MINUTES OF THE REGULAR MEETING
OF THE
ENGINEERING COMMITTEE MEETING
AND
FINANCE/INSURANCE COMMITTEE

October 24, 2016

Chairman Vergara called the Meeting of the Engineering Committee and Finance/Insurance Committee to order at 7:30 o'clock a.m. on October 24, 2016.

Director Kahn led in the Pledge of Allegiance to the flag.

Present at today's meeting were Committee Members M. SCOTT GOLDMAN, WILLIAM H. KAHN, JOSE F. VERGARA, FRED ADJARIAN, and MARK MONIN.

Also present were ROBERT R. HILL, General Manager/Secretary, DENNIS P. CAFFERTY, Assistant General Manager/District Engineer, NEELY SHAHBAKHTI, Finance Manager/Controller, JUDY CIMORELL, Human Resources Manager, SHERRI SEITZ, Public Relations/Emergency Preparedness Administrator, BOBBY YOUNG, Project Engineer, NANCY LAURSEN, Accountant/Insurance Administrator, GILBERT J. GRANITO, General Counsel, POLLY WELSCH, Recording Secretary, CHRISTINE DAWOOD, PFM Representative, BRIAN THOMAS, PFM Representative, KATHRYN FRESHLEY, Customer, and CAROL MOORE, Customer.

Oral Communication/Public Comment

There were no comments.

Items Received too Late to be Agendized

Chairman Vergara asked if there were any items received too late to be agendized. Mr. Hill replied no.

Approval of Minutes

Director Kahn stated that after correcting some minor spelling errors in the minutes, he will approve the minutes. The Recording Secretary concurred.

There being no further comments or questions the Committee approved placing the Engineering/FIC minutes on the Consent Calendar for the regular scheduled meeting of the Board of Directors.

Agenda Items Taken Out of Order

Mr. Hill stated that we would be taking item #8 out of order for today's meeting, and will be discussing it now.

Baker Water Treatment Plant Installment Sales Agreement Refinance Update – Ratification and Approval of Financing Team Agreements

Mr. Hill introduced Mr. Brian Thomas of PFM, who will provide a status report on the refinancing of the Baker Water Treatment Plant Installment Agreement.

Mr. Thomas stated that PFM distributed a Request for Proposals for Private Placement and/or Direct Loan to refinance the outstanding Baker Water Treatment Plant obligation. He further stated that the District received 4 responses, which were City National Bank, BBVA Compass, Western Alliance, and Stifel.

Mr. Thomas stated that based on the results of the RFP, the District has engaged Stifel to serve as the Placement Agent.

Mr. Thomas stated that PFM's fee was $30,000, and Stifel was $30,000. He further stated that the Bond Counsel of Stradling, Yocca, Carlson & Rauth charges a fee of $40,000, with Investor/Bank Counsel fees estimated at $7,500, and the Paying Agent fees estimated at $2,500.

Mr. Thomas stated that PFM will be working with staff to gather the documents necessary, and will return to the Board for approval.

Director Adjarian asked on the Bond Counsel who will be providing Legal Counsel. Mr. Thomas replied Brad Neil.

Director Monin asked what the fees would be if we went directly to the Bank instead of Private Placement. Mr. Thomas replied that we would save $30,000, which PFM hopes to offset with a lower interest rate.

Director Monin asked why Stifel was chosen. Mr. Thomas stated that Stifel is very experienced in refinancing projects.

Vice President Kahn asked if there would be any pre-payment penalties. Mr. Thomas replied that they are working on the contract to incorporate this.

Mr. Thomas presented a slide of Next Steps over the next few months.

Mr. Hill stated that none of the fees are payable until the close of the loan transaction.

President Goldman asked what the final amount will be. Mr. Cafferty replied that staff anticipates the amount to be in the $10 million range.

At approximately 7:44 o'clock a.m. Mr. Thomas and Ms. Dawood left the meeting.

Mr. Hill stated that the action today is to acknowledge, ratify, approve and confirm, the approved and executed agreements with PFM in the amount of $30,000, Stradling Yocca Carlson & Rauth in the amount of $40,000, and Stifel, Nicolaus & Company Incorporated in the amount of $30,000.

Chairman Vergara asked for a Motion.

Motion: Director Adjarian made a Motion, seconded by Director Monin and unanimously carried across the Board to acknowledge, ratify, approve and confirm, the approved and executed agreements with PFM in the amount of $30,000, Stradling Yocca Carlson & Rauth in the amount of $40,000, and Stifel, Nicolaus & Company Incorporated in the amount of $30,000.

Roll Call Vote:

Director Adjarian	aye
Director Monin	aye
Director Vergara	aye
Vice President Kahn	aye
President Goldman	aye

Engineering Committee

Engineering Action Items

ETWD Main Office Demonstration Garden

Mr. Hill stated that staff received 3 bids for the project, and the low bidder was DMA Greencare in the amount of $243,917. He further stated that staff has had discussion with the bidder and does not anticipate change orders.

Mr. Hill stated that staff received a permit from the City of Lake Forest. He further stated that Richard Fisher Associates will be providing Construction Support Services.

Mr. Hill stated that a contingency is included in the amount of $25,000, making the total project cost $276,417.

Ms. Seitz stated that she has been working with the Lake Forest Garden Club and the City of Mission Viejo about working with the Eagle Scouts. She further stated that she may contact the Girl Scouts too.

Director Monin asked how long DMA Greencare has been in business, and how big of an organization are they. Vice President Kahn asked if staff has seen other work these contractors have previously done. Ms. Seitz will collect information and report back on DMA Greencare.

Director Adjarian stated that he noticed in the artist rendering that no native grasses were included, and suggested adding some to the plant palate.

There being no further comments or questions the Committee approved placing the Engineering/FIC minutes on the Consent Calendar for the regular scheduled meeting of the Board of Directors.

At approximately 7:59 o'clock a.m. Ms. Seitz and Mr. Young left the meeting.

Mechanics Service Truck Replacement

Mr. Cafferty stated that staff has identified an alternate manufacturer for the truck body. He further stated that the existing mechanics truck is over 18 years old.

Director Monin asked if staff reviewed other vendors besides Ford. Mr. Cafferty replied yes, the Ford is more cost effective and better quality.

Director Monin asked what the District will do with the old truck. Mr. Cafferty replied that it will go to auction.

There being no further comments or questions the Committee approved placing the Engineering/FIC minutes on the Consent Calendar for the regular scheduled meeting of the Board of Directors.

WRP Sodium Hypochlorite Storage Tanks & Chemical Metering Pump System

Mr. Cafferty stated that this project replaces the entire disinfection system at the Treatment plant. He further stated that the existing tanks and pumps are worn out.

Mr. Cafferty stated that a mixer will be added to the chlorine tank to provide a better mix of disinfectant and will be more efficient. He further stated that the variable speed motors will be able to handle the variances in water use.

Mr. Cafferty stated that Don Peterson will be the contractor, who has done work for ETWD in the past.

Director Adjarian asked how much Don Peterson's bid was, and how long will it take to complete the work. Mr. Cafferty replied that the bid was $77,220 and the project should be complete in 6-8 weeks.

There being no further comments or questions the Committee approved placing the Engineering/FIC minutes on the Consent Calendar for the regular scheduled meeting of the Board of Directors.

Engineering General Information Items

El Toro Water District Capital Project Status Report

WRP Turbo Blower Project

Mr. Cafferty stated that the blowers are expected to arrive this week, and demolition of the old blower is complete, and the pad has been poured for the new one.

President Goldman asked if there is a backup blower. Mr. Cafferty replied yes.

Phase II Recycled Water Distribution System Expansion Project

Mr. Cafferty stated that staff is reviewing the draft LRP and anticipates bringing this to the Special Board meeting on November 1st.

Phase III Recycled Water Distribution System Expansion Project

Mr. Cafferty stated that staff is working with MNWD on their Master Plan, which is projected to be complete by the end of the year. He further stated that he has attended

their meetings to see AKM's modeling scenarios in which ETWD wheels recycled water through the MNWD system.

Vice President Kahn asked if staff has a plan for this project. Mr. Cafferty stated that we have a conceptual plan which could require seasonal storage.

Baker Pump Station Project

Mr. Cafferty stated that pipeline design was being discussed previously. He further stated that staff met with the City of Lake Forest and they do not like the alignment of the pipeline design.

Mr. Cafferty stated that Second Street and Cherry Ave. have a lot of overflow parking, so the City does not want to approve the previously discussed alignment, until staff considers alignment in El Toro Road. He further stated that staff discussed with Tetra Tech the potential issues of El Toro Road alignment, and the El Toro Road alignment is straighter, involving far less fittings but is a longer length. Mr. Cafferty indicated preliminary cost estimates indicate the two alignments are similar in cost.

Mr. Cafferty stated that the CEQA exemption would be lost, as the pipeline would be longer than a mile. He further stated that staff is considering an alternate location of the inter-connection at El Toro Road/Trabuco Road intersection.

Mr. Cafferty stated that this alternative would require that ETWD build a Baker Pump Station on the District's existing property at the Cherry Booster Station site.

Mr. Cafferty stated that the original cost for the Baker Pump Station project was anticipated to be $1.4 million, and that assuming the same construction costs for the pump station the total project costs will be reduced by an estimated $800,000 due to the shorter pipeline length. He further stated that we will lose time due to new pipeline and

pump station design, with estimated design completion in early 2017.

Mr. Cafferty stated that if the District decides not to build a pump station on the property at the Second Street location, staff could consider demolishing the building and giving the property back to the HOA.

Mr. Cafferty stated that staff will be bringing to the Board approval for design of a new pump station from Tetra Tech.

Director Adjarian asked if the new connection at Trabuco will be tying into IRWD's connection. Mr. Cafferty replied yes.

Vice President Kahn asked if staff is still planning to put the water into R-6, and how will it go through Trabuco to the R-6. Mr. Cafferty replied yes, the pipeline will connect to the pipeline that goes to R-6.

Engineering Items Discussed at Various Conferences and Meetings

There were no comments.

Comments Regarding Non-Agenda Engineering Committee Items

Close Engineering Committee Meeting

At approximately 8:55 o'clock a.m. the Engineering meeting was closed, and the Board took a short recess. Also at this time, President Goldman left the meeting.

FINANCE/INSURANCE COMMITTEE

At approximately 9:00 o'clock a.m. the Finance/Insurance Committee meeting was called to order.

Insurance Update Report

Ms. Cimorell stated that this past quarter there were no Workers Comp claims, but the mod rate increase 1.7%. She further stated that JPIA averages a 3-year

period.

Ms. Cimorell stated that there was a change in carrier for the Long-Term Disability, Short-Term Disability and Life Insurance. She further state that we went from MetLife for Life Insurance, and Long-Term Disability through Lincoln National.

Ms. Cimorell stated that there were no changes to the coverage in the policy; however there was a decrease in the rates.

Ms. Cimorell stated that staff received a $2000 check from JPIA from the Anthem Wellness grant, which a portion was used at an Employee meeting towards a wellness eating program.

Ms. Cimorell stated that the Cyber Security Liability Insurance is working on a policy and not part of the risk-sharing pool. Mr. Hill stated that there is no charge for member agencies to participate, as it will be added to JPIA's liability program.

At approximately 9:08 o'clock a.m. Ms. Cimorell and Ms. Laursen left the meeting.

Financial Action Items

Financial Package – Authorization to Approve Bills for Consideration dated October 24, 2016 and Receive and File Financial Statements as of September 30, 2016

Ms. Shahbakhti stated that the first quarter closing in included in the package. She further stated that the Auditors will be her this week for the first quarter audit.

Ms. Shahbakhti stated that on page 4, Cash and Investments, there were a lot of changes due to the Board's approval to change from passive to active investing.

Ms. Shahbakhti stated that the Income Statement reflects some investments are off due to timing of the fiscal year.

There being no further comments or questions the Committee approved placing this item on the Consent Calendar for the regular scheduled meeting of the Board of Directors.

Financial Information Items

Tiered Water Usage and Revenue Tracking

Ms. Shahbakhti stated that included in the package are the water usage charts for September.

Comments Regarding Non-Agenda FIC Items

There were no comments.

Close Finance and Insurance Committee Meeting

At approximately 9:12 o'clock a.m. the Finance meeting was closed.

Attorney Report

Mr. Granito reported that the Closed Session on today's agenda will be deferred to tomorrow's regular Board meeting. Therefore regular session continued.

Regular Session

Adjournment

There being no further business to come before the Board, the following motion was duly made and passed.

Motion: Director Kahn made a motion, seconded by Director Monin and unanimously carried that today's meeting be adjourned at 9:12 o'clock a.m. to Monday, November 21, 2016 at 7:30 o'clock a.m. at the District's Administrative Offices at 24251 Los Alisos Blvd, Lake Forest, CA. 92630.

Roll Call:

Vice President Kahn	aye
President Goldman	aye
Director Monin	aye
Director Adjarian	aye
Chairman Vergara	aye

Respectfully submitted,

POLLY WELSCH
Recording Secretary

APPROVED:

M. SCOTT GOLDMAN, President
of the El Toro Water District and the
Board of Directors thereof

ROBERT R. HILL, Secretary
of the El Toro Water District and the
Board of Directors thereof