinas basins would raise close to \$30 million annually, potentially addressing most or all of the nitrate-related drinking water problems in those two regions (including larger systems and non-disadvantaged communities) (Harter et al. 2012). A fertilizer surcharge would also strengthen the incentives for farmers to meet longer-term water quality management goals by reducing fertilizer applications.⁹² (To address nitrate pollution from the spreading of manure from large livestock operations—about 40 percent of all fertilizer use in these two regions—a charge could be assessed per head of cattle.) A nitrogen fertilizer surcharge dedicated to safe drinking water programs would require the approval of two-thirds of the legislature. If instead the state established a regulatory program to address the harm caused by new fertilizer and livestock pollution, such surcharges could potentially be passed as state regulatory fees with a simple majority legislative vote, rather than needing to meet the two-thirds legislative hurdle for a special tax.

General taxpayer support is more appropriate where water quality problems stem from naturally occurring contaminants. Given social equity considerations, a progressive funding source like the state general fund would be suitable. Alternatively, a statewide water use surcharge might also be appropriate, similar in spirit to using higher rates for most users to subsidize lifeline rates at the local level. Such a surcharge would likely require a two-thirds vote of the legislature. Alternatively, this and any other tax requiring a two-thirds legislative vote could be passed by a majority approval of a ballot initiative by the state's voters.⁹³ Local taxpayers might also contribute to these programs (particularly in more affluent regions), and local governments (especially counties) can play a valuable oversight role.

Flood management

State leaders often talk about California's flood crisis, and the numbers appear to back them up. California faces a potential gap in this area of \$1 billion annually to address an investment backlog and replace the state bonds that have supported recent spending; additional gaps are possible if federal contributions decline in the future. One priority is to determine which investments provide adequate value to the state's residents to

⁹² Medellín-Azuara et al. (2013) found that this level of tax would reduce fertilizer use by 1.6 percent, implying an elasticity of demand of -0.21.

⁹³ Although this surcharge would likely be a tax, rather than a fee, it could be justified on similar grounds to the use of some transportation-oriented taxes on gasoline, serving programs such as paratransit.

justify the costs, analyzing how these investments reduce economic risk and enhance ecosystem outcomes. Another priority is to decide how to apportion funding responsibility among state, regional, and local residents.

A substantial share of flood protection benefits goes directly to those who live and own property in the floodplain. Since Proposition 218, there have been a few modest successes in passing property assessments for floodplain residents in the Sacramento area. Yet the sums raised are small relative to the potential need; in the SAFCA area, the assessments collect roughly \$60 to \$120 per household per year. The sales pitch used to promote the assessments appealed especially to residents with less than 100-year protection: the new spending was designed to provide them with enough protection so that they could qualify for lower flood insurance premiums. Some recent federal policy changes may provide more impetus for local property owners to pay for flood investments for this same reason. The National Flood Insurance Program (NFIP) has recently undergone a reform that will dramatically raise rates for many properties within the 100-year floodplain,⁹⁴ and the NFIP's parent agency, FEMA, is requiring floodplain remapping that will decertify some levees, placing more homes within the 100-year floodplain. However, these changes will not affect the majority of California's floodplain residents, who already have 100-year protection. As Figure 8 shows, even splitting costs across all floodplain residents (most of whom live in areas that already have lower insurance rates) results in very high per capita costs in some regions, making local property-owner funding at best a partial source of new funds.

Broader local taxes are an appropriate source as well, given the benefits to the local economy from protecting public infrastructure and preventing business interruptions. Spreading out the costs in this way makes them more affordable, but it will generally mean convincing two-thirds of the voting public to sign on. In Santa Clara County, where many lower-income residents have low levels of flood protection, the county's multipurpose water district did this successfully in two successive parcel tax measures, combining a package of improvements that had broader appeal to general voters with flood works.

Broader regional approaches to flood funding are not yet used in California, but they are also relevant in some places, like the Sacramento River region, where investments in bypass capacity in more rural areas can increase protection region-wide.⁹⁵ A regional approach has also been proposed for the Delta, another highly interdependent area (Delta Stewardship Council 2013b). A state-imposed regional fee would be exempt from the voter approval requirements of Proposition 218 if the state levied it directly on the fee-payers, as Proposition 218 does not apply to the state.⁹⁶

The state must continue to help fund flood works—both to protect critical infrastructure and to achieve the kind of environmental benefits that are possible only with some costlier types of investments, like setback levees. The state's liability exposure in the Central Valley since the *Paterno* ruling is also an important consideration, though our preliminary estimates of the net benefits of flood investments suggest that not all the slated investments in this region are worthwhile from that perspective.

⁹⁴ The Biggerts-Waters Act (2012) aims to restore solvency to the NFIP by making insurance rates actuarially fair in the 100-year floodplain. One key change is removing the grandfathering of subsidized rates for properties built before 1975.

⁹⁵ This regional approach is favored in the *Central Valley Flood Protection Plan* (California Department of Water Resources 2012), the source of most of the investment cost information used in our analysis of flood protection needs of the Sacramento and San Joaquin River region.

⁹⁶ If the state instead levied the fee on local flood control agencies – which in turn would have to pass along the fee to their customers in the form of a surcharge or higher rates – then the fee would likely be subject to Proposition 218's voter approval and substantive requirements.

Some local governments are also considering tapping into new development, which is a relatively easy funding source to access to help pay for flood protection. Allowing more growth in flood-prone areas increases the economic risks from flooding. Nonetheless, it merits scrutiny as a funding strategy because it can spread the costs and increase total revenues, potentially improving overall levels of protection. (For instance, if this revenue source enables communities to reach the 200-year level of protection now required for urbanized areas within the Central Valley, it may be a good option.) As part of a regional strategy, urbanized areas may have an interest in encouraging some rural areas to remain more flood-prone, to provide a less costly buffer against large floods than some of the more capital-intensive projects under consideration.⁹⁷ As part of this strategy, these rural areas would need to receive some support to help with higher insurance costs, and perhaps would need selective permit exemptions for new structures necessary to maintain viable farm business operations, such as warehouses and farm equipment facilities.⁹⁸

Stormwater pollution management

Local agencies are required by law to manage the pollution from stormwater and other urban runoff, and they may face a funding gap of \$500 million to \$800 million annually to meet this mandate. The substantive and procedural requirements of Propositions 218 and 26 have generally made it necessary to seek a two-thirds vote of the electorate to garner funds needed to comply with regulatory standards that are (at least in principle) the expression of broad societal demand for these services. A variety of activities cause stormwater pollution, so any effort to draw contributions from those who share responsibility will lead to a variety of suitable funding sources, such as surcharges on chemical use, road use, and sources of litter, in addition to fees on impervious surfaces. However, many of the costs of failing to manage stormwater pollution fall on residents within the broader watershed, not local residents, making local voting a poor match for finding the needed funds. Regulatory fees that are assessed without a local popular vote are more suitable, although Proposition 26 has introduced uncertainty about this option.

Geographic integration—or regionalization—of stormwater permitting can help make these programs more cost-effective and fiscally viable. Some help may also be available from integrated management partners who work with water supply: they can share costs when capturing stormwater that benefits the water supply, and they can help reduce “urban slobber” with tiered rate structures that discourage overwatering. Likewise, the tiered rate structures can provide funds for clean-up of the water runoff that still occurs.⁹⁹ Ultimately, though, the state will need to play a major role by passing laws to establish statewide regulatory fees on some pollutants (e.g., chemicals and transportation fuels); by establishing regulatory programs that reduce some pollutants at the source—an essential cost-containment measure; and by directly funding local agency programs unless and until the laws governing how these agencies may raise funds for stormwater pollution management are brought into sync with the laws that require this service.

Aquatic ecosystems

Although many water and land management activities now incorporate and fund more environmentally beneficial approaches, at least several hundred million dollars annually of new funds appear needed to

⁹⁷ See Hanak et al. (2011), ch. 6, for a more detailed discussion.

⁹⁸ As an example of this approach, SAFCA has purchased conservation easements for some farm properties in adjacent Yolo County, where it is also helping to pay for flood insurance (Hanak et al. 2011, ch. 6). Selective exemptions for building permits might require federal and state authorizations.

⁹⁹ For this to happen, the state would need to authorize this more broadly. Currently only two Orange County water suppliers are authorized to run such programs under special legislative authority. See [Appendix A](#), Box 2.)

support a suite of high-profile species recovery efforts. As with stormwater pollution, there are reasons to fund some of these efforts through surcharges on activities that cause ecosystem stress. In addition to surcharges on water use (see Box 6), chemicals, and land development, one new type of surcharge that holds promise is a tax on hydropower generation.¹⁰⁰ Hydroelectric dams have contributed significantly to the decline in California's aquatic ecosystems by restricting access to upstream habitats and altering the quality of habitats below dams.¹⁰¹ As an illustration, a "mill" tax of 0.1 cent per kilowatt hour would raise roughly \$34 million annually.¹⁰² New legislation would be required to impose some of these surcharges (notably, on water use, chemicals, and hydropower), but there would likely be a sufficient nexus between users and fees to allow these to qualify as regulatory fees, rather than taxes (Box 7).

7

Regulatory fees can help fill the funding gap

The waters of California and the resources supported by those waters are a public trust of the state. Under Proposition 26, the state is entitled to charge a fee sufficient to cover the "reasonable cost of the state of conferring the benefit or privilege." These costs include the environmental harm done when water is diverted for urban, agricultural, or power generation purposes. As long as the proceeds of a water surcharge are used to mitigate these costs, this type of fee would seem to be permissible under Proposition 26 (i.e., it would not have to be enacted as a special tax). A fee on hydropower could be justified similarly to a fee on water use, since all hydropower generators enjoy the privilege of interfering with the state's public trust in the state's waters. Similarly, use of fertilizers and other chemicals can be understood as a privilege granted to the user to engage in a practice likely to damage the state's public trust resources. Proposition 26 therefore would allow the state to levy a fee to raise funds to pay the costs the state may incur to offset these damages.

Local and regional taxpayers may also have interests in providing some ecosystem support, given their geographic proximity to the benefits. The sales and parcel taxes in Marin and Santa Clara Counties (Box 5) are both good examples. The San Francisco Bay Restoration Authority, a new regional agency charged with raising and allocating local funds for wetland and wildlife restoration, is considering proposing a regional parcel tax to support these efforts, which would also provide recreational benefits, stormwater pollution prevention, and flood protection.¹⁰³

There are also good reasons to use state tax dollars to support some ecosystem recovery work, especially when the sources of stress are diffuse and shared broadly. Public support for the Delta ecosystem can be justified on this basis; there are many sources of ecosystem stress and most Californians benefit in some way from the activities that are responsible (National Research Council 2012; Hanak et al. 2013). A progressive funding source, such as the general fund, might be especially suited for supporting ecosystem recovery, since higher-income residents tend to have a higher level of demand for such efforts (Bergstrom and Goodman 1973; Shaikh and Larson 2003).

¹⁰⁰ The Supreme Court has held that a state may tax the generation of hydropower from federally licensed facilities that is sold intrastate. See *Utah Power & Light Co. v. Pfoest* 286 U.S. 165 (1932) and also *Susquehanna Power Co. v. State Tax Commission* 283 U.S. 291 (1931), which says that states may levy property taxes on federally licensed hydroelectric power facilities. South Carolina currently taxes all intrastate electricity sales, including sales from the state's 24 FERC-licensed hydro projects (S.C. Codes § 12-23-10 & 12-23-20).

¹⁰¹ See Hanak et al. (2011), ch. 5.

¹⁰² Average annual generation from 226 hydropower facilities for 1990–2002 was 33,900 gigawatt-hours (California Energy Commission 2013).

¹⁰³ A report prepared for the San Francisco Bay Restoration Authority (EMC Research 2011) suggested strong regional support for an annual charge of \$10 to \$20 per household.

Integrated management

State involvement in integrated water management has relied on funding from two recent bonds,¹⁰⁴ and this support would continue in bond proposals for the November 2014 ballot. Integrated decision-making is necessary for sustainable water management, but the bond-enabled IRWM funding program leaves much to be desired. Partial alternatives exist in some regions, with wholesaler surcharges to fund local portfolio development within the Metropolitan Water District of Southern California service area and Sonoma County (Box 6). These regional incentive funds currently focus on water supply reliability, and they do not yet tackle some important aspects of functional integration related to flood prevention, ecosystem support, and pollution management unless there are direct water supply benefits.

The wholesaler surcharge approach now simply involves the approval of the wholesale agencies' governing boards. The program run by the Metropolitan Water District of Southern California is facing a legal challenge to this practice from one of its member agencies, on the grounds that the fee does not benefit all water users within the Metropolitan service area equally, as required by Proposition 26's proportionality criterion ([Appendix A](#)). Losing this ability to develop flexible, regional programs to make water supply reliable would be unfortunate; in essence, it would be the equivalent of making a large network adhere to the type of "molecular-level accounting" discussed earlier (see Box 4).

Given the many competing claims on state resources, we explored having regions fund their own IRWM programs through a variety of mechanisms at the regional level: (1) a volumetric water surcharge on urban water use (with or without a complementary charge on irrigated agricultural acreage); (2) a connection fee on urban water customers, graduated by meter size; (3) a uniform parcel tax; and (4) a sales tax increment. (For details of this analysis, see [Appendix D](#).) We considered annual statewide funding of \$200 million, roughly the amount made available annually by Proposition 84. Currently, IRWM bond funds are allocated by population within each hydrologic region, though with a slight boost to the more rural, inland regions relative to the Bay Area and the South Coast.¹⁰⁵

Given this rural boost and the disproportionate share of the general fund now paid for by Bay Area residents (Figure 11), any of the regional funding alternatives would cost local residents more in every region except the Bay Area and the South Coast. Yet the incremental costs to locals would be quite small, increasing water rates by a couple of percentage points, or increasing sales taxes by less than 0.05 percent (a sales tax of 8.5% would not need to increase to more than 8.55%). A volumetric fee on water is the most progressive of these regional funding options. At the level considered here, it would lead to a complementary reduction in statewide urban water use of 25,000 to 115,000 acre-feet (see [Appendix D](#)).¹⁰⁶

Although, in principle, regions could implement their own surcharges to establish regional funds supporting integrated management activities, it might be more expeditious to do this at the state level, either with approval by the legislature or with a statewide ballot initiative, perhaps as part of a broader water package that could include a bond and other reforms. This could be done by establishing a common fund, returned to regional entities complying with state requirements (much as federal gas tax revenues are returned to states to fund transportation projects). Integrated management will also require funds for scientific and technical analysis. Both statewide and regional funding contributions, either from broader taxes or from water surcharges, would be appropriate to support this work.

¹⁰⁴ This includes broad IRWM programs authorized under Propositions 50 and 84. In addition, Proposition 1E authorized \$300 million in stormwater programs intended to employ integrated approaches (see [Appendix C](#)).

¹⁰⁵ More generally, bond funds have disproportionately supported activities in the more rural and inland regions (see [Appendix C](#)).

¹⁰⁶ Because local governments cannot levy income taxes, local funding options tend to be less progressive than the state general fund.

A Road Map for Sustainably Funding California's Water System

This final section summarizes our findings regarding the funding gaps in California's water system and charts a road map for improving the system's fiscal health and ensuring that it will remain healthy far into the future. The road map will require some bold new actions by local agencies, who will remain the central players in both funding and managing water-related services. Even bolder actions will be required by the California legislature, the courts, and California voters to help facilitate a more sustainable funding framework. State and federal agencies must also play their part in helping the system put available funds to best use.

Check-Up Results

Despite rising costs, California's water and wastewater systems are largely on track to meet societal goals for water management. The key financial challenges relate to overly restrictive limitations on what constitutes a fee for service, with laws now potentially requiring a degree of connection that runs counter to the goals of integrated water system management. As the inflation-adjusted costs of water and wastewater services continue to rise, the accounting requirements could also have unintended social consequences, by restricting the ability to extend lifeline rates to lower-income customers through cross-subsidies from other customers within the service area.

Structural gaps exist in several areas where a combination of new environmental mandates, lack of clear funding authority, high voter approval thresholds, and lack of affordability mean the system is failing. In some cases, even pinning down the size of the gap is difficult because managers lack the resources to estimate the costs. Overall, California faces unfunded annual costs of \$30 million to \$160 million for safe drinking water in small, poor communities, as much as \$1 billion for flood protection, perhaps \$500 million to \$800 million for stormwater, and at least several hundred million dollars for aquatic ecosystem recovery focusing on endangered species. In addition, California needs to mobilize \$200 million to \$300 million annually to support integrated water management efforts, including \$100 million to \$200 million per year in regional incentive funds (now funded by state GO bonds) and another \$100 million in steady funding to develop the scientific, technical, and regulatory functions to support cost-effective, sustainable water management.

Finding the Cash

State bond funds have helped fill all of these gaps to some extent, but the total gap appears at least twice as high as recent aggregate water-oriented spending from these bonds (less than \$1 billion annually). Rather than address these gaps, some bond funds have been used for activities that are better able to pay for themselves, such as furnishing cost shares for water supply projects. New bond funds are likely to be more limited than in the recent past, and they should focus on the areas that either lack natural funding sources or address broader social concerns. Even if new bonds are on the horizon, California will need to draw on a broader mix of revenues. The prospects for success will depend in large part on the state's ability to enact a suite of legal reforms, ranging from passing new state special taxes and regulatory fees to revising some of the most problematic aspects of the state constitution that threaten to impede local funding of these areas (Box 8, page 70).

Table 5 provides our assessment of the best available funding mix in the current legal environment (assuming no new legislative action or voter-approved constitutional changes), and the optimal mix if such reforms are enacted. In constructing these alternatives, we have favored sources with a direct connection to the responsible party (water users, chemical dischargers, and road users), as well as sources with built-in behavioral incentives to manage water more sustainably (through volumetric surcharges that can alter demand for water and for products that cause water pollution). For shared responsibilities or benefits, we have also favored funding that reflects the geographic scope of the community of interest (whether state, regional, or local). In Table 5, a funding source that is marked with more dollar signs is a larger contributor relative to other sources. However, the number of dollar signs does not represent a precise amount or fraction of the gap to be filled. Total funds raised would be higher in the reform alternative than under current conditions.

TABLE 5
Funding sources to fill critical gaps, now and with recommended legal reforms

	Safe drinking water ^c		Floods		Stormwater		Ecosystems		Integrated management	
"Gap" (\$ millions/year)	\$30–\$160		\$800–\$1,000		\$500–\$800		\$400–\$700		\$200–\$300	
Responsibility	State		State, regional, and local		Regional and local		State and regional		State and regional	
Legal environment	Current	Reforms	Current	Reforms	Current	Reforms	Current	Reforms	Current	Reforms
No close connection to the activity being funded (always a tax)										
State general fund (GO bonds) ^a	\$\$\$	\$	\$\$\$	\$\$	\$\$\$		\$\$\$	\$	\$\$\$	\$
Local general fund			\$		\$					
Broad special taxes (state, regional, local) ^b			\$	\$\$	\$	\$\$	\$	\$\$		\$\$
Some connection to the activity being funded (fee or tax, depending on specifics)										
Water use surcharge ^b		\$\$			\$	\$\$	\$	\$\$	\$	\$\$
Chemicals surcharge (e.g., fertilizers, pesticides)		\$\$				\$\$				
Road use surcharge (e.g. fuels, vehicle licenses) ^b						\$\$				
Hydropower surcharge								\$\$		
A close linkage to the activity being funded (always a fee)										
Property assessment			\$	\$\$		\$\$				
Developer fee			\$\$	\$\$	\$	\$	\$\$	\$\$		

NOTES: Dollar signs indicate a minor role (\$), moderate role (\$\$), or a major role (\$\$\$). These symbols do not denote specific values, only the relative importance of each source for addressing the gap. Shaded cells denote revenue sources with poor suitability for the purpose.

^a In addition to GO bonds, any of the revenue sources listed here could be used to secure near-term funding through revenue bonds.

^b Broad special taxes and some surcharges could be assessed at the state, regional, or local levels (for examples, see Boxes 5 and 6).

^c As discussed in the text, the gap estimate is for small systems with low-income populations. Larger systems are better able to pay their own way because they benefit from scale economies.

In the current legal environment, state GO bonds—backed by state general fund dollars—will continue to be the most feasible way to fund these gap areas. Developer fees, also relatively straightforward, can continue to play a moderate role for flood and ecosystem investments. For ecosystem management, the key will be making the best use of mitigation funds set aside to protect habitat. This broad approach, preferable to

piecemeal mitigation, is currently being attempted through habitat mitigation banks that pool the resources of many new projects. There is also a limited possibility for developer fees to contribute to stormwater programs. New construction is often required to provide stormwater mitigation on-site by meeting new low-impact development standards, but in places where this is too costly (e.g., with infill projects), contributions to a collective fund can support the overall program. We also see limited potential for sporadic new successes in water use surcharges and broad special taxes (parcel and sales taxes) to support stormwater pollution management, ecosystem recovery, and regional integration (following the examples in Boxes 5 and 6). New property assessments could be used to support flood programs. New contributions from the local general fund may also help support local stormwater and flood programs as local budgets recover from the fiscal hangover of the recession.

Even at best, though, these combined sources are unlikely to do the job. A more robust funding approach would diversify the funding base, shifting the responsibility away from the state and local general funds toward dedicated fees and taxes at the state, regional, and local levels:

- **For safe drinking water programs** in small, low-income communities, the state would maintain responsibility, but it would do this primarily through the enactment of two surcharges: a regulatory fee on synthetic and natural fertilizers, to address nitrate contamination, and a special tax on statewide water users, to serve as a kind of statewide lifeline program. The federal government can also help by relaxing restrictions on the use of its revolving fund grants, so that they can more flexibly support these small systems.
- **For flood protection**, there would be more broadly shared responsibility across state, regional, and local entities. Broad special taxes (e.g., parcel taxes and sales tax increments) would be increased at the local and regional levels. These measures could more easily pass following the enactment of a constitutional reform that lowers the local voter threshold from two-thirds to a simple majority—comparable to the simple majority required for statewide fiscal ballot measures and local general taxes. Property assessments and fees would be treated like water and sewer services under Proposition 218: still subject to formal public noticing (and protest hearings), but exempt from voter approval requirements. The state and federal governments would use their policy leverage to incentivize floodplain residents to pay for flood works, by setting actuarially fair insurance rates (as now required under a 2012 federal law), and potentially also mandating insurance in areas with less than 200-year protection (under new state legislation). The state would help raise funds in key locations (e.g., the Sacramento and San Joaquin River regions) through the establishment of regional flood maintenance districts with regional fees. The state would also continue to contribute financially, given statewide interests in critical infrastructure, ecosystem enhancements, and liability issues within the Central Valley, through general fund/GO bond dollars and perhaps also through dedicated special tax revenues (e.g., income or sales tax increments).
- **For stormwater**, these and other constitutional reforms would make it possible for local and regional agencies to raise the funds they need to carry out their mandate. Charges to manage stormwater would be exempt from Proposition 218, and subject only to Proposition 26, which guides regulatory fees. (Proposition 26 would, if necessary, be clarified to authorize the costs of environmental mitigation programs through regulatory fees.) Stormwater charges would no longer require voter approval as long as a fair and reasonable relationship is established between the charges and the harm caused by the activity. Regulatory fees would be established on a variety of sources that contribute to the problem (e.g., on chemicals, road use, and prominent sources of litter, such as cigarettes and fast-food restaurants). Broad special taxes (now accessible at a lower simple majority voter threshold) would also be increased as needed, and water suppliers would contribute more actively through the integration of stormwater capture into their water supplies and through water service fees (where excess watering contributes to “urban slobber.”) The state would enact some of

these fees statewide (e.g., with surcharge on certain chemicals and motor fuels). The state would also use its regulatory authority to help keep down costs, by implementing source control measures and by setting judicious targets and objectives for local and regional stormwater programs.

- **For aquatic ecosystems**, a similar mix of fees and taxes would enable programs to be funded at the state and regional levels. A new hydropower surcharge—enacted under state law as a regulatory fee or a special tax—would contribute to the mix. State general tax dollars would also continue to support some ecosystem recovery work, especially when the sources of stress are diffuse and shared broadly.
- **Integrated management** activities at the regional level would be supported primarily by regional water use surcharges (with or without complementary charges on irrigated agricultural acreage) and broad special taxes, such as a sales or parcel tax, now easier to pass. The state might enact the water surcharge and pass it through to local agencies, which could ease the local approval process (Box 6). The state would also need to raise some resources to support the integrating functions of state agencies, including scientific and technical analysis and regulatory work. Because stability of these activities is especially important, this would preferably come from a statewide surcharge on water or a dedicated special tax, rather than annual allocations from the state general fund.

This shift away from state general fund tax dollars toward multiple sources of more targeted funds has two potential drawbacks. First, most other sources are less progressive (Figure 10, above). However, an overreliance on bonds, without corresponding increases in general fund revenues, can actually have the opposite effect if it results in cutting back programs that are especially important for low-income households. Second, some observers might consider this multipronged funding approach to be more administratively complex and costly than focusing on one or two broad sources, like a water surcharge or a sales tax increment. However, targeted funding sources, which tap contributions from the individuals and communities that benefit from or share responsibility for the need for this spending, are preferable. Such sources more readily align the incentives of residents and businesses with modern water management goals, and they will often be better spent—with more accountability—if they are both raised and managed at the geographic scale of the community of interest (often regional or local, rather than statewide).

Aligning California’s Constitution with the Requirements of Modern Water Management

Ensuring sustainable funding for water service and water resources management will also require revisiting some of the constitutional provisions that govern water charges and ratemaking (Box 8).¹⁰⁷ The strictures of these laws threaten to impede sound, integrated management. Some aspects of the suite of constitutional reforms passed by voters since the late 1970s are salutary. Notably, the requirements for transparency and accountability prevent local agencies from using ratepayer contributions for programs that are unrelated to the services on which these charges are levied. However, Proposition 218’s requirements that water charges be set in a way that allocates costs proportionately to the services received by individual parcels oversimplifies the challenges of allocating largely fixed and communal water system costs in a way that is both fair and efficient (see Box 4). Likewise, Proposition 26’s potential for disallowing the funding of environmental mitigation programs with regulatory fees risks further degrading the health of California’s watersheds. Finally, Proposition 13’s requirement that local special taxes be approved by two-thirds of local voters—combined with Proposition 218’s requirement that special districts cannot levy general taxes (which still require a simple majority vote)—limits the potential for communities to assess themselves to meet goals

¹⁰⁷ For a more detailed discussion of these legal recommendations, see [Appendix A](#).

and laws approved by the majority. Allowing one-third of local voters to rule over fiscal decisions favors the search for funding through state GO bonds, which are easier to pass, but which hide the costs under the carpet. To bring this point home, *none* of the six state water bonds approved by voters since 2000 would have passed under local supermajority funding rules.¹⁰⁸

The substantive standards of Propositions 218 and 26 are themselves in tension with one another. Proposition 218 applies most directly to water rates and other fees for water service provided to property (and the customers who reside on that property). Its requirement that these charges not exceed the cost of service to individual parcels is not appropriate for regulatory fees and water management programs designed to protect the environment and the public from the negative effects of land and water use. Yet to date, the courts have failed to distinguish between these two different types of water programs and charges. The cost-of-service requirements under Propositions 218 and 26 are also potentially at odds with the water conservation and reasonable use mandates of Article X, Section 2 of the California Constitution. Likewise, they conflict with state and federal laws requiring agencies to implement conservation measures, to promote nontraditional supply sources, and to prevent polluted runoff from entering rivers and coastal waters. In addition, Proposition 218 could stymie efforts to meet other legitimate policy aims, such as extending lifeline rates to low-income consumers.

¹⁰⁸ See [Appendix C](#), Table C1 for pass rates on all state GO water bonds since 1970. Only six of the 21 bonds passed since 1970 (29%) would have passed with a two-thirds voting requirement, authorizing only 8 percent of the total value approved in today's dollars.

Constitutional reforms for sustainable water management

Over the past few decades, California voters approved a suite of fiscally oriented constitutional reforms that have important implications for water sector funding: Propositions 13 (1978), 218 (1996), and 26 (2010). These propositions aimed to improve the transparency, efficiency, and fairness of fees and taxes. Unfortunately, some provisions of these measures are now collectively having the unintended consequence of impeding efficient and equitable funding of California's water system. In particular, they are limiting the ability of local public agencies to manage water resources responsibly, while encouraging over reliance on state GO bonds. The latter are easier to pass, but less fiscally transparent and less well-suited than local sources to funding many types of activities.

To manage the state's water resources sustainably for the benefit of the economy, society, and the environment, Californians should adopt a new set of constitutional reforms ([Appendix A](#)). These reforms would continue to hold public agencies to high standards of transparency and accountability, but they would give agencies the needed flexibility to manage water in a more sophisticated, integrated way to improve supply reliability, maintain water quality for public and environmental health, protect the state's residents and businesses from harmful flooding, and safeguard our aquatic ecosystems.

Amend Proposition 218 to

- Allow local public water agencies to adopt service fees that benefit their customers by increasing water supplies, reducing demand, or otherwise enhancing the reliability of water service, without needing to demonstrate the precise linkage between these activities and the costs of service or molecules of water delivered to individual parcels.
- Exempt stormwater management and other regulatory fees that require land and water users to pay for the external costs of their activities from Proposition 218.
- Add flood management fees and assessments to the list of charges that are exempt from the voter approval requirements of Proposition 218 (comparable to water and sewer charges).
- Exempt "lifeline" rates from the cost-of-service-based standards of Proposition 218 (comparable to private water and power utilities).

Amend Proposition 26 to clarify that

- State and local governments may enact regulatory fees that require resource users to pay for the external costs of their activities.

Amend Propositions 218 and 26 to

- Provide that the reviewing courts must defer to a public agency's determination of the need for a charge or rate structure and uphold it if there is substantial evidence in the administrative ratemaking record to support the agency's decision.
- Declare that public water agencies and reviewing courts shall interpret the provisions of Propositions 218 and 26 in a manner that is consistent with the water conservation and reasonable use directives of Article X, § 2 of the California Constitution.
- Reaffirm that neither the legislature nor local governments have authority to divert the proceeds of water-related charges to purposes other than water resource management and regulation.

Amend Proposition 13 to

- Allow local special taxes for water-related purposes to pass with a simple majority of voters (comparable to the voter threshold for local general taxes and fiscal measures on statewide ballots).

For all of these reasons, Californians should revisit these laws to make them more consistent with the precepts of modern water management, with a more flexible definition of fees and a lower voter threshold for special taxes.¹⁰⁹ It is doubtful that anyone involved in the sequential enactment of these three initiatives—the drafters, sponsors, or the voters—carefully thought through the consequences of these laws for programs such as tiered water pricing, water recycling, stormwater discharge fees, coordinated management of surface and groundwater, or lifeline rates for low-income households. Because these propositions are part of the California Constitution, these changes would require voter approval of a new constitutional amendment, which could be placed on the ballot by the legislature or through the initiative process and passed by a simple majority of voters.

We recognize that changing the constitution in this way will not be easy, but we believe it is the best way for Californians to ensure that their water system can support a strong economy, society, and environment both now and in the decades to come, when water management will need to become ever more flexible and holistic in order to meet the challenges posed by increasing scarcity, climate change, and continued growth of the population and economy.

Other steps can be taken by water agencies, the legislature, and the courts to avoid some of the worst consequences of the existing laws:

- **Water agencies** need to provide a transparent, well-explained record of their rate decisions (a positive result of Proposition 218). This is important for explaining charges to the courts and to their ratepayers.
- **The legislature** can provide guidance to the courts on how to interpret Propositions 218 and 26 to promote integrated, conservation-oriented water management. Earlier guidance on the pass-through of charges in wholesale water rates is a model in this regard ([Appendix A](#)). Additional legislation that would help provide more financial stability for water agencies includes establishing a statute of limitations for challenges to property-related fees and assessments under Proposition 218 (comparable to the 120-day statute of limitations for capacity charges, connection fees, and development impact fees).¹¹⁰
- **The courts** need to realize the importance of a whole-system perspective in water management and refrain from molecular-level accounting.

Minding the Gap

Beyond finding the cash, California needs to develop a better understanding of the real spending needs for water service in order to meet water management goals in a cost-effective manner. This includes getting a better sense of the value of some big-ticket items that the public will be asked to pay for, including flood protection, ecosystem recovery, and some types of stormwater management and drinking water investments. Not all of the envisaged programs may be worth the costs. It will be important to improve awareness of the value of projects with multiple benefits, for instance the water supply benefits of stormwater, or the water quality benefits of forest management in the upper watersheds. Such information is necessary to help justify cost-sharing arrangements, especially given the cost-of-service requirements of Proposition 218.

¹⁰⁹ The reduction from a two-thirds to a 55 percent vote for local school bonds, approved by voters in 2000 (Proposition 39), dramatically improved the funding landscape for school and community college infrastructure across the state (Hanak 2009; McGhee and Weston 2013).

¹¹⁰ See Cal. Gov't Code §§ 66020, 66022.

More generally, a more integrated, watershed-based approach to water management can help Californians establish a reliable water supply despite increasing water scarcity and changing climatic conditions, thereby getting the most value on the dollar for some of the underfunded areas of water management. Local agencies are proving most successful at managing and funding water programs when they take a broad, integrated approach, using formal partnerships to extend the geographic and functional reach of their operations, and expanding their own mandates to provide more comprehensive water services.

State and federal regulatory agencies also need to support effective integration. More than their grant dollars, local agencies need these higher levels of government to work together so that their regulatory efforts are coherent at a regional level, with consistent, reasonable mandates and geographic approaches. Resource managers at all levels need to develop broad and practical goals for managing California's watersheds in ways that support both the economy and the environment. Sustained, coordinated scientific and technical analysis and ongoing experimentation and innovation will be essential for success.

As daunting as California's water funding challenges may seem, this is an inherently fixable problem. Relative to current spending of over \$30 billion per year on this vital sector, Californians need to raise an additional 7 to 10 percent—or \$150 to \$230 per household annually—to fill critical gaps, and they need to reform the laws to ensure that those parts of the system that are currently in better shape can continue to perform effectively. This effort is essential to meeting a suite of important societal goals: supplying safe, reliable water supplies for households and businesses; protecting residents and property from harmful floods; maintaining clean rivers, lakes, and beaches; and safeguarding the survival of the many species that depend on our watersheds. California's residents will support the needed changes with their votes and their pocketbooks if state and local leaders come together to make the case for reform.

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Request Grows for Extra Water Conservation in Southland With Second Plant Going Offline

MWD "rebalancing" system

By [Patrick Healy](#)

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Urgent pleas for extra water conservation have gone out to nearly one million Southland residents in recent days as the region's largest water wholesaler reacts to a second unanticipated problem in coping with the drought.

The problems cropped up in connection with changes made by the Metropolitan Water District (MWD) to "rebalance" its system for transporting, treating and delivering water imported via the California Aqueduct and another aqueduct from the Colorado River.

The temporary shutdown of the Mills Water Treatment Plant in Riverside Friday afternoon came with only a day's notice to the water districts it supplies, and just 50 hours after the MWD's largest treatment plant, Jensen in Granada Hills, was taken offline.

For now, the MWD is operating with only three of its five treatment plants. The goal is to finish the needed work so Mills and Jensen can come back online by the end of the weekend.

The Mills plant has long been the primary source for areas of Riverside County with 330,000 people. For decades, Jensen has been virtually the only source for more than 650,000 in the west end of Los Angeles County and most of Ventura County.

The affected areas have water reserves, but limited capacity to do the needed treatment before delivery, prompting the pleas to consumers to cut back as much as possible until the two plants come back online.

"We're asking them to turn off their sprinklers. We're also asking them to put off washing clothes, washing cars, any non-essential water use," said Paul Jones, general manager of the Eastern Municipal Water District, which has relied on Mills water to meet the needs of Moreno Valley and Perris.

Both Eastern and its neighboring Western Municipal Water District planned to use reverse 9-1-1 calling systems to notify customers to begin cutting back immediately. With cooperation, water officials expressed confidence they can get through the weekend.

But they are counting on the plants to come back online as scheduled.

"Two days we feel comfortable about. We just don't want to wait, we don't want to take chances," said John Rossi, General Manager of Western Municipal.

"I'm sure a couple of days won't hurt as long as the weather's not too bad," said Mission Grove resident Bridey Abad.

"I won't wash the car," promised Jeff Clayton of Moreno Valley.

Until now, in stark contrast to much of California north of the Tehachapi Mountains, the storage reserves built up by the MWD have enabled it to shield the six southern counties it serves from the impact of the drought.

Both Jensen and Mills are configured to draw water from the California Aqueduct. But the drought has forced dramatic curtailments in deliveries, allocations for 2014 now set at only 5 percent of normal, though agencies such as the MWD that have banked water in previous years are able to draw on their storage.

"We're making historic, extraordinary changes to our system," said Jim Green, MWD's manager of water system operations.

On the western side of the MWD's service area, the drought had created a growing squeeze. Both the Las Virgenes and Calleguas Districts rely almost entirely on water from Jensen, but the limited supply from the California Aqueduct had reduced Jensen's output to less than a fourth of its capacity, Green said.

Ordinarily, the MWD does not pump Colorado River water as far west as Ventura County. But with Colorado River supplies close to average this year, that was seen as the best option to keep that area from running low on water.

But when the pumping began, strains on the system became apparent, and there were even concerns that a portion of it could "seize up," said Eric Bergh, resources manager for the Calleguas district.

As a fix, MWD engineers designed a metal plate with holes like swiss cheese--an "isolation gate"--to be installed at Jensen. That would require temporarily shutting down not only the Jensen plant, but also the Burbank pumping station that had begun sending Colorado River Water to Calleguas and Las Virgenes.

The MWD decided it had to be done, and soon, and the shutdown came just two days later on Wednesday night.

Meantime problems were developing on the California Aqueduct's eastern branch, which has long supplied the water treated for delivery by the Mills Plant. Earlier this year, because of the drought,

Mills was cut off from aqueduct deliveries, according to Debra Man, the WMD's Chief Operating Officer. So that Mills could continue to operate, MWD drew on on water stored in a local reservoir.

In recent weeks, MWD got approval from California's Department of Water Resources to reopen the pipeline that connects Mills to the aqueduct, in order to take water stored several hundred miles to the north in San Luis Reservoir. But when water surged back into the high pressure pipeline, a pressure relief valve failed, Man explained.

The valve is located in Colton, more than 10 miles from the Mills plant. But the valve could not be fixed without shutting down the pipeline, cutting off the supply to Mills.

Deliveries will resume when the valve is fixed. MWD has been assured this repair, like the installation of the isolation gate at Jensen, will be completed over the weekend, Man said.

The MWD's Chief Operating Officer and assistant GM harbors no illusions that this is the end of the rebalancing or "juggling," as she called it.

"I think we're going to find that we're going to have to adjust facilites. We may have to make some modifications and improvements," she said.

And the potential for more unanticipated problems that need emergency fixes?

"I think we'll find that may be the case." Man said.