

MINUTES OF BOARD OF DIRECTORS MEETING
ADMINISTRATION AND FINANCE ISSUES COMMITTEE
ORANGE COUNTY WATER DISTRICT
January 16, 2014 @ 8:00 a.m.

The Administration and Finance Issues Committee meeting was called to order by Director Roger Yoh in the Conference Room C2 in Fountain Valley, CA. The Assistant District Secretary reported quorum of the Committee.

Committee Members

Kathryn Barr, Chair (not present)
Roger Yoh
Steve Sheldon
Harry Sidhu
Bruce Whitaker (arrived 8:05 a.m.)

OCWD Staff

Mike Markus, General Manager
Joel Kuperberg, General Counsel
Judy-Rae Karlsen, Assistant District Secretary
Dan Cohen, Bruce Dosier, Randy Fick,
Kevin Greene, Bonnie Howard,
John Kennedy, Vishav Sharma

Alternates

Vincent Sarmiento
Philip Anthony
Denis Bilodeau (arrived 8:25 a.m.)
Cathy Green
Shawn Dewane

CONSENT CALENDAR

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

[Yes-Yoh, Sheldon, Sidhu, Sarmiento, Anthony/ No- 0]

1. Minutes of Previous Meeting

The Minutes of the Administration and Finance Issues Committee meeting held December 12, 2013 were approved as presented.

2. Monthly Cash Control Report

Recommended for approval at January 22 Board meeting: Receive and file Summary Cash and Cash Equivalents Control Report dated December 31, 2013.

3. Monthly Cash Disbursements Detail Report

Recommended for approval at January 22 Board meeting: Receive and file the Cash Disbursements Detail Report for the period of November 28, 2013 through December 25, 2013.

4. License and Support Agreement to Oracle JD Edwards for System Updates

Recommended for approval at January 22 Board meeting: Approve and authorize execution of Oracle JD Edwards Software Update License and Support Agreement in the amount of \$70,223 for system updates commencing March 1, 2014 through February 28, 2015.

MATTERS FOR CONSIDERATION

Director Whitaker arrived at 8:05 a.m. during the discussion on the following matter.

5. Investment Portfolio Holdings Report

District Treasurer/Chief Financial Officer Randy Fick reviewed the Investment Portfolio Holdings Report dated December 31, 2013 and noted the report is in conformity with the District's Statement of Investment Policy and provides sufficient liquidity to meet estimated expenditures for the next six months. He reported the District's total rate of return on investments for is .862%. The Committee then took the following action.

Upon motion by Director Whitaker, seconded by Director Yoh and carried [5-0], the Committee recommended that the Board at its January 22 Board meeting: Receive and file Investment Portfolio Holdings Report dated December 31, 2013.

[Yes: Yoh, Sheldon, Sidhu, Whitaker, Sarmiento/No: 0]

Director Bilodeau arrived at 8:25 p.m. during the discussion on the following matter.

6. Basin Production Percentage and Replenishment Assessment Estimates for Fiscal Year 2014-2015

Executive Director John Kennedy provided a brief historical review of the District's Basin Production Percentages (BPP) and the Replenishment Assessments (RA). The Committee discussed the current drought situation and the current condition of the groundwater basin.

General Manager Mike Markus reminded the Committee that the basin management strategy is determined and based on assumptions of average hydrology, which may not be representative of actual conditions in a drought year; therefore, some of the calculations may change if dry conditions continue. He also advised the District Act requires the RA be set in April; however, the Board is able to modify the BPP after April if the Board deems it necessary in order to protect the health of the groundwater basin.

Mr. Kennedy advised the following factors need to be considered when setting the BPP for the 2014-2015 budget year; water supplies, recharge rates, basin overdraft conditions, total water demand and the ability to purchase imported water. He stated the current basin overdraft is approximately 290,000 acre-feet (af) and may increase by 65,000 af should drought conditions persist. Mr. Kennedy reviewed the Board policy for setting the BPP, and reported that staff will be monitoring the basin overdraft during this drought period. Director Yoh requested that staff provide Producers with a detailed presentation on the process used to determine the RA and BPP so they have a more thorough understanding of the factors involved in the decision-making process. The Committee directed staff to continue investigating various options for the Board to consider. General Counsel Joel Kuperberg reminded the Committee the Board transmits a notification letter to Groundwater Producers at the end of February with projected BPP and RA information to assist with their budgeting process. Director Dewane advised that the District's budgeting process has both fixed and variable costs; however, limited water sources make budgeting a complex decision. Mr. Kennedy agreed and stated the Board must decide if water is purchased for maintaining (or decreasing) the groundwater basin overdraft, or for maintaining (or increasing) the annual Basin Pumping Percentages. The Committee then took the following action.

Upon motion by Director Yoh, seconded by Director Sarmiento and carried [5-0], the Committee deferred this matter to the February 13 Administration and Finance Issues

Committee meeting, and staff was directed to return to Committee with additional analysis on setting the Basin Production Percentage and the Replenishment Assessment.

[Yes-Yoh, Sheldon, Sidhu, Whitaker, Sarmiento/No: 0]

7. Employment Status Report

Director Anthony requested clarification on why the Special District report in the newspaper says the District has 237 employees, but the staff reports says the District's total headcount is 215. Mr. Kennedy advised that required reporting periods sometimes overlap and that may be the cause for the discrepancy in reporting.

DETERMINATION OF ADDITIONAL ITEMS TO BE PLACED ON CONSENT CALENDAR FOR JANUARY 22 BOARD MEETING

The Committee recommended that Items No. 2-5 be placed on the Consent Calendar for the January 22 Board meeting.

DIRECTOR COMMENTS

Director Dewane asked who is the party responsible for the safety and integrity of the industrial containment located along the Santa Ana River. He reported there was a containment and contamination issue in West Virginia that was reported recently in the Wall Street Journal. Director Anthony said he would address that issue at the next Santa Ana Watershed Project Authority meeting.

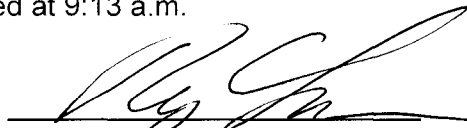
GENERAL MANAGER COMMENTS

Mr. Markus reported the District was awarded the U.S. Water Prize and it will be presented in Washington D.C. in April. He asked the Board President to appoint an attendee to accept the award.

He also mentioned the District received Association of California Water Agency - Joint Powers Insurance Association (ACWA JPIA) awards this year for reducing liability and loss prevention.

ADJOURNMENT

There being no further business, the meeting was adjourned at 9:13 a.m.


Roger Yoh, Vice Chair