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DATE: February 11, 2010
TO: President Joe Anderson
Members of the Board of Trustees
FROM: Gerard Goedhart, District Manager
SUBJECT: Weekly Memo – Week Ending February 12, 2010

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GERARD GOEDHART

Agenda Review
The planned 1:30 p.m. meeting on February 18 with Darleen Bloom has been postponed until March 18.

The current Budget and Finance Committee will meet at 2:30 p.m. to review the recommended action to approve a contract with Lance, Soll & Lunghard for audit services.

The Board agenda will center around financial items. Amber Semrow, District Biologist, will make a presentation on the recent 6th Circuit Court decision and the need to hire a consultant to bring the District into compliance by April 2011. This item directly relates to the District's Mid-Year Review and Five Year Financial Model.

The second presentation will be presented by Jim McGuire of Willdan Financial Services concerning their review of the District's 2004 Benefit Assessment in light of the Santa Clara and Tiburon court decisions in 2009. Though there will be some changes to the engineer's report, it is their recommendation that the District's benefit assessment remain as one service zone.

The main agenda item will be the presentation of the District's Mid-Year Financial Analysis and Five Year Financial Model. The bottom line of the Mid-Year Review is that the District's budget will remain balanced and the fund balances will remain in good condition. There are five recommended actions for Board approval:

- An initial allocation of \$50,000 for a CEQA consultant.
- An amendment to the Personnel and Salary Resolution to change the salary range for Extra Help Seasonal Assistant from E-28 (\$14.71-\$18.28 per hour) to E-24 (\$13.20 to \$16.40 per hour) with a two year phase-in. The District will lower its base expenditure by \$20,000 in 2010-11 and \$56,000 beginning 2011-12.

"An Independent Special District Serving Orange County Since 1947"

The mission of the Orange County Vector Control District is to provide the citizens of Orange County with the highest level of protection from vectors and vector-borne diseases.

- A transfer of \$230,000 from the Operating Fund to the Retirement Contingency Fund in planning for a payment of the District's liability to OCERS in 2011.
- A decrease in the transfer from the Operating Fund to the Retiree Medical Fund of \$230,000 as a result of the Board action to reduce the District's liability in 2009.
- An initial allocation of \$30,000 for the design and implementation of the District's landscape design project that will reduce District water usage and landscape maintenance expense.

The Five Year Financial Model shows that the District will be able to continue to fully fund its current operation and meet all its liabilities for at least the next five years. The key will be the growth in property tax revenue. I think staff has been conservative in its estimates for property tax revenue over the next five years: -3% in FY 2011, -1% in FY 2012, 2.5% in FY 2013, 4% in FY 2014, and 5.5% in FY 2015. Prior to 2008, the average annual growth in property tax was over 8%, so our projections remain below the historic average. I must also note that the Model includes another reduction in the 2004 benefit assessment from \$5.06 to \$5.02 next year and does not include any future increases throughout the model.

Overall, I am pleased with the financial condition of the District, especially during these difficult economic times. I want to note that the majority of the work on this agenda item was done by Tawnia Pett and Lora Babilo as part of my employee development program. They have done an excellent job and will be making the presentation to the Board.

Also on the agenda is the award of contract for auditing services. Staff is recommending the award of the contract to Lance, Soll & Lunghard, which is the current District audit company. They were determined to be the lowest, most qualified bidder.

The final item will be an update by the Operations Committee on its meeting of February 4 and its consideration of a pilot program for rat control services. I have included a copy of a letter sent to Trustee Leece, Chair of the Operations Committee, which was a focus of discussion during the meeting. Also attached are comments referring to the letter that were given to the committee by Mike Hearst.

Sacramento Trip

From my point of view, the trip to Sacramento this week was a big success. That doesn't mean that legislation on pension reform will be introduced this year, since it is very clear that the element of partisan politics currently dominates Sacramento. The main success was the District's staff meeting with David Crane, Special Assistant to the Governor, and Tim Lynn, Assistant Program Budget Manager. Both of them were highly supportive of the District's proposal and approach to meaningful pension reform. David Crane said he would present our paper directly to the Governor. The meeting lasted for over an hour, which was a clear indicator of their interest.

The meetings with legislators continue the process of encouraging the introduction of legislation. Staff and I had approximately 30 contacts with legislators and/or their staffs. In all cases, the discussions were productive with many positive comments about the District. District staff will be following up on a couple of opportunities, but clearly this is a subject that legislators are not ready to address.

Unfortunately, I think the State legislature will have to see how bad the impact of the economic downturn will be on public organizations and their employees in 2010 before addressing the subject. I also think the League of California Cities will have to become engaged on this subject. I am convinced that pension reform can be done but it is going to take time and a determined effort by major organizations, such as the League. At the least, our outline for reform has been helpful in preparing for future changes.

GG/vb

Attachments

- A) Letter to Trustee Leece, Chair, Operations Committee
- B) Comments Referring to Letter
- C) Departmental Weekly Memos