

MINUTES OF BOARD OF DIRECTORS MEETING
ADMINISTRATION AND FINANCE ISSUES COMMITTEE
ORANGE COUNTY WATER DISTRICT
September 10, 2015 @ 8:00 a.m.

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

Committee Members

Shawn Dewane (not present)
Jan Flory (not present)
Roger Yoh (not present)
Dina Nguyen (arrived 8:08 a.m.)
Denis Bilodeau (not present)

Alternates

Steve Sheldon
Philip Anthony
Roman Reyna (arrived 8:11 a.m.)
Harry Sidhu (arrived 8:05 a.m.)
Cathy Green

OCWD staff

Mike Markus, General Manager
Randy Fick, District Treasurer/CFO
Joel Kuperberg, General Counsel
Judy-Rae Karlsen, Assistant District Secretary
Jason Dadakis, Bruce Dosier, Kevin Greene,
Bonnie Howard, John Kennedy, Vishav Sharma,
Greg Woodside, Mark Yamamoto, Lee Yoo,
Dick Zembal

Others

Peer Swan – Irvine Ranch Water District
Robert Poor – Fieldman, Rolapp & Associates
Doug Brown – Stradling Attorneys at Law

CONSENT CALENDAR

The Consent Calendar was approved upon motion by Director Green, seconded by Director Anthony and carried [3-0]. Director Sheldon noted that he was not present at the August 13 Administration and Finance Issues Committee meeting.

[Yes- Sheldon, Anthony, Green/No – 0]

1. Minutes of Previous Meeting

The Minutes of the Administration and Finance Issues Committee meeting held August 13, 2015 were approved as presented.

2. Monthly Cash Control Report

Recommended by Committee for approval at September 16 Board meeting: Receive and file Summary Cash and Cash Equivalents Control Report dated August 31, 2015.

3. Resolutions for La Palma Recharge Basin Project State Revolving Fund Loan Application

Recommended by Committee for approval at September 16 Board meeting: Adopt the following resolutions for the State Revolving Fund Loan application for La Palma Recharge Basin Project: 1) Resolution Establishing a Designee to Authorize Execution of the Financing Agreement with the State Water Resources Control Board; and 2) Resolution Establishing Dedicated Source of Revenue for Repayment of the State Revolving Fund Loan for Board approved capital improvement projects.

4. Agreement to Washburn Grove Management for Vegetation Removal at Prado Wetlands

Recommended by Committee for approval at September 16 Board meeting: Approve and authorize issuance of Agreement to Washburn Grove Management for an amount not to exceed \$22,500 for vegetation removal in Prado wetlands ponds.

MATTERS FOR CONSIDERATION5. Investment Portfolio Holdings Report

District Treasurer/Chief Financial Officer Randy Fick reviewed the District's Portfolio Holdings Report dated August 31, 2015. He reported the one-year Treasury note as of August 31, 2015 was 0.39%; the two-year yield is 0.74%, the five-year yield is 1.54%; and the District's total rate of return on investments was 0.799%. Mr. Fick presented an update on the District's SWAP program with Citibank and briefly discussed market conditions. The Committee then took the following action.

Upon motion by Director Green, seconded by Director Anthony and carried [3-0], the Committee recommended that the Board at its September 16 Board meeting: Receive and file the Investment Portfolio Holdings Reports dated August 31, 2015.

[Yes- Sheldon, Anthony, Green /No – 0]

6. Commercial Paper Letter of Credit Substitution

Directors Sidhu, Nguyen and Reyna arrived during the following discussion.

Mr. Fick advised the District is seeking a new Letter of Credit for the Commercial Paper Program because the current Letter of Credit and Reimbursement Agreement (LoC) with Bayerische Landesbank (BayernLB) will expire on November 30, 2015. He reported the bank is changing its business structure and will not be renewing Letter of Credit agreements. Mr. Fick stated the District's financial advisor Fieldman Rolapp & Associates prepared a Request for Proposals (RFP) for liquidity support for the commercial paper program and issued the RFP to 17 financial institutions. He reported that 6 competitive bids were received and evaluated and the lowest responsive bidder was Sumitomo Mitsui Banking Corp. Mr. Fick requested the Committee consider the benefits of increasing the size of the commercial paper program from \$45 million to \$70 million because it will provide access to a larger commercial paper program at a lower cost of funds, and the District could purchase more water to refill the groundwater basin. The District's bond counsel Doug Brown of Stradling Attorneys at Law presented information on financing options for capital assets and water purchases. Mr. Fick recommended replacing the expiring Letter of Credit for the Commercial Paper Program with a Letter of Credit for \$70 million from the Sumitomo Mitsui Banking Corp. for a term of 3 years, at 29 basis points. The Committee discussed upfront fees and funding options, and then took the following actions.

Upon motion by Director Anthony, seconded by Director Sidhu and carried [5-0], the Committee recommended that the Board at its September 16 Board meeting: 1) Approve and authorize the preparation and execution of documents necessary to secure a Direct Pay Letter of Credit with Sumitomo Mitsui Banking Corp. for the Commercial Paper Program for a term of 3 years consistent with the term sheet provided by Sumitomo Mitsui Banking Corp.; 2) Authorize payment for upfront fees not to exceed \$135,000 to the entities detailed in the staff report; 3) Increase the size of the Commercial Paper Program from \$45 million to \$70 million; and 4) Breakout the Commercial Paper Program between \$45 million tax-exempt and \$25 million taxable.

[Yes- Nguyen, Sheldon, Anthony, Reyna, Sidhu/No – 0]

7. Request for Proposals for Laboratory Information Management System Implementation

Director of IS/Property Bruce Dosier stated the District's Advanced Water Quality Assurance Laboratory (AWQAL) uses a laboratory information management system (LIMS) to store, manage, and report water quality data generated by staff and analytical instruments. He advised the current LIMS is 14 years old, obsolete, and software support is no longer available. Mr. Dosier recommended issuance of the Request for Proposals (RFP) for the LIMS and stated that staff budgeted \$500,000 for the software, however the new system will require an annual maintenance contract, additional hardware, software and Oracle user licenses. The Committee discussed the RFP bid evaluation process and Director Sheldon expressed his concerns about the District's bid opening policy. The Committee discussed the rapid changes in technology and the needs of the AWQAL and then took the following action.

Upon motion by Director Anthony, seconded by Director Sheldon and carried [5-0], the Committee recommended that the Board at its September 16 Board meeting: Authorize issuance of Request for Proposals for a Laboratory Information Management System for the Advanced Water Quality Assurance Laboratory.

[Yes- Nguyen, Sheldon, Anthony, Reyna, Sidhu /No – 0]

8. Submission of Grant Application for OCWD Wildlife Exhibit

Director of Natural Resources Dick Zembal reviewed the ad hoc Building Committee's recommendation to build a wildlife exhibit at the District. He reported that if the District wants to apply for Proposition 40 funds under the California Clean Water, Clean Air, Safe Neighborhood Parks and Coastal Protection Act of 2002, then it must adopt a Board resolution that supports submitting the application. The Committee discussed the location and layout of the proposed wildlife exhibit; potential sources for grant funding; and members expressed concerns about the project budget. The Committee recommended approval of the staff recommendation and requested that staff agendize the item as a Matter for Consideration at the September 16 Board meeting. The Committee then took the following action.

Upon motion by Director Anthony, seconded by Director Sidhu and carried [5-0], the Committee recommended that the Board at its September 16 Board meeting: Adopt Resolution Approving the Application for Grant Funds for The California Cultural and Historical Endowment's Museum Grant Program under the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 (Proposition 40).

[Yes- Nguyen, Sheldon, Anthony, Reyna, Sidhu /No – 0]

INFORMATIONAL ITEM

9. Monthly Cash Disbursements Detail Report

Mr. Fick stated the Monthly Cash Disbursement Detail Reports for the period of July 30 - August 26, 2015 are in today's packet.

ITEM TO BE AGENDIZED AS A MATTER FOR CONSIDERATION AT THE SEPTEMBER 16 BOARD MEETING

The Committee recommended Item No. 8, *Submission of Grant Application for OCWD Wildlife Exhibit* be agendized as a Matter for Consideration at the September 16 Board meeting.

ADJOURNMENT

There being no further business, the meeting was adjourned at 9:05 a.m.

A handwritten signature in black ink, appearing to read 'Dina Nguyen', written over a horizontal line.

Director Dina Nguyen