

MINUTES OF BOARD OF DIRECTORS MEETING
ADMINISTRATION AND FINANCE ISSUES COMMITTEE
ORANGE COUNTY WATER DISTRICT
January 12, 2017 @ 8:00 a.m.

Director Dewane called the Administration and Finance Issues Committee to order in Conference Room C-2 in Fountain Valley, CA. The Assistant District Secretary reported a quorum of the Committee.

Committee Members

Shawn Dewane
Jan Flory
Roger Yoh (not present)
Dina Nguyen (not present)
Denis Bilodeau (not present)

OCWD staff

Mike Markus – General Manager
Joel Kuperberg - General Counsel
Randy Fick - CFO/Treasurer
Judy-Rae Karlsen - Assistant District Secretary
Bonnie Howard, Bill Hunt, John Kennedy,
Crystal Nettles, Melissa Ochoa, Vishav Sharma

Alternates

Steve Sheldon
Philip Anthony
Vincent Sarmiento
Jordan Brandman (arrived 8:04 a.m.)
Cathy Green

Others

Paul Cook, Peer Swan – IRWD
Peter Changala – Irvine Company

CONSENT CALENDAR

The Consent Calendar was approved upon motion by Director Anthony, seconded by Director Flory and carried [5-0].

[Yes- Dewane, Flory, Sheldon, Anthony, Sarmiento /No – 0]

1. Minutes of Previous Meeting

The Minutes of the Administration/Finance Issues Committee meeting held December 15, 2016 were approved as presented.

2. Monthly Cash Control Report

Recommended by Committee for approval at January 18 Board meeting: Receive and file Summary Cash and Cash Equivalents Control Reports dated December 31, 2016.

3. Investment Portfolio Holdings Reports

Recommended by Committee for approval at January 18 Board meeting: Receive and file the Investment Portfolio Holdings Reports dated December 31, 2016.

4. Extension of Limited-Term Employment Agreement for Assistant Hydrogeologist and Conversion to Regular Status in FY 2017-18

Recommended by Committee for approval at January 18 Board meeting: Approve and authorize execution of Limited-Term Employment Agreement for Assistant Hydrogeologist Brendan Neel for the period ending June 30, 2017, and conversion of position to regular status beginning July 1, 2017.

MATTERS FOR CONSIDERATION

Director Brandman arrived during the following discussion.

5. Replenishment Assessment and Additional Replenishment Assessment

Executive Director John Kennedy reviewed the history and the current methodology used by the District for setting the Replenishment Assessment (RA) and the Additional Replenishment Assessment (ARA). He advised the RA and ARA are under review due to the terms and conditions within Proposition 218. Irvine Company representative Peter Changala reported on Irvine Company property that is leased to the agricultural community. Members of the farming community stated their concerns with the proposed structure for setting the ARA and the financial hardship the assessment could have upon their operations. Members of the agricultural community also expressed an interest for a replenishment assessment credit for conservation activities regarding sinking water back into the ground. Irvine Ranch Water District (IRWD) General Manager Paul Cook discussed how IRWD sets rates for its customers and the financial impacts of the RA and ARA. The Committee discussed Proposition 218 with District General Counsel Joel Kuperberg who advised he will prepare an analysis for the next Committee meeting discussion on this matter.

Upon motion by Director Sheldon, seconded by Director Dewane and carried [5-0], the Committee directed OCWD General Counsel to conduct an analysis and provide a recommendation to the Administration/Finance Issues Committee on February 9, 2017 [Yes- Dewane, Flory, Sheldon, Anthony, Sarmiento /No – 0]

6. Basin Production Percentage And Replenishment Assessment Estimates for Fiscal Year 2017-18

District Treasurer/CFO Randy Fick advised that groundwater producers request that staff provide Basin Production Percentage (BPP) and the Replenishment Assessments (RA) estimates for Fiscal Year 2017-2018. He advised that staff determines annual RA and BPP rates by adhering to established basin management practices and Board policies that govern and protect the groundwater basin. Mr. Fick reviewed the groundwater basin overdraft on June 30, 2016 was approximately 379,000 acre feet and advised that due to current uncertainties which should be resolved during the budget process and the need to be generally conservative in setting the budget due to the relatively large accumulated overdraft, a range is being considered at this time for the BPP at 72% - 75% and for the RA at \$440-\$462 per acre foot.

Mr. Fick noted the following management decisions may also impact the RA for FY2017-18. If the District desires to be more aggressive in refilling the groundwater basin, additional MWD water could be purchased, and the RA would need to increase an additional \$150/acre-feet for the four year period. He stated that if the District purchases additional 35,000 acre-feet of Metropolitan Water District water for the remainder of the current fiscal year the RA could increase by \$16/acre-foot per year for the next five years.

IRWD representative Peer Swan stated that IRWD would support refilling the basin. IRWD General Manager Paul Cook recommended the District establish a water purchase fund designated for refilling the groundwater basin. The Committee discussed various scenarios and then took the following action.

Upon motion by Director Dewane, seconded by Director Sheldon and carried [5-0], the Committee recommended that the Board at its January 18 Board meeting: Provide the Fiscal Year 2017-18 Replenishment Assessment and Basin Production Percentage estimates to the Groundwater Producers along with any additional Board comments.

[Yes- Dewane, Nguyen, Bilodeau, Anthony, Sarmiento/No – 0]

INFORMATIONAL ITEMS

7. Monthly Cash Disbursements Report

There was no verbal report on this item.

GENERAL MANAGERS' REPORT

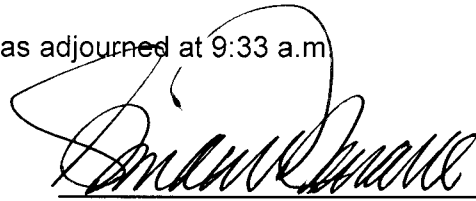
Mr. Markus advised the refunding of the District bonds is complete and the cash flow savings was approximately \$1.25 million/year. He commended District Treasurer/CFO Randy Fick and his staff for their work on this project.

ITEMS TO BE AGENDIZED ON CONSENT CALENDAR AT THE JANUARY 16 BOARD MEETING

It was agreed that Item Nos. 1-4, 6 be agendized on the Consent Calendar at the January 16 Board meeting.

ADJOURNMENT

There being no further business, the meeting was adjourned at 9:33 a.m.



Director Shawn Dewane