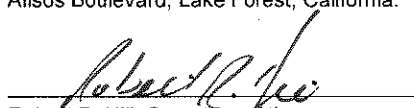


I hereby certify that the following agenda was posted at least 72 hours prior to the time of the meeting so noticed below at 24251 Los Alisos Boulevard, Lake Forest, California.

  
Robert R. Hill, Secretary of the  
El Toro Water District and the Board of  
Directors thereof

## **AGENDA**

### **EL TORO WATER DISTRICT**

#### **REGULAR MEETING OF THE BOARD OF DIRECTORS ENGINEERING COMMITTEE MEETING AND FINANCE/INSURANCE COMMITTEE MEETING**

**August 21, 2017**

**7:30 a.m.**

**CALL TO ORDER** – Director Vergara

**PLEDGE OF ALLEGIANCE** – Vice President Kahn

**ORAL COMMUNICATION** – PUBLIC COMMENT

Members of the public may address the Committee at this time or they may reserve this opportunity with regard to an item on the agenda until said item is discussed by the Committee. Comments on other items will be heard at the time set aside for "COMMENTS REGARDING NON-AGENDA ITEMS." The public will identify themselves when called on and limit their comments to three minutes.

#### **ITEMS RECEIVED TOO LATE TO BE AGENDIZED**

Determine need and take action to agendize items(s) which arose subsequent to the posting of the Agenda. (ROLL CALL VOTE: Adoption of this recommendation requires a two-thirds vote of the Board members present, or, if less than two-thirds of the Board members are present, a unanimous vote of those members present.)

#### **PRESENTATION OF AWARDS, RECOGNITIONS AND INTRODUCTIONS**

##### **a. Service Awards**

No acknowledgement this month.

b. Continuing Education & Training, Degree and Certification Program acknowledgement

1. Mr. Hill will recognize and congratulate the Finance Department for achieving the Certificate of Achievement for Excellence in Financial Reporting (CAFR) for its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016.

c. Special District/Employee Association/Community Award Acknowledgement and Employee Special Recognition

No acknowledgement this month.

d. New Employee Recognition

1. Mr. Hill will recognize and welcome Rick Olson, Operations Superintendent, to the District.

1. Approval of Minutes

The Engineering and FIC Committee will consider approving minutes for the July 24, 2017 Engineering and Finance/Insurance Committee meeting.

**Recommended Action at the August 22, 2017 Board Meeting:** Approve minutes for the July 24, 2017 Engineering and Finance/Insurance Committee meeting and place on the Engineering and Finance/Insurance Committee's approval list for the August 22, 2017 meeting of the Board of Directors.

**Committee Recommendation:** The Committee will consider placing this item on the Engineering and Finance/Insurance Committee approval list for the regular meeting of the Board of Directors.

2. Quarterly Review of the District's 401(k) Retirement Savings Plan  
(Reference Material Included)

A HighMark representative will review and comment on the investment performance of the District's 401(k) Retirement Savings Plan.

## ENGINEERING COMMITTEE

### ENGINEERING ACTION ITEMS

3. 275 KW Emergency Generator (Reference Material Included)  
Staff will review and comment on the purchase of a portable generator to replace an existing generator that no longer complies with current air quality

regulatory requirements. The 2017/18 adopted budget for the Emergency Generator Project is \$210,000.

**Recommended Action at the August 22, 2017 Board Meeting:**

Staff recommends that the Board of Directors authorize the General Manager to enter into a Purchase Order Contract with Cummins Pacific in the amount of \$141,825.94 for the purchase of a new 275 kW standby generator. Staff further recommends that the Board authorize the General Manager to fund the project costs from the District's Capital Reserves in accordance with the District's adopted Capital Reserve Policy.

**Committee Recommendation:** The Committee will consider placing this item on the Engineering and Finance/Insurance Committee recommended approval list for the regular meeting of the Board of Directors.

**ENGINEERING GENERAL INFORMATION ITEMS**

**4. El Toro Water District Capital Project Status Report**  
(Reference Material Included)

Staff will review and comment on the El Toro Water District Capital Project Status Report.

**5. Engineering Items Discussed at Various Conferences and Meetings** (Oral Report)

The Committee will discuss any pertinent Engineering items discussed at Conferences.

**COMMENTS REGARDING NON-AGENDA ENGINEERING COMMITTEE ITEMS**

**CLOSE ENGINEERING COMMITTEE MEETING**

**FINANCE/INSURANCE COMMITTEE MEETING**

**CALL MEETING TO ORDER – Director Monin**

**FINANCIAL ACTION ITEMS**

**6. Financial Package - Authorization to Approve Bills for Consideration dated August 21, 2017 and Receive and File Financial Statements as of July 31, 2017** (Reference Material Included)

Staff will review and comment on the Bills for Consideration dated August 21, 2017 and Receive and File Financial Statements as of July 31, 2017.

**Recommended Action at the August 22, 2017 Board Meeting:** Staff recommends that the Board: 1) Approve, ratify and confirm payment of those bills as set forth in the schedule of Bills for Consideration dated August 21, 2017, and 2) receive and file the Financial Statements for the period ending July 31, 2017 and place on the Engineering and Finance/Insurance Committees approval list for the August 22, 2017 meeting of the Board of Directors.

**Committee Recommendation:** The Committee will consider placing this item on the Engineering and Finance/Insurance Committee recommended approval list for the regular meeting of the Board of Directors.

7. **Resolution No. 17-8-1 Which Adopts a Revision to the District's Water Capital Facilities Fee and Amends Schedule 2-W (Capital Facilities Fee) of the District's Rules and Regulations** (Reference Material Included)

Staff is recommending certain revisions to the language in the Water Capital Facilities Fee relative to the procedures for calculating the Water Supply Charge.

**Recommended Action at the August 22, 2017 Board Meeting:** Staff recommends that the Board of Directors approve Resolution No. 17-8-1 which adopts a revision to the District's Water Capital Facilities Fee and Amends Schedule 2-W (Capital Facilities Fee) of the District's Rules and Regulations.

RESOLUTION NO. 17-8-1

RESOLUTION OF THE BOARD OF DIRECTORS  
OF EL TORO WATER DISTRICT REVISING THE  
WATER CAPITAL FACILITIES FEE AND AMENDING SCHEDULE 2-W  
OF THE DISTRICT'S RULES AND REGULATIONS

**Committee Recommendation:** The Committee will consider placing this item on the Engineering and Finance/Insurance Committee recommended approval list for the regular meeting of the Board of Directors.

**FINANCIAL INFORMATION ITEMS**

8. **ETWD Employee Retirement Savings Plan/Deferred Compensation Plan**  
(Reference Material Included)

Staff will provide the Board with a status report on the ETWD Employee Retirement Savings Plan/Deferred Compensation Plan Provider evaluation.

9. **Tiered Water Usage and Revenue Tracking** (Reference Material Included)

Staff will review and comment on monthly and year to date Tiered Water Usage and Revenue tracking.

## **COMMENTS REGARDING NON-AGENDA FIC ITEMS**

### **CLOSE FINANCE AND INSURANCE COMMITTEE MEETING**

### **ATTORNEY REPORT**

### **CLOSED SESSION**

At this time the Board will go into Closed Session as follows:

1. In accordance with Government Code Section 54956.8 to consult with the District's Negotiator (Dennis Cafferty, Assistant General Manager) regarding the terms and conditions concerning the potential sale/disposition of the following property: Property and Easements within Assessor Parcel Number 613-011-01 (District's existing Pump Station site).
2. In accordance with Government Code Section 54956.9 to consult with legal counsel on matter of potential litigation – (one matter).
3. In accordance with Government Code Section 54956.96 in order to receive, discuss, and/or take action concerning information obtained by the District's representative pertaining to a closed session of the South Orange County Wastewater Authority ("SOCWA"), a joint powers agency.
4. In accordance with Government Code Section 54957 to review the General Manager's Employment Agreement.

### **REGULAR SESSION**

### **REPORT ON CLOSED SESSION (Legal Counsel)**

Mr. Granito will provide an oral report on the Closed Session.

### **ADJOURNMENT TO 7:30 a.m., Monday, September 25, 2017.**

*The agenda material for this meeting is available to the public at the District's Administrative Office, which is located at 24251 Los Alisos Blvd., Lake Forest, Ca. 92630. If any additional material related to an open session agenda item is distributed to all or a majority of the board of directors after this agenda is posted, such material will be made available for immediate public inspection at the same location.*

#### **Request for Disability-Related Modifications or Accommodations**

*If you require any disability-related accommodation, including auxiliary aids or services, in order to participate in this public meeting, please telephone the District's Recording Secretary, Polly Welsch at (949) 837-7050, extension 225 at least forty-eight (48) hours prior to said meeting. If you prefer, your request may be submitted in writing to El Toro Water District, P.O. Box 4000, Laguna Hills, California 92654, Attention: Polly Welsch.*

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

JULY 24, 2017

Chairman Vergara called the Meeting of the Engineering Committee and Finance/Insurance Committee to order at 7:30 o'clock a.m. on July 24, 2017.

Chairman Vergara led in the Pledge of Allegiance to the flag.

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

Committee Member WILLIAM H. KAHN was absent.

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, NANCY LAURSEN, Accountant/Insurance Administrator, GILBERT J. GRANITO, General Counsel, KATHRYN FRESHLEY, Customer, and CAROL MOORE, Customer.

Oral Communication/Public Comment

Ms. Freshley commended Mr. Cafferty on his presentation to the GRF Board last week regarding the need for ETWD to obtain easements for the Phase II Recycled Water Expansion project.

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

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 Committee

#### Engineering Action Items

#### Phase II RW Expansion Project Construction Management Contract

Mr. Cafferty noted that construction bids are expected this week. Mr. Cafferty stated that the RFP for construction management services was sent to 4 firms. Mr. Cafferty further stated that one firm declined and proposals were received from Dudek, MWH, and Butier. He stated that an independent review of the proposals was conducted by himself and the District's Project Engineer. Mr. Cafferty noted that the consensus of the review determined that MWH has a significant amount of specific relevant project experience due to their participation on the Phase I Project in the same community and is the most qualified consultant for the Phase II Project.

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.

#### 2<sup>nd</sup> Street Pump Station Demolition Project

Mr. Cafferty stated that staff has concluded that a pump station will not be built at this site, and therefore staff is recommending demolition of the existing building. He further stated that staff met with members of the HOA Board who were concerned about safety hazards at the existing building.

Mr. Cafferty stated that staff received 3 bids for the demolition project, and the low bid was submitted by S.S. Mechanical Construction Corp. Mr. Cafferty noted that the District has successfully worked with S.S. Mechanical on several previous projects. Therefore, staff is recommending contracting with S.S. Mechanical Construction Corp. for the demolition project.

Mr. Cafferty stated that IRWD confirmed, in writing, that they are willing to pay for half of the cost of this project.

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

#### Easements

Mr. Cafferty stated that the easements for the Phase II Recycled Water Expansion Project were approved by Third Mutual and the GRF Board. He further stated that bids are coming in this week.

#### ETWD Holding Pond

Mr. Cafferty stated that he met with Mr. Greg Kunath regarding the Effluent Holding Pond on Moulton Parkway. He further stated that the Holding Pond is a 12 million gallon reservoir bound by an earthen dam.

Mr. Cafferty stated that the Holding Pond is primarily used for emergency storage of effluent in the event of a failure of the ocean outfall system. President Goldman asked if the water is tertiary or secondary. Mr. Cafferty replied that the water is



secondary effluent. He further stated that in the future we could possibly use it for seasonal storage.

Mr. Cafferty stated that one of the complaints raised by Mr. Kunath was about algae. Mr. Cafferty noted that the material that occasionally grows at the Holding Pond is actually duckweed, which is a green flowering plant that floats on the surface. He further stated that a maintenance company treats and controls the duckweed with an herbicide.

Director Monin asked if staff could skim the duckweed off the top of the pond. Mr. Cafferty replied that the herbicide is applied to prevent the duckweed from growing.

Mr. Cafferty stated that another issue raised by the customer was odor coming from the Holding Pond. He further stated that staff visits the Holding Pond regularly and has not observed any odors.

Mr. Cafferty stated that another complaint is that the pond is a breeding ground for mosquitos with the potential to carry viruses such as Zika and West Nile. He further stated that staff conducted detailed discussions with the Orange County Vector Control at the site and they determined this site is not a mosquito hazard.

Mr. Cafferty stated that some of the natural resources that mitigate the potential for mosquitos are the wind and aquatic life that result in motion of the water surface. He further noted that the primary means of preventing mosquito breeding at the Holding Pond is the population of mosquito fish that consume mosquito larvae. The mosquito fish in the Holding Pond are monitored and maintained by both ETWD and OC Vector Control staff.

Mr. Cafferty stated that Mr. Kunath would like aeration in the pond, but staff and

the OC Vector Control does not feel it is necessary.

President Goldman suggested that staff consider a solar bee option. Mr. Cafferty will check into aeration options.

Mr. Cafferty stated that Mr. Kunath wants staff to get back to him on how ETWD is going to handle his issues with the Holding Pond.

President Goldman suggested that staff prepare a compilation of the cost of aeration options at the Holding Pond.

#### Engineering Items Discussed at Various Conferences and Meetings

There were no comments.

#### Comments Regarding Non-Agenda Engineering Committee Items

There were no comments.

#### Close Engineering Committee Meeting

At approximately 8:21 o'clock a.m. the Engineering meeting was closed. Also at this time the Board took a short recess.

### FINANCE/INSURANCE COMMITTEE

At approximately 8:25 o'clock a.m. Director Monin called the Finance/Insurance Committee meeting to order.

#### Insurance Update

#### Quarterly Insurance Update Report

Ms. Cimorell stated that this is last quarterly insurance report for 2016/17. She further stated that there were no Workers Comp claims this quarter.

Ms. Cimorell stated that overall the budget was good. She further stated that the District received a \$2,000 grant from JPIA to be used for the Wellness Program.

At approximately 8:38 o'clock a.m. Ms. Laursen and Ms. Cimorell left the meeting.

#### Financial Action Items

##### Finance Report

Ms. Shahbakhti stated that on page 4, Cash and Investments, staff added some line items to the report.

Ms. Shahbakhti stated on page 5, Reserves are exceeding the 6 month operation reserve requirement. She further stated that the 401(k) is performing well.

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.

##### SCAP Membership Renewal

Mr. Hill stated that the membership renewal did not increase from last 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

##### ETWD 401(k) Retirement Savings Plan – Prudential Record Keeping

Mr. Hill stated that we utilize HighMark as the co-fiduciary investment manager for the 401(k) Plan, Prudential's fund platform for the 457 Plan and Prudential as the administrator/record keeper for both plans. He further stated that Prudential has indicated that their revenue from the administration/record keeping fees (10 basis points) is not enough for them to continue in that capacity. They have indicated that

they would remain as the administrator/record keeper for both plans if they could take over the 401(k) Plan and convert it to a "Participant Directed" program.

Mr. Hill stated that Prudential would like to resolve this by the end of the calendar year, but have indicated if their proposal was not acceptable they would continue as the administrator/record keeper until a transition could be implemented.

Mr. Hill stated that part of the Strategic Planning session was to have an independent financial consultant evaluate the performance of HighMark. He further stated that in 2009 the District engaged Sageview to perform a comprehensive evaluation of all aspects of HighMark's investment management services inclusive of fund selection, fund performance against the IPS benchmarks, the appropriateness of the benchmarks, fees, etc. and the cost was \$15,000. President Goldman asked if we go ahead with Prudential's 401(k) participant directed proposal, would it eliminate the need for HighMark. Mr. Hill replied yes but Prudential has indicated that they would not take on co-fiduciary investment management role. As such, we would need to engage a third party co-fiduciary to advise the Board on investment funds and the performance monitoring of same. Mr. Hill indicated that are expecting to receive a proposal from Prudential and we have requested a proposal from Sageview to perform an evaluation of Highmark and to assist us evaluate and consider other firms to replace Prudential as the administrator/record keeper for both plans.

Director Monin stated that the Department of Labor has come down hard on retirement plans, and specifically in the fees section. He suggested looking at the fees being charged currently and as we evaluate other administration/record keeping vendors and investment advisors/managers.

### Tiered Water Usage and Revenue Tracking

Ms. Shahbakhti stated that included in the Board package are graphs showing water usage by Tiers and year to date. She further stated that there are also graphs showing different classes of consumption.

Ms. Shahbakhti stated that in June we were 90% efficient.

Mr. Hill stated that in the 2016/17 fiscal year for recycled water we generated approximately \$700,000 and in 2017/18 staff budgeted less.

### Comments Regarding Non-Agenda FIC Items

There were no comments.

### Close Finance and Insurance Committee Meeting

At approximately 8:44 o'clock a.m. the Finance meeting was closed.

### Attorney Report

Mr. Granito reported that there is a need for a Closed Session at today's meeting to discuss item #1 of today's Closed Session agenda.

### Closed Session

At approximately 8:44 o'clock a.m. the Board went into Closed Session to discuss item #1 of today's Closed Session agenda.

### Open Session/Report

Mr. Granito reported that the Board did go into Closed Session at approximately 8:44 o'clock a.m. and during this time the Board instructed the District's negotiator, Mr. Cafferty with regard to the terms and conditions concerning the potential sale/disposition of the property described in item #1 of today's Closed Session agenda.

No further reportable action was taken.

Adjournment

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

Motion: Director Vergara made a motion, seconded by Director Monin and unanimously carried that today's meeting be adjourned at 8:57 o'clock a.m. to Monday, August 21, 2017 at 7:30 o'clock a.m. at the District's Administrative Offices at 24251 Los Alisos Blvd, Lake Forest, CA. 92630.

Roll Call:

President Goldman	aye
Director Monin	aye
Director Adjarian	aye
Director Vergara	aye

Respectfully submitted,

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POLLY WELSCH  
Recording Secretary

APPROVED:

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

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

**El Toro Water District 401(k) Plan**  
**Second Quarter 2017**

Robert Adams, CFA  
Vice President and Senior Portfolio Manager  
HighMark Capital Management  
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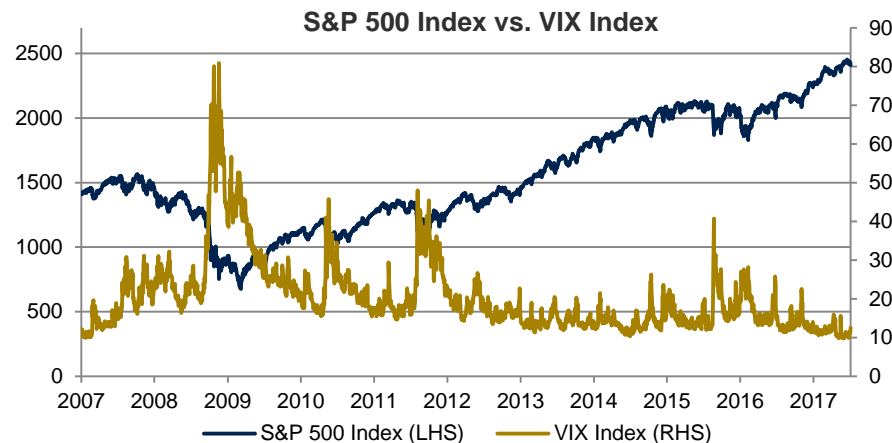
**Economic and Market Perspectives**  
**Q3 2017**

The relative calm of domestic equity and bond markets indicated that investors tuned out of most of the political drama that dominated headlines once again in the second quarter. Rather, corporate fundamentals and economic data releases remained in focus. Yet interestingly, the respective lenses through which bond and stock market investors interpreted these signals have led to divergent opinions as to what lies ahead.

As we noted in last quarter's Perspectives, the so-called 'hard' economic data did not follow the more optimistic 'soft' data driven by expectations of a pro-growth agenda out of Washington. While this disparity remained largely unreconciled in the second quarter, it did not stop investors in the two major asset classes from speculating on which direction the convergence might play out. Stock investors found themselves riding the wave of consumer and small business enthusiasm, while bond investors took a 'show me' posture as interest rates fell amid weak inflation and real growth data.

Aside from the healthy returns global stock markets enjoyed in the first half of 2017, the other glaring sign that equity investors are anticipating positive economic developments is the level of realized and expected market risk or volatility. The domestic measure of future stock market (S&P 500 Index) volatility is an index called VIX – short for "volatility index."

The VIX often has an inverse relationship to stock prices, so a low level of the index is commonly coincident with rising stock prices. Conversely, stock prices tend to fall when VIX is high or rising. Because of this relationship, the index is also called the market's 'fear gauge.' After setting historic lows and breaking into single-digit territory during the second quarter, stock investors are decidedly more fearless than fearful. Even episodic bouts of worry have generally evaporated rapidly as a 'buy the dip' mentality prevails.



**Source:** Bloomberg



Meanwhile, bond investors, in the face of a more hawkish Fed, are not buying into the optimism driven by the prospect of a pro-growth fiscal agenda. True to its traditional skeptical nature, bond market behavior reflects a future that resembles the recent past—one of low growth and subdued inflation. Driven by soft economic data and a lack of meaningful progress on fiscal policy reform, longer-term bond yields fell as the yield curve flattened during the quarter.

A flattening yield curve is one of the most ominous signals the bond market can send investors. It can also be one of the most prescient signs of future economic conditions. However, distortions created by both domestic and foreign central bank activity currently make the yield curve's forecasting ability somewhat questionable. What remains clear is that the bond market stands by its belief that the 'proof is in the pudding.'

## Second Quarter Economic and Market Highlights

**U.S. Growth:** The U.S. economy grew by 1.4%<sup>1</sup> in the first quarter. This tepid growth rate was in line with first quarter readings of past years, but is expected to rebound in the second quarter based on early estimates.

**Inflation:** May CPI rose at a 1.9% annualized rate falling from a near 5-year peak of 2.7% in February. Excluding food and energy, prices rose by a modest 1.7%, giving the Fed some consternation as it seeks to normalize its monetary policy<sup>2</sup>.

**Employment:** The U.S. labor market remained healthy as unemployment fell in May by 0.1% to 4.3% - a 16-year low. Job growth has remained steady as the domestic economy added an average of 180,000 new jobs per month in the first half of the year. Despite low levels of unemployment, wage growth remained relatively subdued at 2.5% year-over-year<sup>3</sup>.

**Energy:** Oil entered bear market territory in June as U.S. production and inventories rose. After reaching a 12-month high of \$54.45 in Q1, West Texas Intermediate Crude Oil traded below \$43 per barrel, its lowest level since August 2016<sup>4</sup>.

**Corporate Earnings:** S&P 500 earnings growth beat expectations, growing by 13.9% compared to last year according to Factset. 75% of firms beat analyst consensus expectations.

**Consumer:** The University of Michigan Index of Consumer Sentiment fell off its recent highs in June but remains at an above-average level. A lack of progress in Washington may have contributed to a decline in the future expectations segment of the survey.

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<sup>1</sup>U.S. Bureau of Economic Analysis

<sup>2</sup>Bloomberg: Y-o-Y Urban Consumers NSA

<sup>3</sup>U.S. Bureau of Labor Statistics

<sup>4</sup>Bloomberg

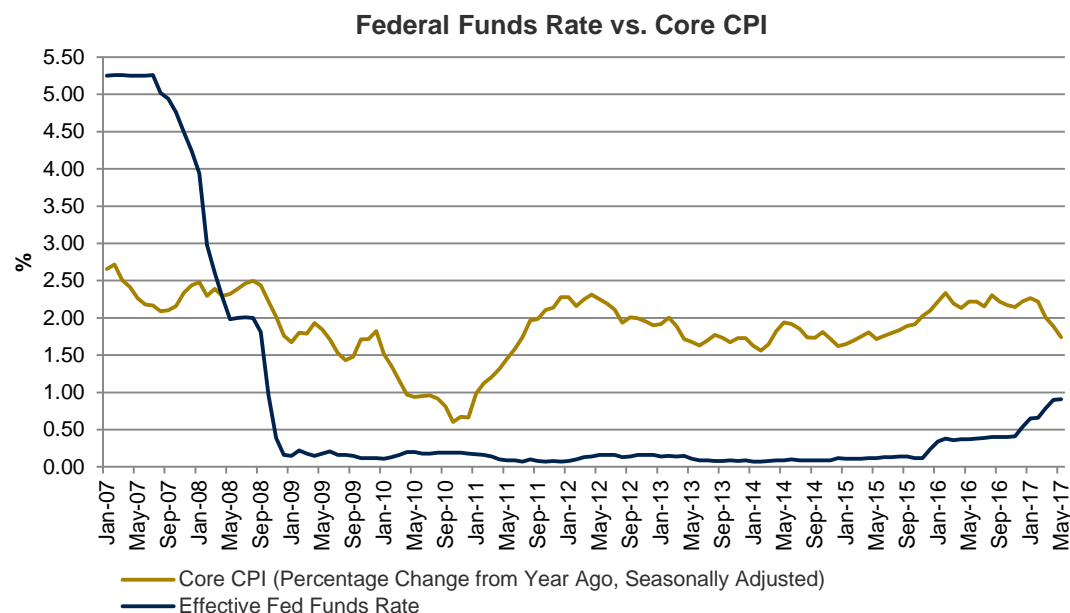
## Market Performance

<i>As of 6/30/2017</i>	% Total Return					
	Q2 2017	YTD 2017	1-Year	3-Year	5-Year	10-Year
S&P 500 Index	3.1	9.3	17.9	9.6	14.6	7.2
MSCI EAFE Index (Net)	6.1	13.8	20.3	1.2	8.7	1.0
MSCI Emerging Markets Index (Net)	6.3	18.4	23.8	1.1	4.0	1.9
Barclays US Aggregate Bond Index	1.5	2.3	-0.3	2.5	2.2	4.5
BofA ML US Treasury Bills	0.2	0.3	0.5	0.3	0.2	0.7
Bloomberg Commodity Index	-3.0	-5.3	-6.5	-14.8	-9.3	-6.5

**Source:** Morningstar Direct  
Periods greater than one year are annualized.

## No Easy Task

Despite core inflation dipping below its stated 2% target, the Federal Open Market Committee (the Committee) raised short-term interest rates by 0.25% for the second time in 2017 at its June meeting, raising from 0.75% -1% to 1% -1.25%. This move marked just the fourth time the Fed has hiked rates since initially moving off the zero-bound range in December 2015. The Committee is expected to move rates higher once more this year to target a Fed Funds rate of 3% by 2020. In a press conference following the announcement of the policy change, Fed Chairwoman Janet Yellen suggested one-off declines in wireless phone service plans and prescription drugs may have contributed to what the Committee felt was temporary weakness in core inflation.



**Source:** Federal Reserve Bank of St. Louis

At her press conference following the Committee meeting, Chairwoman Yellen announced details on how it will begin to slowly unwind its \$4.5 trillion balance sheet by reducing bond holdings built up under the quantitative easing programs used to stimulate financial markets following the Global Financial Crisis. At an undetermined date this year, the Fed expects to allow \$10 billion per month of U.S. Treasuries and agency mortgage securities to mature without reinvestment. The run-off will increase by \$10 billion every three months until it maxes out at \$50 billion per month.

As desperately as the Fed wants to return to an equilibrium state of monetary policy in order to restock the ammunition required to fight future cyclical downturns, prevailing inflation trends have not cooperated. Concerns about elevated prices for financial assets have also motivated monetary policy makers to turn hawkish. So, when prices for goods and services began to accelerate late last year, the Fed felt that its opportunity to commence a sustained campaign to normalize interest rate policy had finally arrived. After years of unfulfilled projections of getting out of the stimulus game, the Fed hopes three consecutive quarters of hikes and a plan to shrink its balance sheet marks the beginning of a gradual exit strategy from an unprecedented level of monetary stimulus.

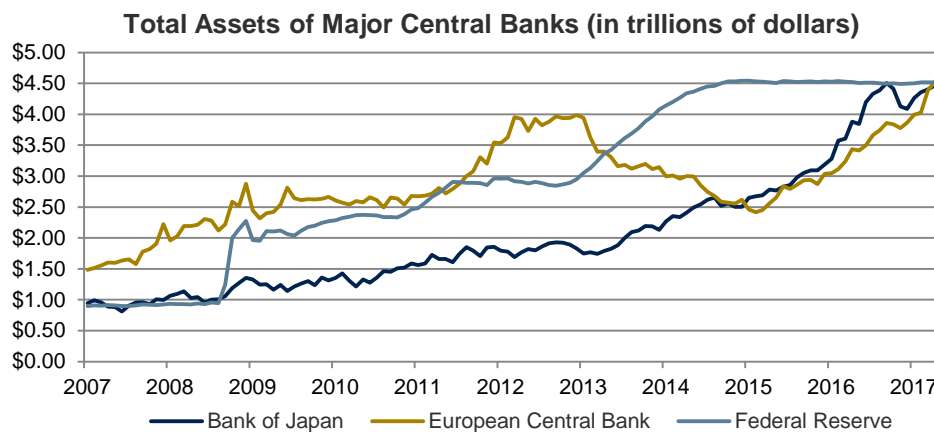
Looking forward, two major questions will stay top of mind for FOMC members. Is the weakness in inflation in fact temporary, as the Chairwoman suggests, and what is the neutral rate of interest (a rate that is neither restrictive nor stimulative for the economy)? The answers to these questions will determine if the Fed can continue to hike and where rates will settle.

Normally, as the economy reaches full employment, the central bank would look to tap the brakes to avoid a spike in core inflation driven by higher wages. However, the traditional relationship between labor market tightness and labor costs suggested by an economic model called the Phillips curve is not holding up. Many theories have been floated as to why wage inflation remains so elusive in an environment of such low unemployment. A new paradigm of disinflationary wage pressure from rapidly advancing technology has been suggested by one Fed Governor. Our aging population may also be keeping a lid on prices. If the Fed determines structural forces are in play, they are likely to allow themselves more leeway around their stated 2% inflation target.

Assuming the inflation dynamic improves, allowing stimulus to be weaned, the question then shifts to where to stop. As of the last meeting, the Fed's dot plot suggests that 3% is the current consensus expectation of FOMC members. But the neutral rate is an unobservable and evolving figure subject to many economic variables. Materially missing the mark in either direction could have significantly negative implications for both the domestic and global economies. Such a challenge is why central banking is often characterized as walking a tightrope with a blindfold. We expect the Fed to tread carefully from here and to err on the 'undershoot' side given current inflation trends and high levels of public and private debt.

### Coming of Age

The duration of the current U.S. economic expansion and a flattening yield curve has some market participants worried that a recession and preemptive equity market sell-off may be imminent. This concern appears premature, as duration is not a contributing factor to the end of an expansion cycle's life and the yield curve remains upward sloping. While economic expansions in the U.S. have run about five years on average, the current cycle will enter its ninth year this quarter. Only expansions in the 60s and 90s have exceeded its duration. In addition to being atypically old, this cycle has been characterized by some other important distinctions that make comparisons by duration unreliable.



Source: Bloomberg

Perhaps the most obvious distinction is the extraordinary length to which global central banks went to rescue financial markets in response to the Global Financial Crisis. As illustrated in the chart above, major central bank balance sheets have expanded dramatically since 2007. Although the Fed is now pulling back, it remains accommodative. Most importantly, the Fed remains aware it has the ability to prematurely splash cold water on an economy that has not been close to running hot in either observed inflation or real growth.

terms. The same goes for other major central banks. Given the interconnectedness of the global economy, importing an economic weakness is a practical source of concern. The European Central Bank and the Bank of Japan are keenly aware that their respective economies are still fragile and continue to require monetary stimulus support.

While all central banks try to stay ahead of the curve when it comes to inflation, a new structural paradigm is sinking in for policy makers. That is, demographically challenged developed markets are likely to require more liquidity than in the past to fight the dual headwinds of low labor force and productivity growth – the main drivers of economic growth. Add in the disinflationary power of technology and globalization and central bankers will be worrying much more about the impact of deflation than inflation.

The flattening Treasury yield curve, a reliable economic barometer, is responding in part to the continued stalling of pro-growth legislation in conjunction with disappointments in recent readings on inflation. Measured by the difference between the interest rate on long and short maturity Treasuries, the yield curve is now below pre-election levels. Following last November's Presidential election, the yield curve steepened on the anticipation of an economic 'reflation' (a term used to indicate conditions of higher growth and inflation) generated by stimulative fiscal policy – namely tax cuts and deregulation.

As we noted last quarter, the Trump administration and congressional Republicans stumbled out of the gate, as major legislation on health care and tax reform failed to make progress. The second quarter was equally unproductive. Ultimately, however, we believe the Republicans will find a path forward for tax cuts in some form, but the timing of implementation and the impact on the economy remains uncertain.



**Source:** Federal Reserve Bank of St. Louis, National Bureau of Economic Research

Looking back to the cycle peak steepness of the yield curve in early 2011, one could argue the recent decline is nothing more than a continuation of the market's gradual acceptance of some of the structural realities mentioned above. In that regard, investors are simply adjusting to the 'new normal' economic landscape of lower future growth and inflation and are not predicting an impending recession. Should the curve invert (turn negative), as it has ahead of every recession since 1980, worry would be justified in our eyes. Until then, we will take comfort in the expectation that central bankers will tread carefully in these uncharted waters.

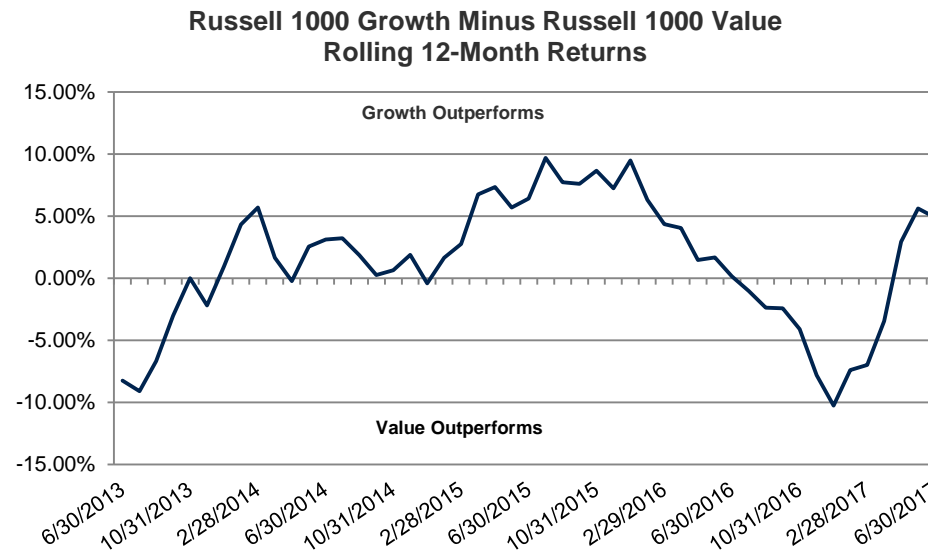
**Caveat emptor – “Let the buyer beware”**

Originally coined by CNBC host Jim Cramer in 2010, the acronym “FANG” represents four high-growth companies: Facebook, Amazon, Netflix and Google (now Alphabet). Since then, the acronym has been modified by others looking to quickly group a select basket of the most popular, high quality growth stocks. Add Apple, replace Netflix with Microsoft, as Goldman Sachs did, and you have “FAAMG.”

Perhaps market analysts have gotten a little carried away with their love of acronyms, but the general theme remains the same: technology focused stocks with high earnings growth rates are the darlings of the U.S. stock market this year. With inflation and real growth looking more elusive, investors have gravitated to companies that can grow independent of the economic cycle. Such a phenomenon is consistent with previous periods of growth stock outperformance.

While companies that can grow earnings faster than the market nearly always enjoy a premium valuation, they are certainly not without risk. Yet the market seems to be ignoring this reality as it piles in. Thus far in 2017, realized price volatility of the FAAMG stocks has been below that of utility stocks according to Goldman Sachs. Simply looking at the 7.4% first half of 2017 outperformance by the technology-heavy NASDAQ 100 index compared to the more broadly diversified S&P 500 index is a clear sign that investors favor the perceived safe harbor of growth even if it is not part of the acronym de jour.

Such favoritism is a notable shift from the market's initial direction post-election. The pro-growth agenda of a newly-elected, business-friendly President and politically aligned Republican Congress was expected to reinvigorate sub-par activity levels of the current economic expansion cycle. A rotation away from growth companies and toward more cyclically sensitive value stocks ensued. But missteps and delays in Washington challenged that outlook and investors came back to growth stocks under the evolving narrative that odds of an economic second wind were fading.



**Source:** Morningstar Direct

Without hope of fiscal stimulus, investors have shifted their attention to signs the economy may be slowing down. Surveys of manufacturers' outlooks and measures of production are peaking, while industrial commodity prices (copper, aluminum, zinc, etc.) have steadily declined since January. In response, longer-term interest rates have ground down from their post-election peak even as the Fed raises short-term rates.

The ongoing narrowing of market leadership is a common characteristic as expectations for a moderating economic environment emerge. Since the Great Recession, the U.S. economy has experienced multiple 'mini-cycles', or signs of moderating growth, that eventually rebound without ever lapsing into a recession. The corresponding rotation of market leadership highlights just how much sensitivity the stock prices of seemingly cyclically immune businesses have to the evolving macroeconomic outlook.

To be clear, this is no Dot Com Bubble. Most of today's market-leading technology companies generate substantial cash flow from well-established markets, have little or no debt and plenty of cash. In this sense, they are considered 'high quality' companies. But elevated valuations, and perhaps more notably low realized levels of volatility, appear to ignore the inherent business risk of technology companies and their counter-cyclical stock price behavior. In other words, should the President's fiscal policy agenda regain its footing and inflation expectations accelerate, expect growth stocks to be reintroduced to the concept of volatility.

## **Conclusion**

A mixed interpretation of divergent economic signals is a logical outcome, especially in light of uncertainty on the fiscal policy front. The market's current low volatility profile may not be accurately reflecting both known and unknown future threats to financial asset prices. The stakes for fiscal policy action are only increasing as the Fed wants to gradually reduce its influence on the economy and markets. Lack of clarity on this front will continue to negatively impact business and personal spending decisions until Washington confirms the status of promised pro-growth reforms. Market and economic indicators will likely suffer from distortion under such a regime. Ultimately, we expect some progress to be made, but exactly how much will remain an open question until legislation is signed into law.

Over the near-term, prospects for the equity market will be brighter if meaningful tax cuts and deregulation come to fruition; though a rotation of sector leadership should also be expected under such a scenario. Bond returns are likely to face headwinds, but the persistent demand for yield should keep rates in check.



James St. Aubin, Head of Investment Strategy

HighMark Capital Management, Inc.  
[www.highmarkcapital.com](http://www.highmarkcapital.com)

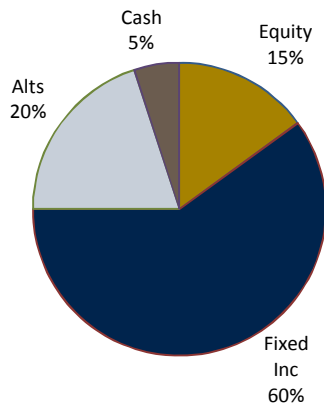
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# INVESTMENT POOLS - ASSET ALLOCATION

El Toro Water District - 401(k) Plan

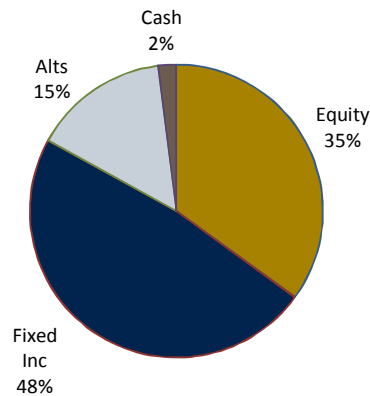
## Capital Preservation



60+ years old

Equity:	5%-25%
Fixed Income:	10%-90%
Alternatives:	15%-30%
Cash:	0-20%

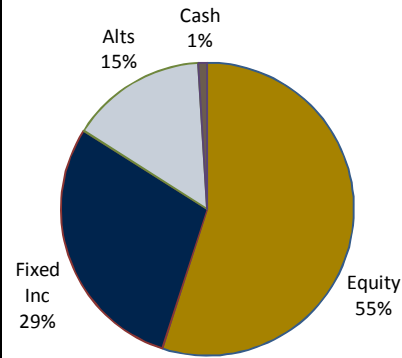
## Income & Growth



50-59 years old

Equity:	25%-45%
Fixed Income:	40%-60%
Alternatives:	10%-25%
Cash:	0-20%

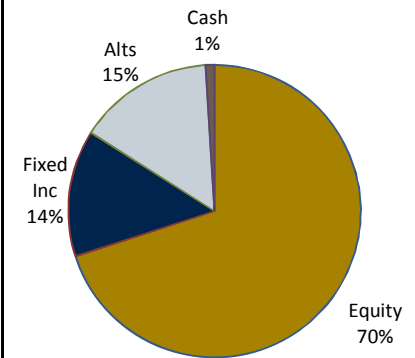
## Balanced



40-49 years old

Equity:	40%-60%
Fixed Income:	20%-50%
Alternatives:	10%-25%
Cash:	0-20%

## Growth



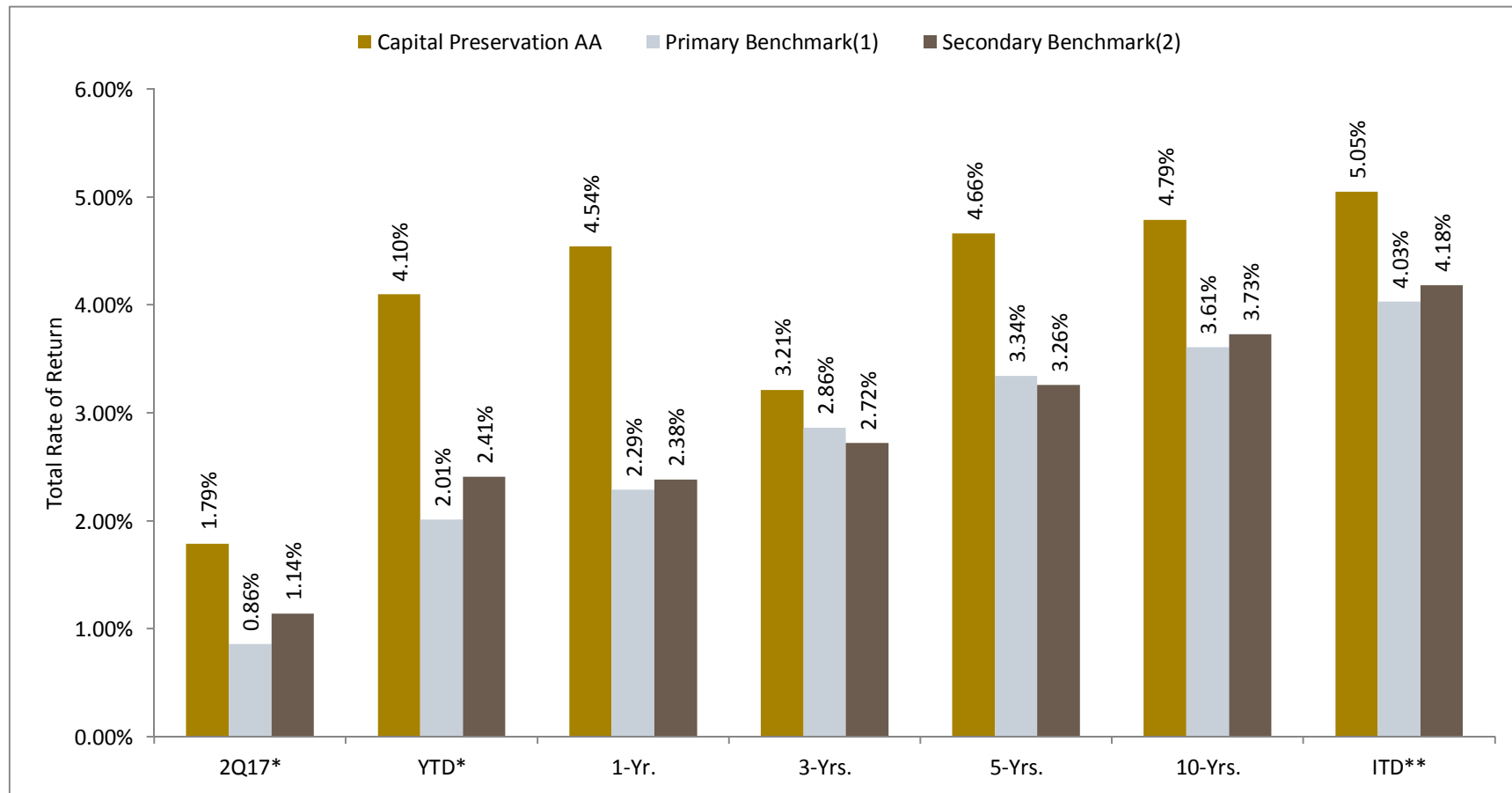
< 40 years old

Equity:	60%-80%
Fixed Income:	10%-30%
Alternatives:	5%-20%
Cash:	0-20%

# INVESTMENT RETURNS - CAPITAL PRESERVATION PORTFOLIO

El Toro Water District - 401(k) Plan

Annualized Total Rate of Return  
as of June 30, 2017



\*Periods under one year are not annualized

\*\*Inception date: January 2006

(1) Primary Benchmark: 15% S&P 500, 30% Barclays US Aggregate Bond, 30% Barclays 1-3 Year Government/Credit Bond, 20% Wilshire Liquid Alternative Index, 5% Citigroup 3-Month Treasury Bill

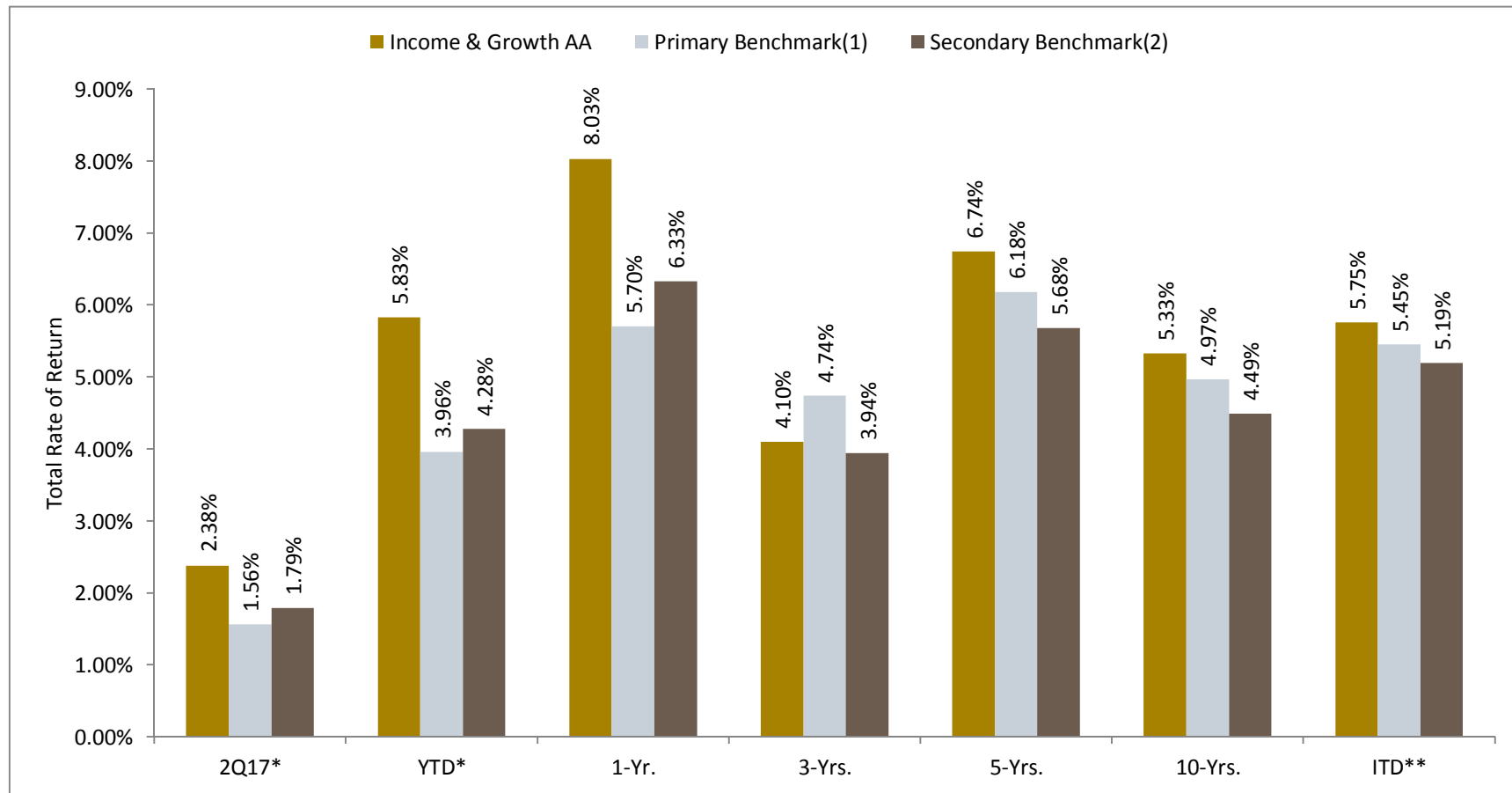
(2) Secondary Benchmark: 9% S&P 500, 1% Russell MidCap, 1% Russell 2000, 3% MSCI EAFE, 1% MSCI Emerging Markets, 44% Barclays US Aggregate Bond, 17% Barclays 1-3 Year Government/Credit Bond, 19% Wilshire Liquid Alternative Index, 5% Citigroup 3-Month Treasury Bill

Note: Primary and secondary benchmarks were changed as of 2Q14 to include alternatives

# INVESTMENT RETURNS - INCOME & GROWTH PORTFOLIO

El Toro Water District - 401(k) Plan

Annualized Total Rate of Return  
as of June 30, 2017



\*Periods under one year are not annualized

\*\*Inception date: January 2006

(1) Primary Benchmark: 35% S&P 500, 38% Barclays US Aggregate Bond, 10% Barclays 1-3 Year Government/Credit Bond, 15% Wilshire Liquid Alternative Index, 2% Citigroup 3-Month Treasury Bill

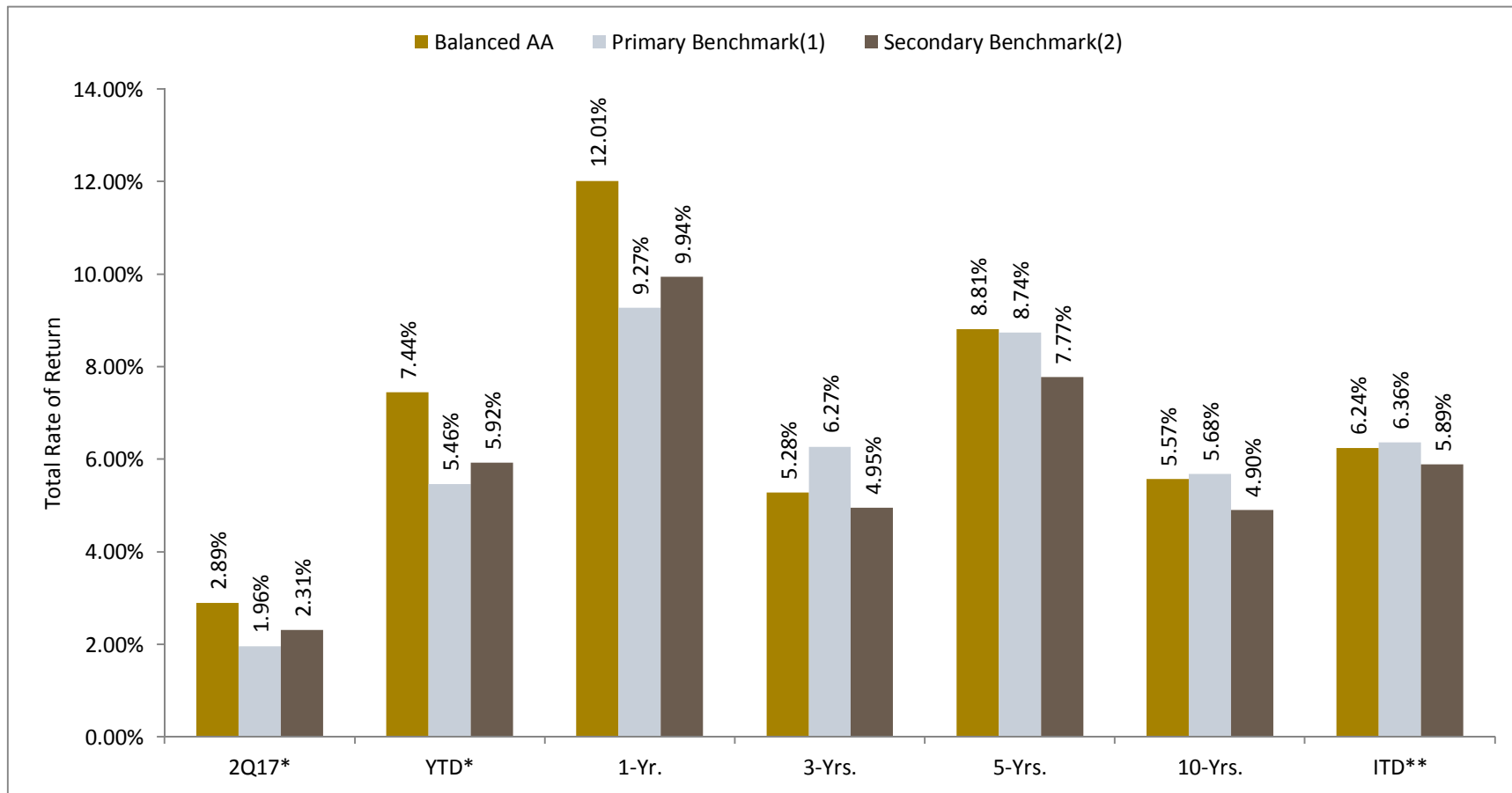
(2) Secondary Benchmark: 21% S&P 500, 3% Russell MidCap, 3% Russell 2000, 7% MSCI EAFE, 2% MSCI Emerging Market, 34% Barclays US Aggregate Bond, 13% Barclays 1-3 Year Government/Credit Bond, 15% Wilshire Liquid Alternative Index, 2% Citigroup 3-Month Treasury Bill

Note: Primary and secondary benchmarks were changed as of 2Q14 to include alternatives

# INVESTMENT RETURNS - BALANCED PORTFOLIO

## El Toro Water District - 401(k) Plan

Annualized Total Rate of Return  
as of June 30, 2017



\*Periods under one year are not annualized

\*\*Inception date: January 2006

(1) Primary Benchmark: 55% S&P 500, 24% Barclays US Aggregate Bond, 5% Barclays 1-3 Year Government/Credit Bond, 15% Wilshire Liquid Alternative Index, 1% Citigroup 3-Month Treasury Bill

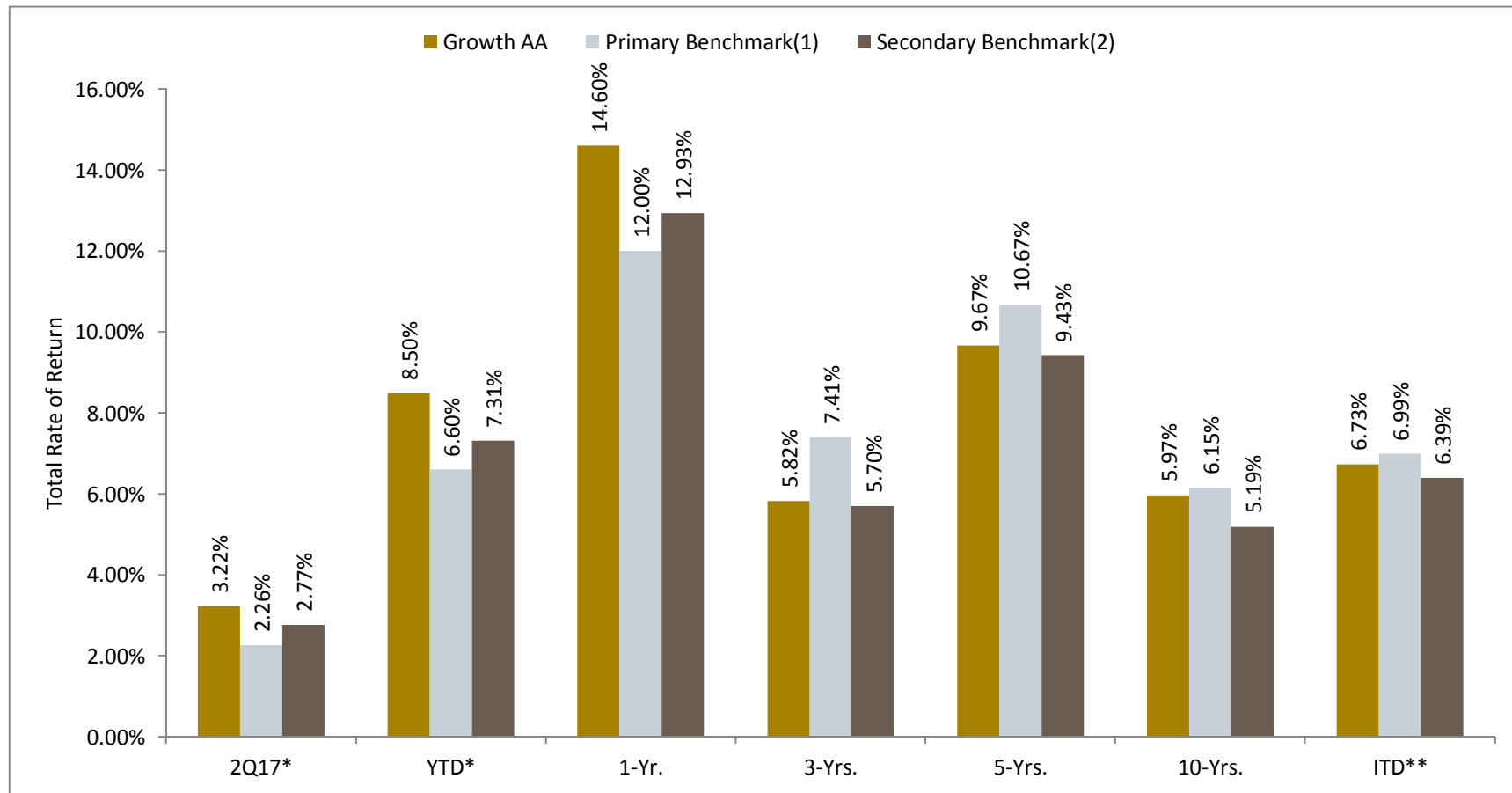
(2) Secondary Benchmark: 33% S&P 500, 4% Russell MidCap, 4% Russell 2000, 11% MSCI EAFE, 3% MSCI Emerging Market, 21% Barclays US Aggregate Bond, 8% Barclays 1-3 Year Government/Credit Bond, 15% Wilshire Liquid Alternative Index, 1% Citigroup 3-Month Treasury Bill

Note: Primary and secondary benchmarks were changed as of 2Q14 to include alternatives

# INVESTMENT RETURNS - GROWTH PORTFOLIO

## El Toro Water District - 401(k) Plan

Annualized Total Rate of Return  
as of June 30, 2017



\*Periods under one year are not annualized

\*\*Inception date: January 2006

(1) Primary Benchmark: 70% S&P 500, 14% Barclays US Aggregate Bond, 15% Wilshire Liquid Alternative Index, 1% Citigroup 3-Month Treasury Bill

(2) Secondary Benchmark: 42% S&P 500, 5% Russell MidCap, 5% Russell 2000, 14% MSCI EAFE, 4% MSCI Emerging Market, 12% Barclays US Aggregate Bond, 5% Barclays 1-3 year Government/Credit, 12% Wilshire Liquid Alternative Index, 1% Citigroup 3-Month Treasury Bill

Note: Primary and secondary benchmarks were changed as of 2Q14 to include alternatives

## INVESTMENT RETURNS - FIXED INCOME FUNDS

### El Toro Water District - 401(k) Plan

Annualized Total Rate of Return (%) as of 06/30/2017

Ticker	Name	MStar Rating*	3-Mos.**	YTD**	1-Yr.	3-Yrs.	5-Yrs.	10-Yrs.
<b>Short-Term Bond</b>								
PYSBX	Payden Low Duration Fund	3	0.47	1.00	1.32	1.07	1.35	2.49
VFSUX	Vanguard Short-Term Investment-Grade Adm	4	0.74	1.57	1.31	1.89	2.15	3.29
<b>Intermediate-Term Bond</b>								
DODIX	Dodge & Cox Income	4	1.50	2.71	3.24	2.85	3.45	5.20
PTTRX	PIMCO Total Return Instl	5	1.80	3.46	2.17	2.58	2.76	5.94
PTRQX	Prudential Total Return Bond Q	5	2.21	4.09	2.39	3.65	4.07	6.17
<b>Floating Rate Notes</b>								
EIFHX	Eaton Vance Floating-Rate & Hi Inc Inst	5	1.14	2.71	8.69	3.77	4.66	4.19
<b>Inflation Protected Bond</b>								
TIP	iShares TIPS Bond ETF	4	-0.41	0.81	-0.71	0.50	0.15	4.15

\*Morningstar overall rating

\*\*Returns for periods under one year are not annualized

Returns are shown net of embedded expense ratios

Source: Morningstar Direct

## INVESTMENT RETURNS - EQUITY FUNDS

### El Toro Water District - 401(k) Plan

Annualized Total Rate of Return (%) as of 06/30/2017

Ticker	Name	MStar Rating*	3-Mos.**	YTD**	1-Yr.	3-Yrs.	5-Yrs.	10-Yrs.
<b>Large Blend</b>								
SMGIX	Columbia Contrarian Core Z	5	3.83	10.89	17.79	9.68	15.57	9.22
VGIAX	Vanguard Growth & Income Adm	4	2.52	7.94	16.53	9.57	14.71	6.69
<b>Large Value</b>								
DODGX	Dodge & Cox Stock	4	1.76	6.81	28.65	8.48	16.36	5.89
PKAIX	PIMCO RAE Fundamental US Institutional	n.a.	0.57	4.14	13.33	6.49	13.89	6.76
<b>Large Growth</b>								
HNACX	Harbor Capital Appreciation Retirement	5	6.02	17.32	24.46	10.69	15.26	9.24
PRUFX	T. Rowe Price Growth Stock I	5	7.58	19.59	29.15	12.60	16.47	8.98
<b>Mid Value</b>								
VEVIX	Victory Sycamore Established Value I	5	0.32	5.48	16.22	10.24	15.82	9.45
<b>Mid Growth</b>								
APDMX	Artisan Mid Cap Advisor	4	6.80	15.29	17.08	6.53	12.72	8.74
<b>Small Blend</b>								
FSCRX	Fidelity® Small Cap Discovery	4	1.33	2.06	17.65	5.81	14.27	10.28
<b>Small Growth</b>								
PRJIX	T. Rowe Price New Horizons I	5	7.04	17.90	26.11	11.05	16.95	11.65

\*Morningstar overall rating

\*\*Returns for periods under one year are not annualized

Returns are shown net of embedded expense ratios

Source: Morningstar Direct



## INVESTMENT RETURNS - EQUITY FUNDS

### El Toro Water District - 401(k) Plan

Annualized Total Rate of Return (%) as of 06/30/2017

Ticker	Name	MStar Rating*	3-Mos.**	YTD**	1-Yr.	3-Yrs.	5-Yrs.	10-Yrs.
<b>Small Cap Value</b>								
UBVLX	Undiscovered Managers Behavioral Val L	5	0.70	2.80	19.25	8.82	15.51	8.31
<b>Foreign Large Value</b>								
DODFX	Dodge & Cox International Stock	4	4.75	14.51	30.37	0.64	10.23	2.34
<b>Foreign Large Blend</b>								
NWHMX	Nationwide Bailand Intl Eqs R6	4	5.51	13.57	15.69	1.84	8.91	1.37
HEFA	iShares Currency Hedged MSCI EAFE ETF	5	3.20	8.85	22.53	7.09	n.a.	n.a.
<b>Foreign Large Growth</b>								
MQGIX	MFS International Growth I	4	10.47	19.35	19.98	3.95	8.35	3.50
<b>Diversified Emerging Markets</b>								
HHHYX	Hartford Schroders Emerging Mkts Eq Y	4	7.24	20.65	26.51	2.32	4.41	2.61

\*Morningstar overall rating

\*\*Returns for periods under one year are not annualized

Returns are shown net of embedded expense ratios

Source: Morningstar Direct

## INVESTMENT RETURNS - ALTERNATIVE FUNDS

### El Toro Water District - 401(k) Plan

Annualized Total Rate of Return (%) as of 06/30/2017

Ticker	Name	MStar Rating*	3-Mos.**	YTD**	1-Yr.	3-Yrs.	5-Yrs.	10-Yrs.
<b>Market Neutral</b>								
QMNIX	AQR Equity Market Neutral I	n.a.	0.25	1.09	6.72	n.a.	n.a.	n.a.
BSIKX	BlackRock Strategic Income Opps K	4	1.02	2.50	5.50	2.12	3.67	n.a.
<b>Managed Futures</b>								
AQMIX	AQR Managed Futures Strategy I	3	-4.66	-5.58	-15.37	0.67	1.76	n.a.
ASFYX	Natixis ASG Managed Futures Strategy Y	4	-3.04	-2.54	-12.66	1.97	4.32	n.a.
<b>Merger Arbitrage</b>								
ARBNX	Arbitrage I	4	1.27	2.35	3.85	2.54	2.01	2.90
<b>Global Macro</b>								
EGRIX	Eaton Vance Gbl Macro Abs Ret Advtg I	5	1.73	4.55	8.23	6.30	4.80	n.a.
LAOSX	Western Asset Macro Opportunities IS	5	6.38	11.24	12.51	6.39	n.a.	n.a.
<b>Fund of Hedge Funds</b>								
BXMIX	Blackstone Alternative Multi-Strategy I	5	1.61	5.09	7.90	3.42	n.a.	n.a.
QSPIX	AQR Style Premia Alternative I	5	0.20	1.31	1.24	6.28	n.a.	n.a.
<b>Commodities</b>								
EIPCX	Parametric Commodity Strategy Instl	5	-3.30	-2.23	-1.24	-11.69	-6.89	n.a.
<b>Precious Metals</b>								
IAU	iShares Gold Trust	n.a.	-0.25	7.08	-6.13	-2.11	-5.15	6.41

\*Morningstar overall rating | \*\*Returns for periods under one year are not annualized

Returns are shown net of embedded expense ratios | Source: Morningstar Direct

INVESTMENT RETURNS & RANKINGS - FIXED INCOME FUNDS

El Toro Water District - 401(k) Plan

		Annualized Total Rate of Return (%) as of 06/30/2017																							
Ticker	Name	Exp Ratio	MStar Rtg*	3-Mos**			YTD**			1-Year			3-Years			5-Years			10-Years			3 Yr Shrp%	3 Yr SD	Lipper Category	
				Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg				
Short-Term Bond																									
PYSBX	Payden Low Duration Fund	0.43	3	0.47	59	56	1.00	62	43	1.32	37	43	1.07	49	47	1.35	42	46	2.49	49	44	1.26	0.65	Lipper Sht Inv Grade Debt Funds	
VFSUX	Vanguard Short-Term Investment-Grade Ac	0.10	4	0.74	23	22	1.57	18	44	1.31	37	44	1.89	10	8	2.15	12	11	3.29	17	10	1.28	1.27	Lipper Sht Inv Grade Debt Funds	
Peer Group	US Fund Short-Term Bond			0.56			1.20			1.23			1.08			1.31			2.46			0.73	1.25		
Index	BBgBarc US Govt/Credit 1-3 Yr TR USD			0.31			0.72			0.35			0.95			0.95			2.30			0.92	0.75		
Intermediate-Term Bond																									
DODIX	Dodge & Cox Income	0.43	4	1.50	48	43	2.71	36	4	3.24	7	4	2.85	17	11	3.45	11	5	5.20	18	8	0.96	2.69	Lipper Core Bond Funds	
PTTRX	PIMCO Total Return Instl	0.46	5	1.80	18	33	3.46	11	43	2.17	17	43	2.58	28	47	2.76	32	55	5.94	3	13	0.71	3.28	Lipper Core Plus Bond Funds	
PTRQX	Prudential Total Return Bond Q	0.43	5	2.21	4	12	4.09	4	40	2.39	14	40	3.65	4	11	4.07	3	9	6.17	2	n.a.	0.97	3.52	Lipper Core Plus Bond Funds	
Peer Group	US Fund Intermediate-Term Bond			1.49			2.57			0.94			2.21			2.45			4.30			0.72	2.80		
Index	BBgBarc US Agg Bond TR USD			1.45			2.27			-0.31			2.48			2.21			4.48			0.77	2.90		
Floating Rate Note																									
EIFHX	Eaton Vance Floating-Rate & Hi Inc Inst	0.82	5	1.14	2	1	2.71	2	14	8.69	12	14	3.77	4	4	4.66	13	13	4.19	4	10	1.06	3.31	Lipper Loan Participation Funds	
Peer Group	US Fund Bank Loan			0.60			1.61			6.65			2.62			3.85			3.15			0.83	3.09		
Index	S&P/LSTA Leveraged Loan TR			0.76			1.91			7.42			3.35			4.58			4.48			1.06	2.93		
Inflation Protected Bond																									
TIP	iShares TIPS Bond ETF	0.2	4	-0.41	29	29	0.81	39	65	-0.71	64	65	0.50	22	24	0.15	27	30	4.15	18	16	0.08	3.82	Lipper Inflation Protected Bond	
Peer Group	US Fund Inflation-Protected Bond			-0.49			0.69			0.10			-0.01			-0.17			3.35			-0.06	3.70		
Index	BBgBarc US Treasury US TIPS TR USD			-0.40			0.85			-0.63			0.63			0.27			4.27			0.11	3.83		

\*Morningstar overall rating

\*\*Returns for periods under one year are not annualized

Returns are shown net of embedded expense ratios. Mstar Rnkg - Fund's ranking within Morningstar's category ("Peer Group"). Funds are ranked in descending order by return. For example, a Fund with a 20 ranking indicates that it is ranked in the top 20th percentile.

Source: Morningstar Direct; Wilshire Compass (Lipper Rankings)

INVESTMENT RETURNS & RANKINGS - EQUITY FUNDS

El Toro Water District - 401(k) Plan

		Annualized Total Rate of Return (%) as of 06/30/2017																							
Ticker	Name	Exp Ratio	MStar Rtg*	3-Mos**			YTD**			1-Year			3-Years			5-Years			10-Years			3 Yr Shrp%	3 Yr SD	Lipper Category	
				Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg				
Large Blend																									
SMGIX	Columbia Contrarian Core Z	0.81	5	3.83	15	20	10.89	10	44	17.79	43	44	9.68	8	14	15.57	4	4	9.22	1	4	0.92	10.37	Lipper Large-Cap Core Funds	
VGIAX	Vanguard Growth & Income Adm	0.23	4	2.52	70	67	7.94	69	57	16.53	64	57	9.57	10	15	14.71	16	17	6.69	38	37	0.93	10.15	Lipper Large-Cap Core Funds	
Peer Group	US Fund Large Blend			2.92			8.65			17.17			7.60			13.35			6.21			0.72	10.66		
Index	Russell 1000 TR USD			3.06			9.27			18.03			9.26			14.67			7.29			0.88	10.45		
Index	S&P 500 TR USD			3.09			9.34			17.90			9.61			14.63			7.18			0.92	10.35		
Large Value																									
DODGX	Dodge & Cox Stock	0.52	4	1.76	52	60	6.81	23	4	28.65	2	4	8.48	10	5	16.36	1	1	5.89	33	21	0.68	12.79	Lipper Large-Cap Value Funds	
PKAIX	PIMCO RAE Fundamental US Institutional	0.40	n.a.	0.57	88	98	4.14	78	84	13.33	77	84	6.49	n.a.	n.a.	13.89	n.a.	n.a.	6.76	n.a.	n.a.	0.64	10.22	Lipper Large-Cap Core Funds	
Peer Group	US Fund Large Value			1.78			5.55			16.49			6.40			12.64			5.18			0.61	10.98		
Index	Russell 1000 Value TR USD			1.34			4.66			15.53			7.36			13.94			5.57			0.70	10.53		
Large Growth																									
HNACX	Harbor Capital Appreciation Retirement	0.57	5	6.02	28	35	17.32	20	14	24.46	15	14	10.69	21	n.a.	15.26	22	n.a.	9.24	12	n.a.	0.85	12.66	Lipper Large-Cap Growth Funds	
PRUFX	T. Rowe Price Growth Stock I	0.52	5	7.58	8	12	19.59	7	n.a.	29.15	3	n.a.	12.60	5	n.a.	16.47	8	n.a.	8.98	17	n.a.	1.01	12.31	Lipper Large-Cap Growth Funds	
Peer Group	US Fund Large Growth			5.01			14.14			20.02			8.80			13.87			7.51			0.76	11.66		
Index	Russell 1000 Growth TR USD			4.67			13.99			20.42			11.11			15.30			8.91			0.99	11.03		
Mid Value																									
VEVIX	Victory Sycamore Established Value I	0.69	5	0.32	66	78	5.48	32	59	16.22	55	59	10.24	2	4	15.82	5	4	9.45	1	n.a.	0.89	11.43	Lipper Mid-Cap Core Funds	
Peer Group	US Fund Mid-Cap Value			1.03			4.58			17.26			5.74			13.37			6.17			0.52	12.10		
Index	Russell Mid Cap Value TR USD			1.37			5.18			15.93			7.46			15.14			7.23			0.68	11.04		

\*Morningstar overall rating

\*\*Returns for periods under one year are not annualized

Returns are shown net of embedded expense ratios. Mstar Rnkg - Fund's ranking within Morningstar's category ("Peer Group"). Funds are ranked in descending order by return. For example, a Fund with a 20 ranking indicates that it is ranked in the top 20th percentile.

Source: Morningstar Direct; Wilshire Compass (Lipper Rankings)

INVESTMENT RETURNS & RANKINGS - EQUITY FUNDS

El Toro Water District - 401(k) Plan

		Annualized Total Rate of Return (%) as of 06/30/2017																							
Ticker	Name	Exp Ratio	MStar Rtg*	3-Mos**			YTD**			1-Year			3-Years			5-Years			10-Years			3 Yr Shrp%	3 Yr SD	Lipper Category	
				Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg				
Mid Growth																									
APDMX	Artisan Mid Cap Advisor	1.05	4	6.80	11	13	15.29	16	76	17.08	59	76	6.53	56	n.a.	12.72	47	n.a.	8.74	13	n.a.	0.52	13.26	Lipper Multi-Cap Growth Funds	
Peer Group	US Fund Mid-Cap Growth			4.68			12.37			18.58			6.86			12.72			6.81			0.58	12.52		
Index	Russell Mid Cap Growth TR USD			4.21			11.40			17.05			7.83			14.19			7.87			0.68	11.71		
Small Value																									
UBVLX	Undiscovered Managers Behavioral Val L	1.04	5	0.70	31	72	2.80	16	70	19.25	69	70	8.82	8	12	15.51	3	5	8.31	4	9	0.72	12.51	Lipper Small-Cap Value Funds	
Peer Group	US Fund Small Value			0.26			0.52			21.15			5.18			12.47			5.97			0.41	14.95		
Index	Russell 2000 Value TR USD			0.67			0.54			24.86			7.02			13.39			5.92			0.50	15.35		
Small Blend																									
FSCRX	Fidelity® Small Cap Discovery	0.87	4	1.33	59	58	2.06	67	84	17.65	83	84	5.81	58	59	14.27	25	25	10.28	2	2	0.46	13.79	Lipper Small-Cap Core Funds	
Peer Group	US Fund Small Blend			1.53			3.24			20.96			5.70			12.75			6.12			0.44	14.48		
Index	Russell 2000 TR USD			2.46			4.99			24.60			7.36			13.70			6.92			0.52	15.38		
Small Growth																									
PRJIX	T. Rowe Price New Horizons I	0.65	5	7.04	8	10	17.90	4	n.a.	26.11	23	n.a.	11.05	5	n.a.	16.95	3	n.a.	11.65	1	n.a.	0.85	13.06	Lipper Small-Cap Growth Funds	
Peer Group	US Fund Small Growth			4.33			10.15			23.12			6.67			12.81			7.05			0.50	15.02		
Index	Russell 2000 Growth TR USD			4.39			9.97			24.40			7.64			13.98			7.82			0.52	16.07		

\*Morningstar overall rating

\*\*Returns for periods under one year are not annualized

Returns are shown net of embedded expense ratios. Mstar Rnkg - Fund's ranking within Morningstar's category ("Peer Group"). Funds are ranked in descending order by return. For example, a Fund with a 20 ranking indicates that it is ranked in the top 20th percentile.

Source: Morningstar Direct; Wilshire Compass (Lipper Rankings)

INVESTMENT RETURNS & RANKINGS - EQUITY FUNDS

El Toro Water District - 401(k) Plan

		Annualized Total Rate of Return (%) as of 06/30/2017																								
Ticker	Name	Exp Ratio	MStar Rtg*	3-Mos**			YTD**			1-Year			3-Years			5-Years			10-Years			3 Yr Shrp%	3 Yr SD	Lipper Category		
				Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg					
Foreign Large Blend																										
NWHMX	Nationwide Bailard Intl Eqs R6	0.87	4	5.51	81	77	13.57	74	88	15.69	84	88	1.84	32	35	8.91	21	n.a.	1.37	31	n.a.	0.20	10.58	Lipper International Multi-Cap Core		
Peer Group	US Fund Foreign Large Blend			6.25			14.45			19.13			1.18			7.81			0.96			0.14	11.81			
HEFA	iShares Currency Hedged MSCI EAFE ETF	0.36	5	3.20	97	97	8.85	98	17	22.53	13	17	7.09	2	2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.65	11.18	Lipper International Multi-Cap Core		
Peer Group	US Fund Europe Stock			7.10			14.85			19.95			0.96			9.28			1.07			0.12	12.73			
Index	MSCI EAFE NR USD			6.12			13.81			20.27			1.15			8.69			1.03			0.13	12.42			
Index	MSCI ACWI Ex USA NR USD			5.78			14.10			20.45			0.80			7.22			1.13			0.10	12.45			
Foreign Large Value																										
DODFX	Dodge & Cox International Stock	0.64	4	4.75	93	94	14.51	53	2	30.37	1	2	0.64	65	53	10.23	7	5	2.34	17	20	0.10	14.55	Lipper International Large-Cap Growth		
Peer Group	US Fund Foreign Large Value			5.10			12.50			19.94			-0.26			7.34			-0.02			0.02	12.17			
Index	MSCI EAFE Value NR USD			4.78			11.12			25.01			-0.59			8.12			-0.08			0.00	13.15			
Index	MSCI ACWI Ex USA Value NR USD			4.08			11.03			23.62			-1.00			6.35			0.31			-0.03	13.32			
Foreign Large Growth																										
MQGIX	MFS International Growth I	0.97	4	10.47	5	4	19.35	26	25	19.98	27	25	3.95	16	15	8.35	56	45	3.50	9	9	0.36	11.81	Lipper International Multi-Cap Growth		
Peer Group	US Fund Foreign Large Growth			7.98			17.93			17.80			2.58			8.65			1.93			0.25	11.88			
Index	MSCI EAFE Growth NR USD			7.52			16.68			15.70			2.81			9.19			2.06			0.26	12.34			
Index	MSCI ACWI Ex USA Growth NR USD			7.56			17.38			17.38			2.55			8.04			1.89			0.25	12.14			
Diversified Emerging Markets																										
HHHYX	Hartford Schrodgers Emerging Mkts Eq Y	1.15	4	7.24	23	24	20.65	23	0	26.51	12	0	2.32	22	n.a.	4.41	40	n.a.	2.61	23	n.a.	0.21	14.80	Lipper Emerging Markets Funds		
Peer Group	US Fund Diversified Emerging Mkts			5.87			18.14			20.48			0.48			4.07			1.48			0.09	14.81			
Index	MSCI EM NR USD			6.27			18.43			23.75			1.07			3.96			1.91			0.13	16.06			

\*Morningstar overall rating

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Source: Morningstar Direct; Wilshire Compass (Lipper Rankings)

INVESTMENT RETURNS & RANKINGS - ALTERNATIVE FUNDS

El Toro Water District - 401(k) Plan

		Annualized Total Rate of Return (%) as of 06/30/2017																							
Ticker	Name	Exp Ratio	MStar Rtg*	3-Mos**			YTD**			1-Year			3-Years			5-Years			10-Years			3 Yr Shrp%	3 Yr SD	Lipper Category	
				Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg	Tot ROR	Mstar Rnkg	Lipper Rnkg				
Market Neutral																									
QMNIX	AQR Equity Market Neutral I	1.39	n.a.	0.25	53	40	1.09	52	11	6.72	22	11	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Lipper Alt Equity Mkt Neutral
BSIKX	BlackRock Strategic Income Opps K	0.57	4	1.02	63	61	2.50	59	53	5.50	55	53	2.12	44	n.a.	3.67	22	n.a.	n.a.	n.a.	n.a.	1.16	1.61	Lipper Alt Credit Focus Funds	
Managed Futures																									
AQMIX	AQR Managed Futures Strategy I	1.22	3	-4.66	89	92	-5.58	83	88	-15.37	90	88	0.67	57	56	1.76	42	37	n.a.	n.a.	n.a.	0.09	10.45	Lipper Alt Managed Futures	
ASFYX	Natixis ASG Managed Futures Strategy Y	1.49	4	-3.04	54	61	-2.54	44	76	-12.66	79	76	1.97	40	39	4.32	6	9	n.a.	n.a.	n.a.	0.20	11.26	Lipper Alt Managed Futures	
Merger Arbitrage																									
ARBNX	Arbitrage I	1.25	4	1.27	33	82	2.35	32	70	3.85	43	70	2.54	22	48	2.01	30	74	2.90	7	26	1.26	1.82	Lipper Alt Equity Mkt Neutral	
Global Macro																									
EGRIX	Eaton Vance Gbl Macro Abs Ret Advtg I	1.23	5	1.73	22	44	4.55	11	30	8.23	22	30	6.30	1	2	4.80	2	22	n.a.	n.a.	n.a.	1.50	3.95	Lipper Alt Global Macro Funds	
LAOSX	Western Asset Macro Opportunities IS	1.23	5	6.38	1	2	11.24	1	7	12.51	3	7	6.39	1	1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.98	6.29	Lipper Alt Credit Focus Funds	
Fund of Hedge Funds																									
BXMIX	Blackstone Alternative Multi-Strategy I	2.52	5	1.61	20	13	5.09	10	9	7.90	9	9	3.42	3	5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.87	3.65	Lipper Alt Multi-Strategy Funds	
QSPIX	AQR Style Premia Alternative I	1.6	5	0.20	68	75	1.31	71	81	1.24	75	81	6.28	1	7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.88	6.90	Lipper Absolute Return	
Commodities																									
EIPCX	Parametric Commodity Strategy Instl	0.65	5	-3.30	29	27	-2.23	5	2	-1.24	4	2	-11.69	19	21	-6.89	12	18	n.a.	n.a.	n.a.	-1.00	11.91	Lipper Commodities General	
Precious Metals																									
IAU	iShares Gold Trust	0.25	n.a.	-0.25	12	15	7.08	19	19	-6.13	19	19	-2.11	20	15	-5.15	10	7	6.41	1	1	-0.10	14.46	Lipper Commodities Precious Metals	

\*Morningstar overall rating

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Source: Morningstar Direct; Wilshire Compass (Lipper Rankings)

## TARGET FUND ALLOCATIONS

### El Toro Water District - 401(k) Plan

	Capital Preservation	Income & Growth	Balanced	Growth		
Equity	15%	35%	56%	71%	Ticker	Fund Name
Large Cap Blend	2.19%	4.98%	7.76%	9.23%	SMGIX	Columbia Contrarian Core Z
	2.19%	4.98%	7.76%	9.28%	VGIAX	Vanguard Growth & Income Adm
Large Cap Growth	0.79%	1.80%	2.90%	3.70%	HNACX	Harbor Capital Appreciation Retirement
	0.79%	1.80%	2.90%	3.70%	PRUFX	T. Rowe Price Growth Stock I
Large Cap Value	0.79%	1.80%	2.95%	3.70%	PKAIX	PIMCO RAE Fundamental US Institutional
	0.79%	1.80%	2.95%	3.70%	DODGX	Dodge & Cox Stock
Mid Cap Growth	0.60%	1.45%	2.29%	2.94%	APDMX	Artisan Mid Cap Advisor
Mid Cap Value	0.60%	1.45%	2.29%	2.94%	VEVIX	Victory Sycamore Established Value I
Small Cap Blend	1.00%	2.40%	3.97%	5.53%	FSCRX	Fidelity® Small Cap Discovery
Small Cap Growth	0.40%	0.95%	1.63%	2.28%	PRJIX	T. Rowe Price New Horizons I
Small Cap Value	0.40%	0.95%	1.63%	2.28%	UBVLX	Undiscovered Managers Behavioral Val L
Foreign Large Blend	1.53%	3.61%	5.78%	7.33%	NWHMX	Nationwide Bailard Intl Eqs R6
	0.52%	1.17%	1.93%	2.44%	HEFA	iShares Currency Hedged MSCI EAFE ETF
Foreign Large Growth	0.85%	1.98%	3.15%	3.99%	MQGIX	MFS International Growth I
Foreign Large Value	0.85%	1.98%	3.15%	3.99%	DODFX	Dodge & Cox International Stock
Emerging Markets	0.68%	1.90%	2.95%	3.96%	HHHYX	Hartford Schroders Emerging Mkts Eq Y
Alternatives	16%	15%	14%	13%	Ticker	Fund Name
Global Macro	2.34%	2.20%	2.05%	1.90%	EGRIX	Eaton Vance Gbl Macro Abs Ret Advtg I
	2.34%	2.20%	2.05%	1.90%	LAOSX	Western Asset Macro Opportunities IS
Managed Futures	1.83%	1.71%	1.60%	1.49%	AQMIX	AQR Managed Futures Strategy I
	1.83%	1.71%	1.60%	1.49%	ASFYX	Natixis ASG Managed Futures Strategy Y
Merger/Arbitrage	1.49%	1.39%	1.30%	1.21%	ARBNDX	Arbitrage I
Market Neutral	0.86%	0.80%	0.75%	0.70%	QMNIX	AQR Equity Market Neutral I
	0.86%	0.80%	0.75%	0.70%	BSIKX	BlackRock Strategic Income Opps K
Multi-Strategy / Fund of Funds	1.43%	1.34%	1.25%	1.16%	BXMIX	Blackstone Alternative Multi-Strategy I
	1.43%	1.34%	1.25%	1.16%	QSPIX	AQR Style Premia Alternative I
Commodities	0.80%	0.75%	0.70%	0.65%	EIPCX	Parametric Commodity Strategy Instl
Precious Metals	0.80%	0.75%	0.70%	0.65%	IAU	iShares Gold Trust
Fixed Income	64%	48%	29%	15%	Ticker	Fund Name
Short Term Bond	2.47%	1.92%	0.97%	0.50%	VFSUX	Vanguard Short-Term Investment-Grade Adm
	2.47%	1.92%	0.97%	0.50%	PYSBX	Payden Low Duration Fund
Intermediate-Term Bond	17.06%	12.72%	7.81%	4.00%	PTTRX	PIMCO Total Return Instl
	17.06%	12.72%	7.81%	4.00%	PTRQX	Prudential Total Return Bond Q
	17.06%	12.72%	7.81%	4.00%	DODIX	Dodge & Cox Income
Floating Rate Notes	6.41%	4.80%	2.90%	1.50%	EIFHX	Eaton Vance Floating-Rate & Hi Inc Inst
Inflation Protected Bond	1.48%	1.20%	0.73%	0.50%	TIP	iShares TIPS Bond ETF
Cash	5%	2%	1%	1%	Ticker	Fund Name
Cash & Equivalents	5.00%	2.00%	1.00%	1.00%	FPZXX	Cash sweep
<b>TOTAL</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>		

Target Allocations are subject to change without notice.



# INVESTMENT PORTFOLIO SUMMARY - CAPITAL PRESERVATION

## El Toro Water District - 401(k) Plan

Account Number: 6721011389

Data as of: 06/30/2017

Portfolio Manager:  
Robert L. Adams, CFA

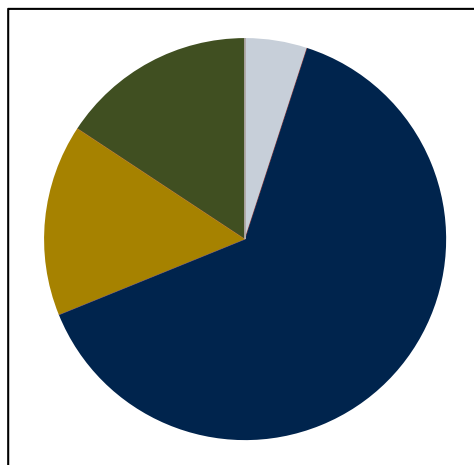
### Account Snapshot

Asset Class	Market Value	Tax Cost	Est. Annual Income	Current Yield (%)
Cash & Equivalents	\$200,789.27	\$200,789.27	\$849.70	0.42%
Fixed Income	\$2,566,959.32	\$2,614,433.77	\$72,794.88	2.84%
Equities	\$620,452.72	\$546,063.03	\$7,053.30	1.14%
Alternatives	\$631,376.11	\$625,703.96	\$833.00	0.13%
Other	\$0.00	\$0.00	\$0.00	0.00%
<b>Total</b>	<b>\$4,019,577.42</b>	<b>\$3,986,990.03</b>	<b>\$81,530.88</b>	<b>2.03%</b>

*Yields are gross of any fees and reflect the reinvestment of dividends and other income*

### Asset Allocation

5.0%	Cash & Equivalents
63.9%	Fixed Income
15.4%	Equities
15.7%	Alternatives
0.0%	Other



### Income Summary (1, 2)

Cash & Equivalents Income Earned YTD	\$425
Taxable Fixed Income Income Earned YTD	\$36,397
Tax-Exempt Fixed Income Income Earned YTD	\$0
Equity Income Earned YTD	\$3,527
Alternative Income Earned YTD	\$417
Other Income Earned YTD	\$0
<b>Total</b>	<b>\$40,765</b>

### Net Gain/Loss Summary (3)

	Realized	Unrealized
Net Short Term Gain/Loss	-\$1,534	
Net Long Term Gain/Loss	\$3,201	
<b>Total</b>	<b>\$1,667</b>	<b>\$32,587</b>

(1) As of 06/30/2017

(2) Information is calculated on a calendar year basis and includes income, dividends, and capital gain distributions

(3) Gain/Loss information is for informational purposes only.

# HOLDINGS REPORT

## El Toro Water District 401(k) - Capital Preservation

As of Second Quarter 2017

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
<b>CASH EQUIVALENTS</b>								
<b>MONEY MARKET FUNDS/CASH</b>								
n.a.	n.a.	CASH	(4,411.2000)	(\$4,411.20)	1.00	(\$4,411.20)	-2.20%	-0.11%
FPZXX	n.a.	CASH FUND	205,200.47	\$205,200.47	1.00	\$205,200.47	102.20%	5.11%
<b>TOTAL CASH</b>				<b>\$200,789.27</b>		<b>\$200,789.27</b>		<b>5.00% T</b>
<b>FIXED INCOME</b>								
<b>Short-Term Bond Funds</b>								
PYSBX	704329200	Payden Low Duration Fund	9,599.00	96,766.15	10.09	96,853.88	3.77%	2.41%
VFSUX	922031836	Vanguard Short-Term Investment-Grade Adm	9,153.28	97,727.87	10.68	97,756.99	3.81%	2.43%
				<u>\$194,494.02</u>		<u>\$194,610.87</u>		<u>4.84% T</u>
<b>Intermediate-Term Bond Funds</b>								
DODIX	256210105	Dodge & Cox Income	49,591.59	684,055.16	13.75	681,884.35	26.56%	16.96%
PTRQX	744408884	Prudential Total Return Bond Q	47,742.03	705,651.71	14.46	690,349.77	26.89%	17.17%
PTTRX	693390700	PIMCO Total Return Instl	67,208.48	720,308.99	10.23	687,542.75	26.78%	17.10%
				<u>\$2,110,015.86</u>		<u>\$2,059,776.87</u>		<u>51.24% T</u>
<b>Floating Rate Note Funds</b>								
EIFHX	277911541	Eaton Vance Floating-Rate & Hi Inc Inst	28,684.94	252,042.30	8.88	254,722.28	9.92%	6.34% T
<b>Inflation Protected Bond Funds</b>								
TIP	464287176	iShares TIPS Bond ETF	510.00	57,881.59	113.43	57,849.30	2.25%	1.44% T
<b>TOTAL FIXED INCOME</b>				<b>\$2,614,433.77</b>		<b>\$2,566,959.32</b>		<b>63.86% T</b>
<b>EQUITY</b>								
<b>Large Cap Blend Funds</b>								
SMGIX	19765P406	Columbia Contrarian Core Z	3,582.79	72,334.40	24.95	89,390.61	14.41%	2.22%
VGIAx	921913208	Vanguard Growth & Income Adm	1,217.44	83,979.90	72.39	88,130.63	14.20%	2.19%

# HOLDINGS REPORT

## El Toro Water District 401(k) - Capital Preservation

As of Second Quarter 2017

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
				\$156,314.30		\$177,521.24		4.42% T
<b>Large Cap Value Funds</b>								
DODGX	256219106	Dodge & Cox Stock	161.97	28,210.17	192.69	31,210.38	5.03%	0.78%
PKAIX	72202L462	PIMCO RAE Fundamental US Institutional	2,945.66	30,900.00	10.57	31,135.66	5.02%	0.77%
				\$59,110.17		\$62,346.04		1.55% T
<b>Large Cap Growth Funds</b>								
HNACX	411512528	Harbor Capital Appreciation Retirement	501.68	26,835.52	66.44	33,331.55	5.37%	0.83%
PRUFX	741479406	T. Rowe Price Growth Stock I	527.92	25,245.22	63.72	33,638.87	5.42%	0.84%
				\$52,080.74		\$66,970.42		\$0.02 T
<b>Mid Cap Value Funds</b>								
VEVIX	92646A831	Victory Sycamore Established Value I	621.58	21,883.88	37.99	23,613.82	3.81%	0.59% T
<b>Mid Cap Growth Funds</b>								
APDMX	04314H659	Artisan Mid Cap Advisor	600.64	22,683.14	42.07	25,268.80	4.07%	0.63% T
<b>Small Cap Value</b>								
UBVLX	904504842	Undiscovered Managers Behavioral Val L	245.89	15,060.70	66.37	16,319.79	2.63%	0.41% T
<b>Small Cap Blend Funds</b>								
FSCRX	315912600	Fidelity® Small Cap Discovery	1,278.74	36,389.88	31.02	39,666.58	6.39%	0.99% T
<b>Small Cap Growth Funds</b>								
PRJIX	779562206	T. Rowe Price New Horizons I	344.35	15,102.65	51.11	17,599.88	2.84%	0.44% T
<b>Foreign Large Value Funds</b>								
DODFX	256206103	Dodge & Cox International Stock	831.92	31,928.33	43.63	36,296.76	5.85%	0.90% T
<b>Foreign Large Blend Funds</b>								
NWHMX	63868B815	Nationwide Bailard Intl Eqs R6	7,910.10	60,209.94	8.29	65,574.75	10.57%	1.63%
HEFA	46434V803	iShares Currency Hedged MSCI EAFE ETF	770.00	18,856.92	28.42	21,883.40	3.53%	0.54%

# HOLDINGS REPORT

## El Toro Water District 401(k) - Capital Preservation

As of Second Quarter 2017

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
				79,066.86		87,458.15		2.18% T
<b>Foreign Large Growth Funds</b>								
MQGIX	55273E848	MFS International Growth I	1,103.20	31,013.33	34.6	38,170.65	6.15%	0.95% T
<b>Diversified Emerging Markets</b>								
HHHYX	41665H797	Hartford Schrodgers Emerging Mkts Eq Y	2,033.44	25,429.05	14.37	29,220.59	4.71%	0.73%
				\$25,429.05		\$29,220.59		0.73% T
<b>TOTAL EQUITY</b>				<b>\$546,063.03</b>		<b>\$620,452.72</b>		<b>15.44% T</b>

### ALTERNATIVES

#### Market Neutral

QMNIX	00191K799	AQR Equity Market Neutral I	2,772.92	32,350.28	12.1	33,552.33	5.41%	0.83%
BSIKX	09257E787	BlackRock Strategic Income Opps K	3,416.34	33,687.31	9.92	33,890.07	5.46%	0.84%
				\$66,037.59		\$67,442.40		1.68% T

#### Managed Futures

AQMIX	00203H859	AQR Managed Futures Strategy I	7,588.78	77,032.40	8.8	66,781.30	10.76%	1.66%
ASFYX	63872T729	Natixis ASG Managed Futures Strategy Y	7,139.17	78,526.97	9.58	68,393.24	11.02%	1.70%
				155,559.37		135,174.54		3.36% T

#### Merger Arbitrage

ARBIX	03875R205	Arbitrage I	4,382.17	56,491.96	13.51	59,203.08	9.54%	1.47% T
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#### Global Macro

EGRIX	277923264	Eaton Vance Gbl Macro Abs Ret Advtg I	8,934.48	87,327.11	10.57	94,437.50	15.22%	2.35%
LAOSX	95768D509	Western Asset Macro Opportunities IS	8,525.64	87,356.76	11.68	99,579.42	16.05%	2.48%
				174,683.87		194,016.92		4.83% T

#### Commodities

EIPCX	277923223	Parametric Commodity Strategy Instl	5,847.30	31,399.99	5.27	30,815.26	4.97%	0.77% T
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# HOLDINGS REPORT

## El Toro Water District 401(k) - Capital Preservation

As of Second Quarter 2017

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
<b>Precious Metals</b>								
IAU	464285105	iShares Gold Trust	2,710.00	31,490.20	11.94	32,357.40	5.22%	0.80% T
<b>Fund of Hedge Funds</b>								
BXMIX	09257V201	Blackstone Alternative Multi-Strategy I	5,342.98	54,895.01	10.73	57,330.15	9.24%	1.43%
QSPIX	00203H420	AQR Style Premia Alternative I	5,476.26	55,145.97	10.05	55,036.36	8.87%	1.37%
				110,040.98		112,366.51		2.80% T
<b>TOTAL ALTERNATIVES</b>				<b>\$625,703.96</b>		<b>\$631,376.11</b>		<b>15.71% T</b>
<b>TOTAL - ALL ASSETS</b>				<b>\$3,986,990.03</b>		<b>\$4,019,577.42</b>		<b>100.00%</b>

# INVESTMENT PORTFOLIO SUMMARY - INCOME & GROWTH

## El Toro Water District - 401(k) Plan

Account Number: 6721021389

Data as of: 06/30/2017

Portfolio Manager:

Robert L. Adams, CFA

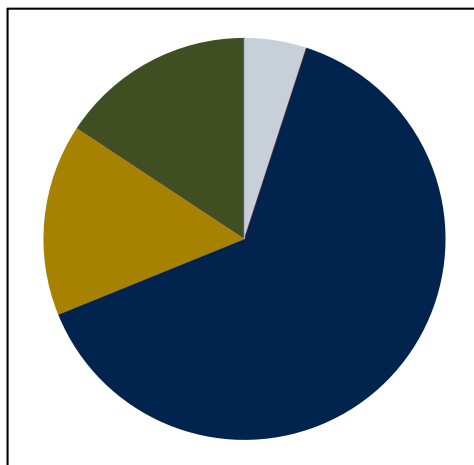
### Account Snapshot

Asset Class	Market Value	Tax Cost	Est. Annual Income	Current Yield (%)
Cash & Equivalents	\$218,253.14	\$218,253.14	\$1,127.58	0.52%
Fixed Income	\$5,601,792.19	\$5,718,009.26	\$167,791.74	3.00%
Equities	\$4,218,311.55	\$3,689,393.15	\$49,226.78	1.17%
Alternatives	\$1,623,616.09	\$1,622,970.23	\$2,421.76	0.15%
Other	\$0.00	\$0.00	\$0.00	0.00%
<b>Total</b>	<b>\$11,661,972.97</b>	<b>\$11,248,625.78</b>	<b>\$220,567.86</b>	<b>1.89%</b>

*Yields are gross of any fees and reflect the reinvestment of dividends and other income*

### Asset Allocation

1.9%	Cash & Equivalents
48.0%	Fixed Income
36.2%	Equities
13.9%	Alternatives
0.0%	Other



### Income Summary (1, 2)

Cash & Equivalents Income Earned YTD	\$564
Taxable Fixed Income Income Earned YTD	\$83,896
Tax-Exempt Fixed Income Income Earned YTD	\$0
Equity Income Earned YTD	\$24,613
Alternative Income Earned YTD	\$1,211
Other Income Earned YTD	\$0
<b>Total</b>	<b>\$110,284</b>

### Net Gain/Loss Summary (3)

	Realized	Unrealized
Net Short Term Gain/Loss	\$14,179	
Net Long Term Gain/Loss	\$65,003	
<b>Total</b>	<b>\$79,182</b>	<b>\$413,347</b>

(1) As of 06/30/2017

(2) Information is calculated on a calendar year basis and includes income, dividends, and capital gain distributions

(3) Gain/Loss information is for informational purposes only.

# HOLDINGS REPORT

## El Toro Water District 401(k) - Income & Growth

As of Second Quarter 2017

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
<b>CASH EQUIVALENTS</b>								
<b>MONEY MARKET FUNDS/CASH</b>								
n.a.	n.a.	CASH	(9,587.9700)	(\$9,587.97)	1.00	(\$9,587.97)	-4.39%	-0.08%
FPZXX	n.a.	CASH FUND	227,841.11	\$227,841.11	1.00	\$227,841.11	104.39%	1.95%
<b>TOTAL CASH</b>				<b>\$218,253.14</b>		<b>\$218,253.14</b>		<b>1.87% T</b>
<b>FIXED INCOME</b>								
<b>Short-Term Bond Funds</b>								
PYSBX	704329200	Payden Low Duration Fund	22,440.93	226,029.38	10.09	226,428.96	4.04%	1.94%
VFSUX	922031836	Vanguard Short-Term Investment-Grade Adm	21,281.00	226,773.63	10.68	227,281.08	4.06%	1.95%
				<u>\$452,803.01</u>		<u>\$453,710.04</u>		<u>3.89% T</u>
<b>Intermediate-Term Bond Funds</b>								
DODIX	256210105	Dodge & Cox Income	107,431.92	1,485,333.58	13.75	1,477,188.93	26.37%	12.67%
PTRQX	744408884	Prudential Total Return Bond Q	102,815.83	1,518,693.91	14.46	1,486,716.92	26.54%	12.75%
PTTRX	693390700	PIMCO Total Return Instl	145,149.87	1,567,391.34	10.23	1,484,883.12	26.51%	12.73%
				<u>\$4,571,418.83</u>		<u>\$4,448,788.97</u>		<u>38.15% T</u>
<b>Floating Rate Note Funds</b>								
EIFHX	277911541	Eaton Vance Floating-Rate & Hi Inc Inst	62,782.17	551,920.80	8.88	557,505.68	9.95%	4.78% T
<b>Inflation Protected Bond Funds</b>								
TIP	464287176	iShares TIPS Bond ETF	1,250.00	141,866.62	113.43	141,787.50	2.53%	1.22% T
<b>TOTAL FIXED INCOME</b>				<b>\$5,718,009.26</b>		<b>\$5,601,792.19</b>		<b>48.03% T</b>
<b>EQUITY</b>								
<b>Large Cap Blend Funds</b>								
SMGIX	19765P406	Columbia Contrarian Core Z	24,627.13	490,408.01	24.95	614,446.92	14.57%	5.27%
VGIAx	921913208	Vanguard Growth & Income Adm	8,447.71	581,430.18	72.39	611,529.51	14.50%	5.24%

# HOLDINGS REPORT

## El Toro Water District 401(k) - Income & Growth

As of Second Quarter 2017

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
				\$1,071,838.19		\$1,225,976.43		10.51% T
<b>Large Cap Value Funds</b>								
DODGX	256219106	Dodge & Cox Stock	1,089.60	191,434.26	192.69	209,955.79	4.98%	1.80%
PKAIX	72202L462	PIMCO RAE Fundamental US Institutional	19,872.83	208,466.01	10.57	210,055.83	4.98%	1.80%
				\$399,900.27		\$420,011.62		3.60% T
<b>Large Cap Growth Funds</b>								
HNACX	411512528	Harbor Capital Appreciation Retirement	3,222.73	164,610.47	66.44	214,117.92	5.08%	1.84%
PRUFX	741479406	T. Rowe Price Growth Stock I	3,401.00	157,413.22	63.72	216,711.59	5.14%	1.86%
				\$322,023.69		\$430,829.51		\$0.04 T
<b>Mid Cap Value Funds</b>								
VEVIX	92646A831	Victory Sycamore Established Value I	4,330.26	152,722.04	37.99	164,506.69	3.90%	1.41% T
<b>Mid Cap Growth Funds</b>								
APDMX	04314H659	Artisan Mid Cap Advisor	4,015.00	152,955.58	42.07	168,911.01	4.00%	1.45% T
<b>Small Cap Value Funds</b>								
UBVLX	904504842	Undiscovered Managers Behavioral Val L	1,700.12	104,114.61	66.37	112,836.77	2.67%	0.97% T
<b>Small Cap Blend Funds</b>								
FSCRX	315912600	Fidelity® Small Cap Discovery	8,989.09	260,567.11	31.02	278,841.42	6.61%	2.39% T
<b>Small Cap Growth Funds</b>								
PRJIX	779562206	T. Rowe Price New Horizons I	2,250.19	96,604.21	51.11	115,007.36	2.73%	0.99% T
<b>Foreign Large Value Funds</b>								
DODFX	256206103	Dodge & Cox International Stock	5,383.95	206,488.84	43.63	234,901.78	5.57%	2.01% T
<b>Foreign Large Blend Funds</b>								
NWHMX	63868B815	Nationwide Bailard Intl Eqs R6	51,954.45	393,699.59	8.29	430,702.40	10.21%	3.69%
HEFA	46434V803	iShares Currency Hedged MSCI EAFE ETF	5,035.00	123,304.63	28.42	143,094.70	3.39%	1.23%
				517,004.22		573,797.10		4.92% T



# HOLDINGS REPORT

## El Toro Water District 401(k) - Income & Growth

As of Second Quarter 2017

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
<b>Foreign Large Growth Funds</b>								
MQGIX	55273E848	MFS International Growth I	7,007.89	198,503.34	34.6	242,472.96	5.75%	2.08% T
<b>Diversified Emerging Markets</b>								
HHHYX	41665H797	Hartford Schrodgers Emerging Mkts Eq Y	17,412.59	206,671.05	14.37	250,218.90	5.93%	2.15%
				\$206,671.05		\$250,218.90		2.15% T
<b>TOTAL EQUITY</b>				<b>\$3,689,393.15</b>		<b>\$4,218,311.55</b>	<b>36.17% T</b>	

### ALTERNATIVES

#### Market Neutral

QMNIX	00191K799	AQR Equity Market Neutral I	7,164.33	83,577.42	12.1	86,688.33	2.06%	0.74%
BSIKX	09257E787	BlackRock Strategic Income Opps K	8,819.70	86,968.00	9.92	87,491.40	2.07%	0.75%
				\$170,545.42		\$174,179.73		1.49% T

#### Managed Futures

AQMIX	00203H859	AQR Managed Futures Strategy I	20,677.53	210,179.33	8.8	181,962.29	4.31%	1.56%
ASFYX	63872T729	Natixis ASG Managed Futures Strategy Y	18,799.89	205,812.25	9.58	180,102.93	4.27%	1.54%
				415,991.58		362,065.22		3.10% T

#### Merger Arbitrage

ARBIX	03875R205	Arbitrage I	11,132.27	144,501.08	13.51	150,396.93	3.57%	1.29% T
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#### Global Macro

EGRIX	277923264	Eaton Vance Gbl Macro Abs Ret Advtg I	21,950.00	220,791.47	10.57	232,011.46	5.50%	1.99%
LAOSX	95768D509	Western Asset Macro Opportunities IS	20,575.71	213,441.81	11.68	240,324.32	5.70%	2.06%
				434,233.28		472,335.78		4.05% T

#### Commodities

EIPCX	277923223	Parametric Commodity Strategy Instl	15,392.07	82,655.43	5.27	81,116.22	1.92%	0.70% T
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#### Precious Metals

IAU	464285105	iShares Gold Trust	6,900.00	80,178.01	11.94	82,386.00	1.95%	0.71% T
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# HOLDINGS REPORT

## El Toro Water District 401(k) - Income & Growth

As of Second Quarter 2017

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
<b>Fund of Hedge Funds</b>								
BXMIX	09257V201	Blackstone Alternative Multi-Strategy I	13,886.62	142,551.47	10.73	149,003.46	3.53%	1.28%
QSPIX	00203H420	AQR Style Premia Alternative I	15,137.59	152,313.96	10.05	152,132.75	3.61%	1.30%
				294,865.43		301,136.21		2.58% T
<b>TOTAL ALTERNATIVES</b>				<b>\$1,622,970.23</b>		<b>\$1,623,616.09</b>		<b>13.92% T</b>
<b>TOTAL - ALL ASSETS</b>				<b>\$11,248,625.78</b>		<b>\$11,661,972.97</b>		<b>100.00%</b>

# INVESTMENT PORTFOLIO SUMMARY - BALANCED

## El Toro Water District - 401(k) Plan

Account Number: 6721031389

Data as of: 06/30/2017

Portfolio Manager:  
Robert L. Adams, CFA

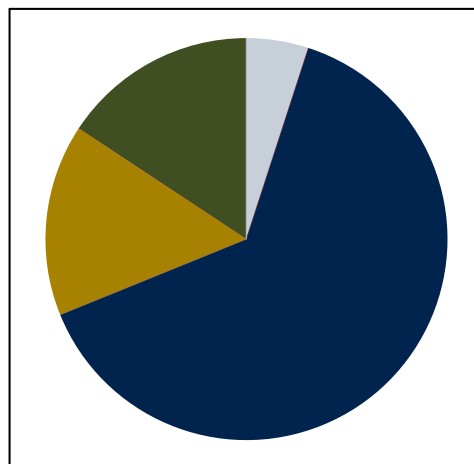
### Account Snapshot

Asset Class	Market Value	Tax Cost	Est. Annual Income	Current Yield (%)
Cash & Equivalents	\$88,487.21	\$88,487.21	\$211.24	0.24%
Fixed Income	\$645,176.83	\$656,983.38	\$17,966.28	2.78%
Equities	\$1,282,134.01	\$1,118,889.67	\$14,818.36	1.16%
Alternatives	\$306,795.39	\$304,229.31	\$402.56	0.13%
Other	\$0.00	\$0.00	\$0.00	0.00%
<b>Total</b>	<b>\$2,322,593.44</b>	<b>\$2,168,589.57</b>	<b>\$33,398.44</b>	<b>1.44%</b>

*Yields are gross of any fees and reflect the reinvestment of dividends and other income*

### Asset Allocation

3.8%	Cash & Equivalents
27.8%	Fixed Income
55.2%	Equities
13.2%	Alternatives
0.0%	Other



### Income Summary (1, 2)

Cash & Equivalents Income Earned YTD	\$106
Taxable Fixed Income Income Earned YTD	\$8,983
Tax-Exempt Fixed Income Income Earned YTD	\$0
Equity Income Earned YTD	\$7,409
Alternative Income Earned YTD	\$201
Other Income Earned YTD	\$0
<b>Total</b>	<b>\$16,699</b>

### Net Gain/Loss Summary (3)

	Realized	Unrealized
Net Short Term Gain/Loss	\$1,714	
Net Long Term Gain/Loss	\$13,690	
<b>Total</b>	<b>\$15,404</b>	<b>\$154,004</b>

(1) As of 06/30/2017

(2) Information is calculated on a calendar year basis and includes income, dividends, and capital gain distributions

# HOLDINGS REPORT

## El Toro Water District 401(k) - Balanced

As of Second Quarter 2017

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
<b>CASH EQUIVALENTS</b>								
<b>MONEY MARKET FUNDS/CASH</b>								
n.a.	n.a.	CASH	(1,121.1800)	(\$1,121.18)	1.00	(\$1,121.18)	-1.27%	-0.05%
FPZXX	n.a.	CASH FUND	89,608.39	\$89,608.39	1.00	\$89,608.39	101.27%	3.86%
<b>TOTAL CASH</b>				<b>\$88,487.21</b>		<b>\$88,487.21</b>		<b>3.81% T</b>
<b>FIXED INCOME</b>								
<b>Short-Term Bond Funds</b>								
PYSBX	704329200	Payden Low Duration Fund	2,022.42	20,376.62	10.09	20,406.23	3.16%	0.88%
VFSUX	922031836	Vanguard Short-Term Investment-Grade Adm	1,929.96	20,573.41	10.68	20,611.92	3.19%	0.89%
				<u>\$40,950.03</u>		<u>\$41,018.15</u>		<u>1.77% T</u>
<b>Intermediate-Term Bond Funds</b>								
DODIX	256210105	Dodge & Cox Income	12,642.25	174,695.05	13.75	173,830.94	26.94%	7.48%
PTRQX	744408884	Prudential Total Return Bond Q	12,144.56	179,015.11	14.46	175,610.35	27.22%	7.56%
PTTRX	693390700	PIMCO Total Return Instl	17,089.49	183,043.30	10.23	174,825.43	27.10%	7.53%
				<u>\$536,753.46</u>		<u>\$524,266.72</u>		<u>22.57% T</u>
<b>Floating Rate Note Funds</b>								
EIFHX	277911541	Eaton Vance Floating-Rate & Hi Inc Inst	7,208.53	63,390.83	8.88	64,011.76	9.92%	2.76% T
<b>Inflation Protected Bond Funds</b>								
TIP	464287176	iShares TIPS Bond ETF	140.00	15,889.06	113.43	15,880.20	2.46%	0.68% T
<b>TOTAL FIXED INCOME</b>				<b>\$656,983.38</b>		<b>\$645,176.83</b>		<b>27.78% T</b>
<b>EQUITY</b>								
<b>Large Cap Blend Funds</b>								
SMGIX	19765P406	Columbia Contrarian Core Z	7,041.10	132,893.64	24.95	175,675.52	13.70%	7.56%
VGIAx	921913208	Vanguard Growth & Income Adm	2,392.13	164,679.99	72.39	173,166.22	13.51%	7.46%

# HOLDINGS REPORT

## El Toro Water District 401(k) - Balanced

As of Second Quarter 2017

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
				\$297,573.63		\$348,841.74		15.02% T
<b>Large Cap Value Funds</b>								
DODGX	256219106	Dodge & Cox Stock	337.15	59,127.88	192.69	64,965.82	5.07%	2.80%
PKAIX	72202L462	PIMCO RAE Fundamental US Institutional	6,129.65	64,300.00	10.57	64,790.37	5.05%	2.79%
				\$123,427.88		\$129,756.19		5.59% T
<b>Large Cap Growth Funds</b>								
HNACX	411512528	Harbor Capital Appreciation Retirement	1,025.20	53,106.37	66.44	68,114.55	5.31%	2.93%
PRUFX	741479406	T. Rowe Price Growth Stock I	1,080.27	50,917.65	63.72	68,834.74	5.37%	2.96%
				\$104,024.02		\$136,949.29		\$0.06 T
<b>Mid Cap Value Funds</b>								
VEVIX	92646A831	Victory Sycamore Established Value I	1,321.71	46,695.68	37.99	50,211.84	3.92%	2.16% T
<b>Mid Cap Growth Funds</b>								
APDMX	04314H659	Artisan Mid Cap Advisor	1,275.99	48,292.00	42.07	53,680.82	4.19%	2.31% T
<b>Small Cap Value Funds</b>								
UBVLX	904504842	Undiscovered Managers Behavioral Val L	541.38	33,159.14	66.37	35,931.32	2.80%	1.55% T
<b>Small Cap Blend Funds</b>								
FSCRX	315912600	Fidelity® Small Cap Discovery	2,841.81	81,780.16	31.02	88,152.88	6.88%	3.80% T
<b>Small Cap Growth Funds</b>								
PRJIX	779562206	T. Rowe Price New Horizons I	755.24	31,828.85	51.11	38,600.27	3.01%	1.66% T
<b>Foreign Large Value Funds</b>								
DODFX	256206103	Dodge & Cox International Stock	1,682.67	64,512.22	43.63	73,414.94	5.73%	3.16% T
<b>Foreign Large Blend Funds</b>								
NWHMX	63868B815	Nationwide Bailard Intl Eqs R6	16,329.91	125,012.33	8.29	135,374.97	10.56%	5.83%
HEFA	46434V803	iShares Currency Hedged MSCI EAFE ETF	1,540.00	37,781.23	28.42	43,766.80	3.41%	1.88%

# HOLDINGS REPORT

## El Toro Water District 401(k) - Balanced

As of Second Quarter 2017

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
				162,793.56		179,141.77		7.71% T
<b>Foreign Large Growth Funds</b>								
MQGIX	55273E848	MFS International Growth I	2,231.13	63,903.87	34.6	77,197.20	6.02%	3.32% T
<b>Diversified Emerging Markets</b>								
HHHYX	41665H797	Hartford Schrodgers Emerging Mkts Eq Y	4,889.06	60,898.66	14.37	70,255.75	5.48%	3.02% T
<b>TOTAL EQUITY</b>				<b>\$1,118,889.67</b>		<b>\$1,282,134.01</b>		<b>55.20% T</b>
<b>ALTERNATIVES</b>								
<b>Market Neutral</b>								
QMNIX	00191K799	AQR Equity Market Neutral I	1,344.21	15,682.33	12.1	16,264.89	1.27%	0.70%
BSIKX	09257E787	BlackRock Strategic Income Opps K	1,666.49	16,432.65	9.92	16,531.56	1.29%	0.71%
				<u>\$32,114.98</u>		<u>\$32,796.45</u>		<u>1.41% T</u>
<b>Managed Futures</b>								
AQMIX	00203H859	AQR Managed Futures Strategy I	3,683.45	37,460.16	8.8	32,414.40	2.53%	1.40%
ASFYX	63872T729	Natixis ASG Managed Futures Strategy Y	3,472.40	38,017.38	9.58	33,265.55	2.59%	1.43%
				<u>75,477.54</u>		<u>65,679.95</u>		<u>2.83% T</u>
<b>Merger Arbitrage</b>								
ARBNX	03875R205	Arbitrage I	2,129.91	27,526.14	13.51	28,775.02	2.24%	1.24% T
<b>Global Macro</b>								
EGRIX	277923264	Eaton Vance Gbl Macro Abs Ret Advtg I	4,344.24	42,657.12	10.57	45,918.63	3.58%	1.98%
LAOSX	95768D509	Western Asset Macro Opportunities IS	4,145.01	42,559.20	11.68	48,413.69	3.78%	2.08%
				<u>85,216.32</u>		<u>94,332.32</u>		<u>4.06% T</u>
<b>Commodities</b>								
EIPCX	277923223	Parametric Commodity Strategy Instl	2,830.54	15,200.00	5.27	14,916.95	1.16%	0.64% T
<b>Precious Metals</b>								
IAU	464285105	iShares Gold Trust	1,315.00	15,280.31	11.94	15,701.10	1.22%	0.68% T

# HOLDINGS REPORT

## El Toro Water District 401(k) - Balanced

As of Second Quarter 2017

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
<b>Fund of Hedge Funds</b>								
BXMIX	09257V201	Blackstone Alternative Multi-Strategy I	2,600.08	26,678.74	10.73	27,898.83	2.18%	1.20%
QSPIX	00203H420	AQR Style Premia Alternative I	2,656.20	26,735.28	10.05	26,694.77	2.08%	1.15%
				53,414.02		54,593.60		2.35% T
<b>TOTAL ALTERNATIVES</b>				<b>\$304,229.31</b>		<b>\$306,795.39</b>		<b>13.21% T</b>
<b>TOTAL - ALL ASSETS</b>				<b>\$2,168,589.57</b>		<b>\$2,322,593.44</b>		<b>100.00%</b>

# INVESTMENT PORTFOLIO SUMMARY - GROWTH

## El Toro Water District - 401(k) Plan

Account Number: 6721041389

Data as of: 06/30/2017

Portfolio Manager:  
Robert L. Adams, CFA

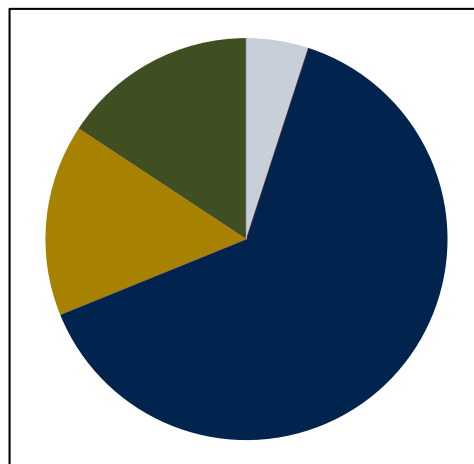
### Account Snapshot

Asset Class	Market Value	Tax Cost	Est. Annual Income	Current Yield (%)
Cash & Equivalents	\$97,662.63	\$97,662.63	\$187.68	0.19%
Fixed Income	\$168,533.83	\$171,017.16	\$4,650.86	2.76%
Equities	\$832,398.19	\$732,780.51	\$9,893.86	1.19%
Alternatives	\$150,216.78	\$148,593.50	\$196.58	0.13%
Other	\$0.00	\$0.00	\$0.00	0.00%
<b>Total</b>	<b>\$ 1,248,811</b>	<b>\$ 1,150,054</b>	<b>\$ 14,929</b>	<b>1.20%</b>

*Yields are gross of any fees and reflect the reinvestment of dividends and other income*

### Asset Allocation

7.8%	Cash & Equivalents
13.5%	Fixed Income
66.7%	Equities
12.0%	Alternatives
0.0%	Other



### Income Summary (1, 2)

Cash & Equivalents Income Earned YTD	\$94
Taxable Fixed Income Income Earned YTD	\$2,325
Tax-Exempt Fixed Income Income Earned YTD	\$0
Equity Income Earned YTD	\$4,947
Alternative Income Earned YTD	\$98
Other Income Earned YTD	\$0
<b>Total</b>	<b>\$7,464</b>

### Net Gain/Loss Summary (3)

	Realized	Unrealized
Net Short Term Gain/Loss	\$903	
Net Long Term Gain/Loss	\$6,416	
<b>Total</b>	<b>\$7,319</b>	<b>\$98,758</b>

(1) As of 06/30/2017

(2) Information is calculated on a calendar year basis and includes income, dividends, and capital gain distributions



# HOLDINGS REPORT

## El Toro Water District 401(k) - Growth

As of Second Quarter 2017

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
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### CASH EQUIVALENTS

#### MONEY MARKET FUNDS/CASH

n.a.	n.a.	CASH	(301.0800)	(\$301.08)	1.00	(\$301.08)	-0.31%	-0.02%
FPZXX	n.a.	CASH FUND	97,963.71	\$97,963.71	1.00	\$97,963.71	100.31%	7.84%

<b>TOTAL CASH</b>				<b>\$97,662.63</b>		<b>\$97,662.63</b>		<b>7.82% T</b>
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### FIXED INCOME

#### Short-Term Bond Funds

PYSBX	704329200	Payden Low Duration Fund	470.42	4,737.19	10.09	4,746.58	2.82%	0.38%
VFSUX	922031836	Vanguard Short-Term Investment-Grade Adm	446.93	4,764.30	10.68	4,773.23	2.83%	0.38%
				<u>\$9,501.49</u>		<u>\$9,519.81</u>		<u>0.76% T</u>

#### Intermediate-Term Bond Funds

DODIX	256210105	Dodge & Cox Income	3,306.91	45,722.79	13.75	45,470.01	26.98%	3.64%
PTRQX	744408884	Prudential Total Return Bond Q	3,181.49	46,814.02	14.46	46,004.27	27.30%	3.68%
PTTRX	693390700	PIMCO Total Return Instl	4,475.42	47,377.35	10.23	45,783.57	27.17%	3.67%
				<u>\$139,914.16</u>		<u>\$137,257.85</u>		<u>10.99% T</u>

#### Floating Rate Note Funds

EIFHX	277911541	Eaton Vance Floating-Rate & Hi Inc Inst	1,811.34	15,926.84	8.88	16,084.67	9.54%	1.29% T
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#### Inflation Protected Bond Funds

TIP	464287176	iShares TIPS Bond ETF	50.00	5,674.67	113.43	5,671.50	3.37%	0.45% T
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<b>TOTAL FIXED INCOME</b>				<b>\$171,017.16</b>		<b>\$168,533.83</b>		<b>13.50% T</b>
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### EQUITY

#### Large Cap Blend Funds

SMGIX	19765P406	Columbia Contrarian Core Z	4,296.75	85,516.46	24.95	107,203.86	12.88%	8.58%
VGIAx	921913208	Vanguard Growth & Income Adm	1,457.05	100,184.59	72.39	105,475.78	12.67%	8.45%

# HOLDINGS REPORT

## El Toro Water District 401(k) - Growth

As of Second Quarter 2017

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
				\$185,701.05		\$212,679.64		17.03% T
<b>Large Cap Value Funds</b>								
DODGX	256219106	Dodge & Cox Stock	216.76	37,883.59	192.69	41,767.68	5.02%	3.34%
PKAIX	72202L462	PIMCO RAE Fundamental US Institutional	3,927.55	41,199.99	10.57	41,514.19	4.99%	3.32%
				\$79,083.58		\$83,281.87		6.67% T
<b>Large Cap Growth Funds</b>								
HNACX	411512528	Harbor Capital Appreciation Retirement	669.45	35,041.13	66.44	44,478.39	5.34%	3.56%
PRUFX	741479406	T. Rowe Price Growth Stock I	704.96	33,591.30	63.72	44,920.24	5.40%	3.60%
				\$68,632.43		\$89,398.63		\$0.07 T
<b>Mid Cap Value Funds</b>								
VEVIX	92646A831	Victory Sycamore Established Value I	866.51	30,634.58	37.99	32,918.56	3.95%	2.64% T
<b>Mid Cap Growth Funds</b>								
APDMX	04314H659	Artisan Mid Cap Advisor	837.33	31,825.66	42.07	35,226.30	4.23%	2.82% T
<b>Small Cap Value Funds</b>								
UBVLX	904504842	Undiscovered Managers Behavioral Val L	390.18	23,898.37	66.37	25,896.31	3.11%	2.07% T
<b>Small Cap Blend Funds</b>								
FSCRX	315912600	Fidelity® Small Cap Discovery	2,024.68	58,004.87	31.02	62,805.51	7.55%	5.03% T
<b>Small Cap Growth Funds</b>								
PRJIX	779562206	T. Rowe Price New Horizons I	540.63	23,023.93	51.11	27,631.80	3.32%	2.21% T
<b>Foreign Large Value Funds</b>								
DODFX	256206103	Dodge & Cox International Stock	1,093.72	41,718.03	43.63	47,718.83	5.73%	3.82% T
<b>Foreign Large Blend Funds</b>								
NWHMX	63868B815	Nationwide Bailard Intl Eqs R6	10,609.06	82,192.96	8.29	87,949.11	10.57%	7.04%
HEFA	46434V803	iShares Currency Hedged MSCI EAFE ETF	970.00	23,889.59	28.42	27,567.40	3.31%	2.21%
				106,082.55		115,516.51		9.25% T

# HOLDINGS REPORT

## El Toro Water District 401(k) - Growth

As of Second Quarter 2017

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
<b>Foreign Large Growth Funds</b>								
MQGIX	55273E848	MFS International Growth I	1,462.28	42,128.23	34.6	50,594.96	6.08%	4.05% T
<b>Diversified Emerging Markets</b>								
HHHYX	41665H797	Hartford Schrodgers Emerging Mkts Eq Y	3,391.04	42,047.23	14.37	48,729.27	5.85%	3.90% T
<b>TOTAL EQUITY</b>				<b>\$732,780.51</b>		<b>\$832,398.19</b>		<b>66.66% T</b>

### ALTERNATIVES

#### Market Neutral

QMNIX	00191K799	AQR Equity Market Neutral I	703.22	8,214.32	12.1	8,508.90	1.02%	0.68%
BSIKX	09257E787	BlackRock Strategic Income Opps K	842.59	8,308.46	9.92	8,358.46	1.00%	0.67%
				<u>\$16,522.78</u>		<u>\$16,867.36</u>		<u>1.35% T</u>

#### Managed Futures

AQMIX	00203H859	AQR Managed Futures Strategy I	1,811.47	18,304.59	8.8	15,940.94	1.92%	1.28%
ASFYX	63872T729	Natixis ASG Managed Futures Strategy Y	1,645.89	17,874.54	9.58	15,767.66	1.89%	1.26%
				<u>36,179.13</u>		<u>31,708.60</u>		<u>2.54% T</u>

#### Merger Arbitrage

ARBNX	03875R205	Arbitrage I	1,009.85	13,102.45	13.51	13,643.13	1.64%	1.09% T
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#### Global Macro

EGRIX	277923264	Eaton Vance Gbl Macro Abs Ret Advtg I	2,141.26	20,977.33	10.57	22,633.07	2.72%	1.81%
LAOSX	95768D509	Western Asset Macro Opportunities IS	2,055.50	21,162.70	11.68	24,008.26	2.88%	1.92%
				<u>42,140.03</u>		<u>46,641.33</u>		<u>3.73% T</u>

#### Commodities

EIPCX	277923223	Parametric Commodity Strategy Instl	1,340.78	7,200.00	5.27	7,065.92	0.85%	0.57% T
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#### Precious Metals

IAU	464285105	iShares Gold Trust	625.00	7,262.50	11.94	7,462.50	0.90%	0.60% T
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# HOLDINGS REPORT

## El Toro Water District 401(k) - Growth

As of Second Quarter 2017

TICKER	CUSIP	ASSET NAME	SHARES/UNITS	COST BASIS	PRICE	MARKET VALUE (MV)	MV AS % OF ASSET TYPE	MV AS % OF TOTAL
<b>Fund of Hedge Funds</b>								
BXMIX	09257V201	Blackstone Alternative Multi-Strategy I	1,315.03	13,436.45	10.73	14,110.29	1.70%	1.13%
QSPIX	00203H420	AQR Style Premia Alternative I	1,265.44	12,750.16	10.05	12,717.65	1.53%	1.02%
				26,186.61		26,827.94		2.15% T
<b>TOTAL ALTERNATIVES</b>				<b>\$148,593.50</b>		<b>\$150,216.78</b>		<b>12.03% T</b>
<b>TOTAL - ALL ASSETS</b>				<b>\$1,150,053.80</b>		<b>\$1,248,811.43</b>		<b>100.00%</b>

## DISCLOSURES

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## 275 KW PORTABLE EMERGENCY GENERATOR



### BACKGROUND/PURPOSE:

The District maintains permanent stationary generators at eight of its ten sewage lift stations as well as at the P-1 and P-4 Pump Stations, at the Warehouse and at the WRP. Each of these sites as well as the two sewer lift stations and six water pump stations without stationary generators have readily available connections for portable generators. The District has historically maintained four portable generators for use at sites without stationary generators or to provide emergency backup power in the event of a generator failure at sites equipped with stationary generators.

Compliance with the increasingly stringent air quality regulations promulgated by the South Coast Air Quality Management District (AQMD) has proven more and more challenging and expensive over the last several years. The District has accommodated the capital and operations and maintenance expense associated with compliance with air quality regulations impacting the District's on-road fleet of diesel vehicles. Similar regulations have now been extended to portable generator facilities. Three of the District's four portable generators exceed 50 KW in size and are equipped with engines classified by AQMD as Tier 0. The regulation prohibiting the operation of Tier 0 engines went into effect in January, 2017.

The District has already replaced a smaller (56 KW) generator. The replacement of one the two larger (275 KW) generators was budgeted in the 2017/18 fiscal year.

The new generator will be equipped with a Tier 4 Final engine that represents best available technology that complies with all current and anticipated AQMD requirements.

### PROPOSAL EVALUATION:

Staff solicited quotes for generators from four manufacturers. The base prices, not including tax, are summarized as follows

Manufacturer	Generator Size	Cost
Cummins Pacific	275 KW	\$125,000
Atlas Copco	290 KW	\$126,000
Multiquip	336 KW	\$168,000
Caterpillar	375 KW	\$193,000

## 275 KW Portable Emergency Generator

### Page 2

The 275 KW generator proposed by Cummins Pacific has the capacity to provide service to all of the larger District pump stations. While the more expensive Multiquip and Caterpillar generators provide greater capacity, said capacity is not necessary nor would it justify the additional cost.

The proposals submitted by Cummins Pacific and Atlas Copco are very similar in cost. Staff evaluated both generators. Cummins Pacific brought a sample of the specific proposed model to the District yard for inspection by ETWD Staff. The Cummins Pacific generator better accommodates the cable connections utilized by the District where the Atlas Copco generator would require modifications. The District has had successful previous experience with Cummins Pacific generators. The evaluation of the two generators by the District's Operations Superintendent, Electrical Systems Supervisor, Pump Stations Foreman and Senior Mechanic yielded a unanimous consensus that the Cummins Pacific generator was better suited to accommodate the District's current and future needs while also representing the lowest cost.

### **BUDGET EVALUATION:**

The 2017/18 fiscal year capital budget for this equipment is \$210,000. The proposed Cummins Pacific generator is well under budget. After inspecting the equipment staff determined that a modification to the generator trailer would be necessary to accommodate the access requirements at the Westline Lift Station. Staff requested Cummins modify the proposal to include the trailer modification. The equipment acquisition budget is summarized as follows:

Cummins Pacific Generator	\$ 125,000.00
Tax	\$ 9,687.50
Trailer Modification	\$ 7,138.44
<b>Total</b>	<b>\$ 141,825.94</b>
Project Budget	\$ 210,000.00
Under Budget	\$ 68,174.06

The estimated lead time for delivery of the new generator is 6 weeks from issuance of the purchase order. The generator should therefore be available by early October.

### **Recommended Action for the August 22, 2017 Board Meeting:**

Staff recommends that the Board of Directors authorize the General Manager to enter into a Purchase Order Contract with Cummins Pacific in the amount of \$141,825.94 for the purchase of a new 275 kW standby generator. Staff further recommends that the Board authorize the General Manager to fund the project costs from the District's Capital Reserves in accordance with the District's adopted Capital Reserve Policy.

**By:** Dennis P. Cafferty  
**Date:** August 17, 2017

# **CAPITAL PROJECT / EQUIPMENT STATUS REPORT**

**August, 2017**

## **I                   Oso Lift Station Improvement Project**

**The project design effort is underway. The design is expected to be complete in September.**

## **II                   Phase II Recycled Water Distribution System Expansion Project**

**The West Side System project has been awarded to E.J. Meyer Company. Staff expects to schedule a pre-construction meeting at the end of August. Staff is preparing to bid the East Side System. Staff anticipates providing a recommendation for the award of a construction contract for the East Side System in October.**

**The easements required for the West Side System have been executed by Third Laguna Hills Mutual and the Golden Rain Foundation. The executed easement documents are in the process of being recorded. Easements for the East Side System will be required from United Laguna Woods Mutual. Staff has provided the easement documents to VMS and is working with VMS staff to provide any information or clarification necessary to facilitate the approval and execution of the East Side System project easements.**

## **III                  Phase III Recycled Water Distribution System Expansion Project**

**The portion of the MNWD Recycled Water Master Plan applicable to ETWD is complete. Staff is working on a high level project summary that will compare the cost of the various project component preliminary cost estimates to the potential recycled water production. Staff is preparing to make a report to the Board, at a conceptual level, in the near future regarding potential future recycled water projects.**

## **IV                 2<sup>nd</sup> Street Pump Station Demolition Project**

**Staff conducted a preconstruction meeting with S.S. Mechanical at the pump station site. S.S. Mechanical estimates the project will take two weeks to complete following commencement of demolition activities. The work will be scheduled following the de-energization of the electrical supply to the pump station building. Staff submitted a request and is awaiting a schedule from SCE.**

## **V                   Effluent Holding Pond**

**Staff issued a contract to PACE Advanced Water Engineering to perform an alternatives analysis of aeration options at the WRP Effluent Holding Pond. The analysis, considering aeration alternatives as well as associated costs and benefits, will be presented to the Board within the next two months.**



**VI South Orange County Supply and System Reliability Projects**

**A. Baker Water Treatment Product Water Conveyance Options**

**MNWD has contracted with Tetra Tech to perform an evaluation of a potential new turnout on the South County Pipeline that would include a turnout connection dedicated to the ETWD Baker supply. During the interim, MNWD has verbally indicated they are prepared to continue the temporary conveyance of water through the Los Alisos interconnection until such time that the permanent conveyance facilities are complete.**

**B. Poseidon HB Ocean Desalination Project**

**OCWD continues to work on preparation of CEQA (EIR) documentation for the project. The process is going slowly. The EIR will consider the impacts of injecting all of the water into the basin. That option would require over 30 new injection wells for which it has been difficult to find appropriate site locations. They are also studying how to construct a new six-mile pipeline to convey water to SOC as they suspect that Met will not allow them to use EOC Feeder No. 2 to convey the product water. This pipeline option will be incorporated into the EIR. The pipeline would be designed to convey 10 mgd (base loaded) to MNWD (4mgd), SMWD (5 mgd) and ETWD (1mgd).**

**Poseidon is working to renew and modify their State Lands Commission permit in August or September and then pursue renewal of their NPDES discharge permit with the Santa Ana Regional Water Quality Control Board in early 2018. It is anticipated that Poseidon will then seek project approval from the Coastal Commission sometime next summer.**

**The Project moving forward is contingent upon:**

- Poseidon securing the Coastal Commission Permit**
- Poseidon renewing their Regional Water Quality Control Board Permit**
- MWDOC securing a Met LRP (\$475/acre foot over a 15-year period)**
- If molecules were to be delivered to South County obtaining Met approval to introduce product water into East Orange County Feeder No. 2**

**Met approval of the LRP is subject to Poseidon receiving all applicable regulatory and environmental permits.**

**OCWD and Poseidon have agreed on a non-binding term sheet which will be the basis for negotiating a Water Purchase Agreement.**

**Agreed upon rate between Poseidon and OCWD Met rate plus an escalating surcharge over a 50-year period:**

- 20% first 10 years**
- 15% second 10 years**
- 10% third ten years**
- 5% fourth ten years**
- 0% for the last ten years**

**There is also a “reopener” to renegotiate based upon actual expenses at 15 years which, is tied to the proposed 15 year Met LRP.**

**OCWD takes delivery at the plant property line and is responsible for design, financing, construction and operation of the delivery system.**

**F.Y. 2017/18 CAPITAL REPLACEMENT AND REFURBISHMENT PROGRAM BUDGET ITEMS > \$50,000  
BOARD APPROVAL SCHEDULE**

Project Description		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Budget Estimate	Board Approved Cost
<i>2017/18 Capital Projects</i>															
1	Recycled Water Phase II	B	A	C	A	C	C	C	C	C	C	C	C	\$10,000,000	
2	Replace R-6 Sodium Hypochlorite Tanks	E	E	E	B	A	C	C	C	C				\$210,000	
3	Oso Lift Station Improvement Project	E	E	E	B	A	C	C	C	C	C	C	C	\$1,000,000	
4	AMR / AMI Implementation													\$200,000	
5	Master Plan Update		RFP	RFP	A	E	E	E	E	E				\$350,000	
6	A/C Pavement Repair and Maintenance at Los Alisos Facility						E	E	B	A	C	C		\$100,000	
<i>2017/18 Capital Equipment</i>															
1	Also Creek Lift Station Spare Grinder			Quote is <\$50K. Will be Purchased Under GM Authority										\$52,500	
2	Northline Lift Station Spare Grinder			A										\$84,000	
3	WRP Tractor							A		R				\$200,000	
4	Vehicle Replacement								A		R			\$100,000	
5	250KW Portable Emergency Generator		A											\$210,000	
6	Backhoe				B	A		R						\$168,000	
<b>Total</b>														<b>\$12,674,500</b>	<b>\$0</b>

E = Engineering/Study  
C = Construction  
O = Order

R = Receive  
P = Permit  
CQ = CEQA

RFP = Request for Proposal  
B = Bid  
A = Approve by Board

ET = Evaluate  
M = Monitoring  
BP = Board Presentation

N = Negotiate

CO = Carry Over

Revised 08/17/17

EL TORO WATER DISTRICT  
FINANCIAL REPORT  
August 21, 2017

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**EL TORO WATER DISTRICT  
BALANCE SHEET**

	<b>7/31/17 (Unaudited)</b>	<b>June 30, 2017 (Unaudited)</b>
<b>ASSETS</b>		
Current Assets		
Cash & Investments	\$6,471,159	\$6,482,719
Receivables:		
Accounts Receivable	4,139,283	3,000,262
Notes Receivable	-	-
Inventories	597,539	616,603
Prepaid Expenses	463,302	161,161
Total Current Assets	11,671,283	10,260,746
Restricted Assets		
Cash & Investments	10,897,511	10,897,628
Total Restricted Assets	10,897,511	10,897,628
Non-Current Assets		
Utility Plant:		
Land & Easements	7,451,585	7,451,585
Long Term Leases	342,382	342,382
Equipment	95,158,804	94,991,417
Collection & Impound Reservoirs	6,243,706	6,243,706
Structure & Improvements	34,599,770	34,599,770
Total Utility Plant	143,796,248	143,628,861
Less Accumulated Depreciation & Amortization	(66,853,660)	(66,535,201)
Net Utility Plant	76,942,589	77,093,660
Construction Work in Progress	17,836,966	17,832,166
Notes Receivable	-	-
Total Non-current Assets	94,779,554	94,925,825
<b>TOTAL ASSETS</b>	<b>\$117,348,348</b>	<b>\$116,084,199</b>

**EL TORO WATER DISTRICT  
BALANCE SHEET**

	<b>7/31/17 (Unaudited)</b>	<b>June 30, 2017 (Unaudited)</b>
LIABILITIES and EQUITY		
Liabilities		
Current Liabilities Payable		
Accounts Payable	\$1,920,910	\$1,515,973
Current Portion of Long-Term Debt	1,750,248	10,611
Other Current Liabilities	7,738,717	6,524,521
Total Current Liabilities Payable		
From Current Assets	11,409,875	8,051,106
Long Term Debt		
Long Term Debt	35,802,806	37,542,443
Total Long Term Debt	35,802,806	37,542,443
Total Liabilities	47,212,681	45,593,548
Fund Equity		
Retained Earnings - Reserved	22,174,300	22,174,300
Contributed Capital	8,744,767	8,744,767
Retained Earnings - Unreserved	38,896,947	38,615,382
Net Income	319,653	956,202
Total Fund Equity	70,135,667	70,490,651
Total Liabilities & Fund Equity	\$117,348,348	\$116,084,199

CASH & INVESTMENTS  
SUMMARY OF INVESTMENTS BY TYPE

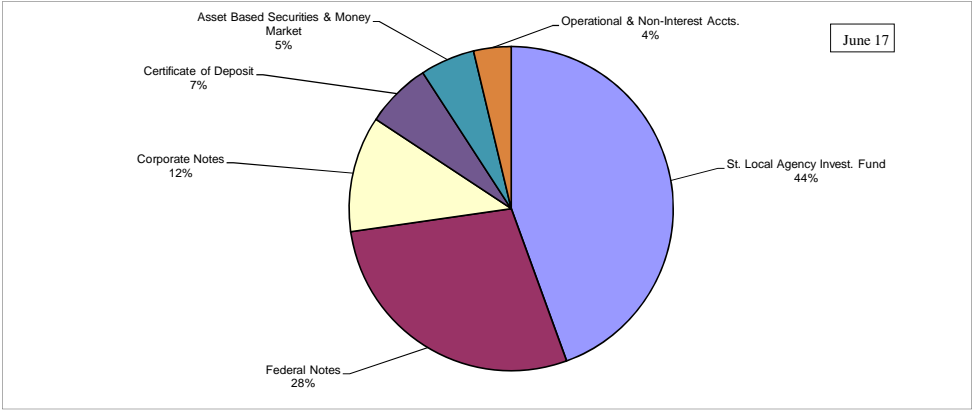
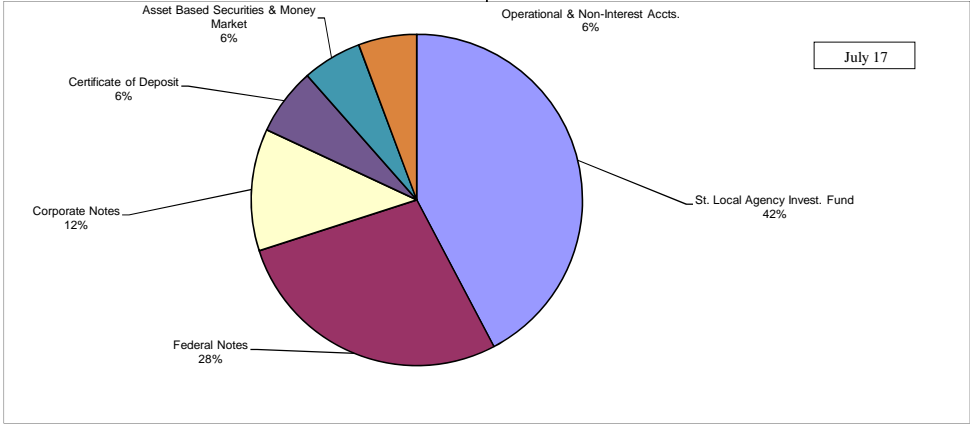
	Maturity Dates	Par	Market Value	Financial Institution	YTM	Original Cost
			7/31/17		7/31/17	7/31/17
State Local Agency Investment Fund	NA	NA	\$7,361,038	LAIF	1.05%	\$7,361,038
US Treasury N/B - Coupon Rate 1.500%	2/28/2019	240,000	240,637	US Bank/CAMP	1.15%	242,456
US Treasury N/B - Coupon Rate 1.625%	6/30/2020	150,000	150,522	US Bank/CAMP	1.50%	150,539
US Treasury N/B - Coupon Rate 1.625%	7/31/2020	300,000	300,949	US Bank/CAMP	1.60%	300,188
Intl BK Recon & Dev Notes - Coupon Rate 1.875%	4/21/2020	90,000	90,554	US Bank/CAMP	1.90%	89,922
Inter-American Devel BK Note - Coupon Rate 1.625%	5/12/2020	150,000	149,863	US Bank/CAMP	1.70%	149,645
FHLB Notes - Coupon Rate 0.625%	8/7/2018	340,000	337,886	US Bank/CAMP	0.92%	338,191
FHLB Global Note- Coupon Rate 0.875%	10/1/2018	720,000	716,026	US Bank/CAMP	0.94%	719,143
FNMA Benchmark Note - Coupon Rate 1.000%	2/26/2019	900,000	894,915	US Bank/CAMP	1.21%	894,429
FHLMC Reference Note- Coupon Rate 0.875%	7/19/2019	800,000	791,814	US Bank/CAMP	1.08%	795,616
FNMA Notes - Coupon Rate 1.000%	8/28/2019	950,000	941,640	US Bank/CAMP	1.10%	947,435
FNMA Notes - Coupon Rate 1.500%	2/28/2020	200,000	199,837	US Bank/CAMP	1.52%	199,872
Federal Notes		4,840,000	4,814,643			4,827,435
JP Morgan Chase Notes - Coupon Rate 6.000%	1/15/2018	250,000	254,902	US Bank/CAMP	1.79%	272,010
John Deere Capital Corp. - Coupon Rate 1.650%	10/15/2018	30,000	30,032	US Bank/CAMP	1.69%	29,981
Toyota Motor Credit Corp. - Coupon Rate 1.700%	1/9/2019	150,000	150,288	US Bank/CAMP	1.72%	149,948
US Bankcorp (Callable) Notes - Coupon Rate 2.200%	4/25/2019	150,000	151,383	US Bank/CAMP	1.47%	152,727
Pepsico Inc. - Coupon Rate 1.550%	5/2/2019	50,000	50,046	US Bank/CAMP	1.59%	49,963
American Express Credit - Coupon Rate 1.875%	5/3/2019	50,000	50,131	US Bank/CAMP	1.90%	49,980
American Honda Finance - Coupon Rate 1.200%	7/12/2019	150,000	148,735	US Bank/CAMP	1.48%	148,887
Goldman Sachs Group Inc - Coupon Rate 1.950%	7/23/2019	60,000	60,015	US Bank/CAMP	1.96%	59,993
Cisco Systems Notes - Coupon Rate 1.400%	9/20/2019	150,000	149,408	US Bank/CAMP	1.42%	149,931
American Express Credit Corp. - Coupon Rate 1.700%	10/30/2019	100,000	99,603	US Bank/CAMP	1.99%	99,240
BB&T Corp. Note - Coupon Rate 2.450%	1/15/2020	100,000	101,553	US Bank/CAMP	2.08%	101,053
Morgan Stanley Corp. Bonds - Coupon Rate 2.650%	1/27/2020	40,000	40,526	US Bank/CAMP	2.35%	40,346
IBM Corp. Notes - Coupon Rate 1.900%	1/27/2020	100,000	100,319	US Bank/CAMP	1.93%	99,904
Microsoft Corp. Note - Coupon Rate 1.850%	2/6/2020	90,000	90,391	US Bank/CAMP	1.87%	89,940
Apple Inc. Bonds - Coupon Rate 1.900%	2/7/2020	80,000	80,444	US Bank/CAMP	1.92%	79,961
Chevron Corp Notes - Coupon Rate 1.991%	3/3/2020	70,000	70,333	US Bank/CAMP	1.99%	70,000
Walt Disney Corp Notes - Coupon Rate 1.95%	3/4/2020	20,000	20,088	US Bank/CAMP	1.96%	19,995
Exxon Mobil Corp Note - Coupon Rate 1.912%	3/6/2020	90,000	90,480	US Bank/CAMP	1.75%	90,402
John Deere Capital Corp. - Coupon Rate 2.200%	3/13/2020	40,000	40,437	US Bank/CAMP	2.23%	39,969
Apple Inc. Bonds - Coupon Rate 1.800%	5/11/2020	60,000	60,146	US Bank/CAMP	1.84%	59,939
Intel Corp Notes - Coupon Rate 1.850%	5/11/2020	90,000	90,080	US Bank/CAMP	1.86%	89,966
Home Depot Inc Corp Notes - Coupon Rate 1.800%	6/5/2020	40,000	40,167	US Bank/CAMP	1.82%	39,977
Walt Disney Corp Notes - Coupon Rate 1.800%	6/5/2020	70,000	70,017	US Bank/CAMP	1.84%	69,919
John Deere Capital Corp Notes - Coupon Rate 1.950%	6/22/2020	20,000	20,090	US Bank/CAMP	1.97%	19,988
Corporate Notes		2,050,000	2,059,614			2,074,015
Bank of Tokyo Mitsubishi - Coupon Rate 0.000%	1/26/2018	150,000	148,957	US Bank/CAMP	1.54%	148,296
Canadian Imperial Bank NY CD - Coupon Rate 1.760%	11/30/2018	250,000	250,835	US Bank/CAMP	1.25%	250,320
Svenska Handelsbanken NY LT CD - Coupon Rate 1.890%	1/10/2019	200,000	199,381	US Bank/CAMP	1.91%	200,000
Bank of Montreal Chicago CD - Coupon Rate 1.880%	2/7/2019	180,000	180,914	US Bank/CAMP	1.90%	180,000
Bank of Nova Scotia Houston LT CD - Coupon Rate 1.910%	4/5/2019	180,000	179,853	US Bank/CAMP	1.91%	180,000
Sumitomo Mitsui Bank CD - Coupon Rate 2.050%	5/3/2019	180,000	180,588	US Bank/CAMP	2.05%	180,000
Certificate of Deposit		1,140,000	1,140,527			1,138,616
Nissan ABS 2015-A A3 - Coupon Rate 1.050%	10/15/2019	12,103	12,083	US Bank/CAMP	1.28%	12,046
CNH Equipment Trust Pool -Coupon Rate 1.640%	7/15/2020	190,000	190,380	US Bank/CAMP	1.80%	189,993
Toyota ABS 2017-A A3 - Coupon Rate 1.730%	2/15/2021	50,000	50,081	US Bank/CAMP	1.74%	49,994
John Deere ABS 2017-A A3 - Coupon Rate 1.780%	4/15/2021	30,000	30,039	US Bank/CAMP	1.79%	29,996
Toyota ABS 2017-B A3 - Coupon Rate 1.760%	7/15/2021	100,000	100,050	US Bank/CAMP	1.76%	99,992
Honda ABS 2017-1 A3 - Coupon Rate 1.720%	7/21/2021	40,000	40,007	US Bank/CAMP	1.72%	39,998
Hyundai ABS 2017-A A3 - Coupon Rate 1.760%	8/15/2021	40,000	40,043	US Bank/CAMP	1.76%	39,997
Nissan ABS 2017-A A3 - Coupon Rate 1.740%	8/15/2021	50,000	50,081	US Bank/CAMP	1.74%	49,995
Ally ABS 2017-2 A3 - Coupon Rate 1.780%	8/15/2021	70,000	70,041	US Bank/CAMP	1.79%	69,992
HAROT 2017-2 A3 - Coupon Rate 1.680%	8/16/2021	90,000	89,923	US Bank/CAMP	1.68%	89,992
John Deere ABS 2014-B A3 - Coupon Rate 1.820%	10/15/2021	30,000	30,025	US Bank/CAMP	1.82%	29,998
Ford ABS 2017-B A3 - Coupon Rate 1.690%	11/15/2021	70,000	69,952	US Bank/CAMP	1.69%	69,997
AMXCA 2017-4 A - Coupon Rate 1.640%	12/15/2021	100,000	99,953	US Bank/CAMP	1.65%	99,984
CCCIT 2017-A3 A3 - Coupon Rate 1.920%	4/7/2022	100,000	100,316	US Bank/CAMP	1.82%	100,267
CAMP Money Market Fund	NA	NA	34,729	US Bank/CAMP	1.12%	34,729
Asset Based Securities & Money Market		972,103	1,007,702			1,006,969
Total Camp Investments		9,002,103	9,022,486			9,047,036

Operational & Non-Interest Bearing Accounts

ETWD General Cash Account	NA	NA	969,568	Union Bank of Cal.	0.00%	969,568
ETWD Capital Facilities Reserve Account	NA	NA	23,081	Union Bank of Cal.	0.00%	23,081
ETWD Payroll Account	NA	NA	0	Union Bank of Cal.	0.00%	0
ETWD Petty Cash Account	NA	NA	700	Union Bank of Cal.	0.00%	700
Operational & Non-Interest Accts.			993,349			993,349

\$17,376,873 Total Investments & Cash

\$17,401,423



LIQUIDITY

	July 31, 2017			June 30, 2017		
	\$	%		\$	%	
DEMAND	\$ 8,389,116	48.21%		\$ 8,399,070	48.21%	
30 Days	\$ -	0.00%		\$ -	0.00%	
31-180 Days	\$ 420,306	2.42%		\$ -	0.00%	
181 - 360	\$ -	0.00%		\$ 420,306	2.41%	
361-1200 Days	\$ 8,592,000	49.38%		\$ 8,602,295	49.38%	
TOTAL	\$ 17,401,423	100.00%		\$ 17,421,671	100.00%	

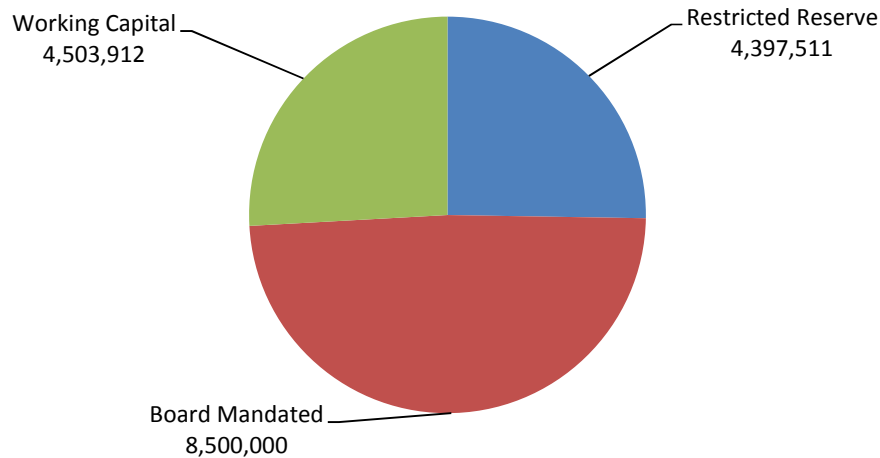
All investment actions since the prior report have been executed in full compliance with the District's Investment Policy and in accordance with California Government Code Sections 53646 (b) (2) and (3) requiring sufficient cash reserves for six months of District operations.

# EL TORO WATER DISTRICT

## RESERVE ANALYSIS

31-Jul-17

### Reserves



Restricted Reserve	\$	4,397,511
Board Designated	\$	8,500,000
Capital Cash Flow/ Compliance	\$	4,503,912
<b>Total</b>	<b>\$</b>	<b>17,401,423</b>

### Restricted Reserve

SRFL-Recycled	\$	1,602,958
Capital Facilities Reserve	\$	24,392
Tiered Cons Fund	\$	1,801,809
Baker Funding	\$	968,352
<b>Total</b>	<b>\$</b>	<b>4,397,511</b>

### Board Mandated Minimum Reserve Levels

Capital Construction	\$	3,000,000
Rate Stabilization	\$	2,200,000
Operations	\$	1,300,000
Working Capital	\$	2,000,000
<b>Total</b>	<b>\$</b>	<b>8,500,000</b>

Six months operating expense requirement:	\$11,049,612
Cash less restricted reserve on hand:	\$13,003,912



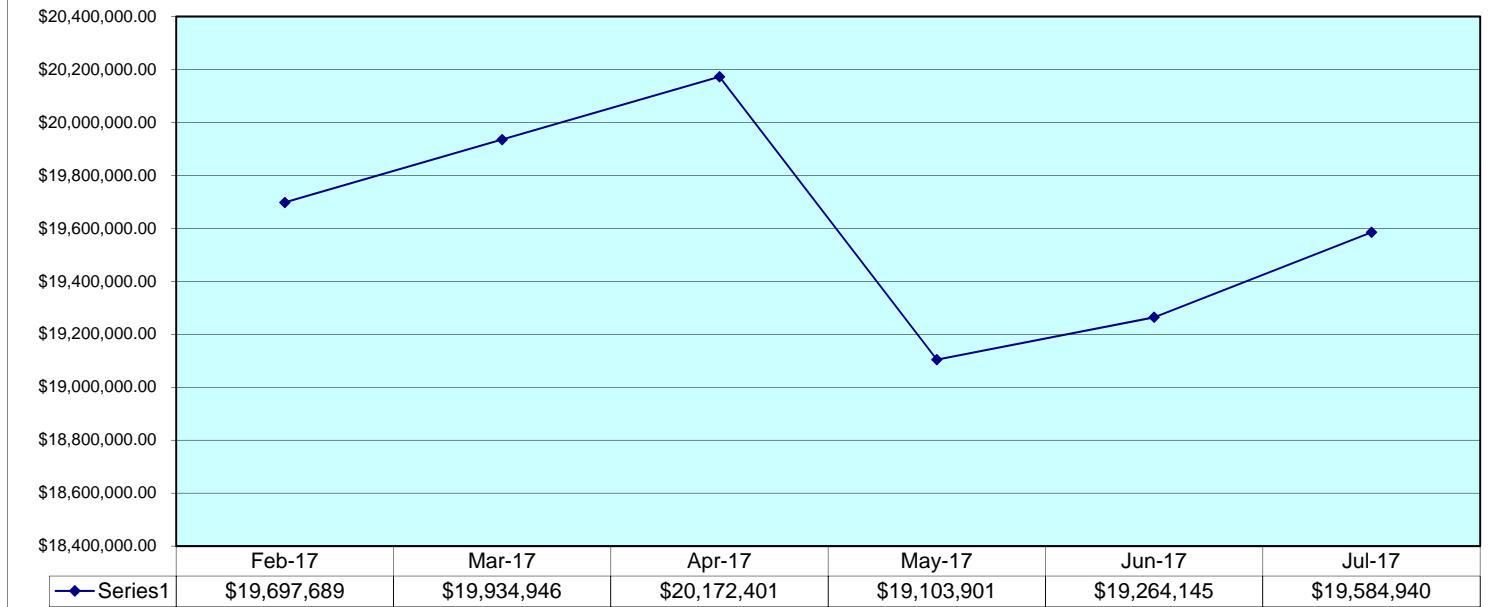
## EL TORO WATER DISTRICT CHANGE IN RESERVES

	<u>July 31, 2017</u>	<u>Year to Date</u>	<u>June 30, 2017</u>
Operating Revenue	2,331,231	2,331,231	23,839,180
Non-operating Revenue	147,317	147,317	1,501,421
Total Revenue	<u>2,478,548</u>	<u>2,478,548</u>	<u>25,340,601</u>
Operating Expenses	1,773,863	1,773,863	20,040,847
Depreciation	317,888	317,888	3,814,656
Non-operating Expenses	67,144	67,144	528,896
Total Expenses	<u>2,158,895</u>	<u>2,158,895</u>	<u>24,384,399</u>
NET INCOME	319,653	319,653	956,202
Non-Cash Items:			
Add: Depreciation	317,888	317,888	3,814,656
Change in Notes Receivable/Grant Fund	-	-	-
Loan Proceeds	-	-	1,352,912
Less: Debt Service	-	-	(199,965)
Capital Improvements	(172,087)	(172,087)	(3,561,957)
Total Non-Cash Items	<u>145,801</u>	<u>145,801</u>	<u>1,405,646</u>
CHANGE IN RESERVES	<u><u>465,453</u></u>	<u><u>465,453</u></u>	<u><u>2,361,848</u></u>



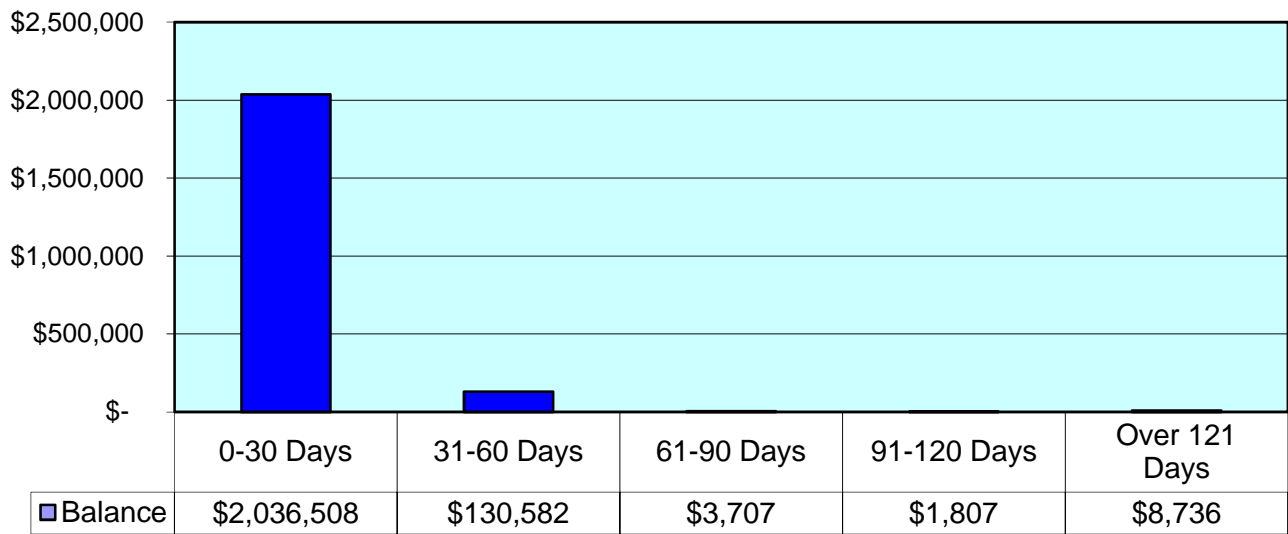
## EL TORO WATER DISTRICT 401K PLAN SUMMARY

### 401K PLAN MARKET VALUE

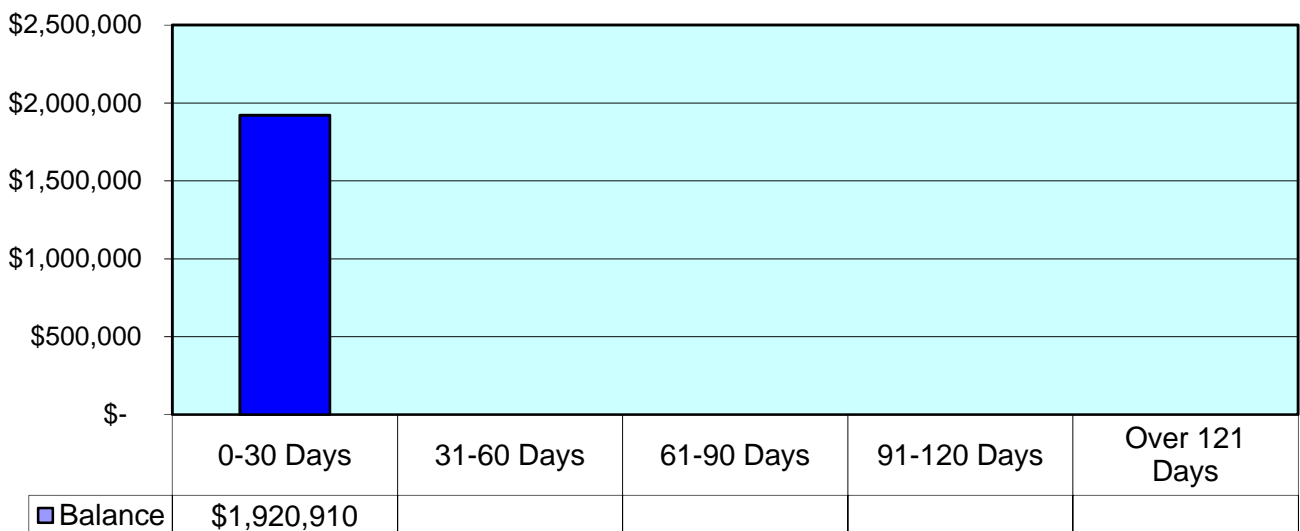


MARKET VALUE SUMMARY				
	Growth Port. Under 40 yrs. Old	Balanced Port. 40 to 50 yrs. Old	Income & Growth 50 to 60 yrs. Old	Capital Pres. Port Over 60 yrs. Old
Balance at July 1, 2017	\$ 1,249,773.70	\$2,323,855.06	\$11,668,412.71	\$4,022,103.68
Contributions	21,433.97	11,950.22	45,107.47	19,242.28
Withdrawals	0.00	0.00	(1,980.78)	(9,980.00)
Transfers	(233,907.18)	(42,684.69)	(538,442.46)	815,034.33
Interest, dividends and appreciation net of fees and charges	18,770.54	38,687.95	137,545.22	40,017.66
Balance at July 31, 2017	\$ 1,056,071.03	\$2,331,808.54	\$11,310,642.16	\$4,886,417.95
Average return YTD July 31, 2017	1.78%	1.66%	1.22%	0.82%

Average return is calculated by dividing the interest, dividends and appreciation, net of fees by ending fund balance and then annualize.

**RECEIVABLES & PAYABLES AGEING****Receivables as of 7/31/17**

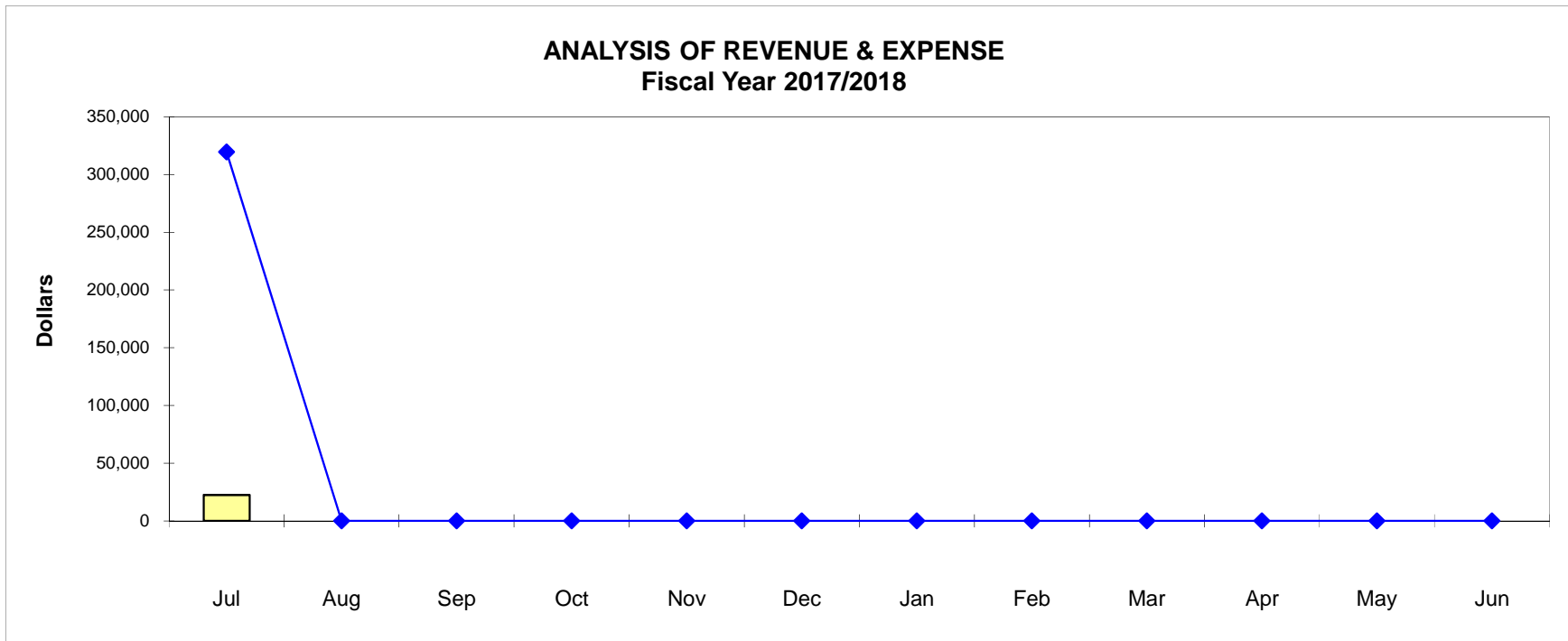
Bad Debts Year to Date: \$1,303

**Accounts Payable as of 7/31/17**

Year to Date Discounts Taken: \$0

Page 10  
El Toro Water District  
Income Statement  
July 2017

	Jul 17	Budget	% of Budget	Jul 17	YTD Budget	% of Budget	Annual Budget
Income							
4600 · Water Service Charge	234,686.53	256,107.50	91.64%	234,686.53	256,107.50	91.64%	3,073,290.00
4700 · Sanitary Service	634,653.57	630,416.63	100.67%	634,653.57	630,416.63	100.67%	7,565,000.00
4722 · Recycled Water Tertiary Sales	205,224.63	154,874.95	132.51%	205,224.63	154,874.95	132.51%	1,450,000.00
4724 · Service Charge - Recycled Water	15,696.60	17,333.37	90.56%	15,696.60	17,333.37	90.56%	208,000.00
4750 · Capital Facilities Charge	250,266.55	251,250.00	99.61%	250,266.55	251,250.00	99.61%	3,015,000.00
4800 · Commodity Charge	973,331.86	951,514.46	102.29%	973,331.86	951,514.46	102.29%	8,908,451.00
4950 · Other Operating Income	6,371.46	4,583.37	139.01%	6,371.46	4,583.37	139.01%	55,000.00
4960 · Other Income	49,589.60	35,625.00	139.2%	49,589.60	35,625.00	139.2%	427,500.00
4967 · SMWD	0.00	8,333.37	0.0%	0.00	8,333.37	0.0%	100,000.00
4970 · MNWD	11,000.00	1,750.00	628.57%	11,000.00	1,750.00	628.57%	21,000.00
4980 · Interest Income	17,175.02	8,333.37	206.1%	17,175.02	8,333.37	206.1%	100,000.00
4985 · Changes FMV CAMP	10,968.78			10,968.78			
4986 · Changes FMV LAIF							
4990 · Property Taxes	69,583.33	69,583.37	100.0%	69,583.33	69,583.37	100.0%	835,000.00
Total Income	2,478,547.93	2,389,705.39	103.72%	2,478,547.93	2,389,705.39	103.72%	25,758,241.00
Gross Profit	2,478,547.93	2,389,705.39	103.72%	2,478,547.93	2,389,705.39	103.72%	25,758,241.00
Expense							
5100 · Personnel Cost	625,096.74	658,579.38	94.92%	625,096.74	658,579.38	94.92%	7,902,953.00
5405 · Water Purchases	744,717.26	821,159.85	90.69%	744,717.26	821,159.85	90.69%	7,691,757.00
5410 · Electrical Power	92,078.77	80,341.74	114.61%	92,078.77	80,341.74	114.61%	964,100.00
5415 · Repair Parts & Materials	17,632.72	34,373.16	51.3%	17,632.72	34,373.16	51.3%	412,470.00
5420 · Equipment Maintenance & Repair	1,747.55	11,046.09	15.82%	1,747.55	11,046.09	15.82%	132,550.00
5425 · Pump Maintenance & Repair	880.00	12,741.74	6.91%	880.00	12,741.74	6.91%	152,900.00
5430 · Motor Maintenance & Repair	0.00	3,141.41	0.0%	0.00	3,141.41	0.0%	37,700.00
5435 · Generator Maintenance & Repair	0.00	0.00	0.0%	0.00	0.00	0.0%	0.00
5440 · Electrical/Contl Maint & Repair	0.00	5,499.89	0.0%	0.00	5,499.89	0.0%	66,000.00
5445 · Meter Maintenance & Repair	0.00	183.37	0.0%	0.00	183.37	0.0%	2,200.00
5455 · Chemicals	16,535.58	17,275.00	95.72%	16,535.58	17,275.00	95.72%	207,300.00
5460 · Structure Maint & Repair	868.00	2,721.63	31.89%	868.00	2,721.63	31.89%	32,660.00
5465 · Asphalt Maintenance & Repair	10,260.00	6,125.00	167.51%	10,260.00	6,125.00	167.51%	73,500.00
5470 · Consultants	4,256.50	11,433.26	37.23%	4,256.50	11,433.26	37.23%	137,200.00
5475 · Contractors	106,150.14	109,535.75	96.91%	106,150.14	109,535.75	96.91%	1,314,429.00
5480 · Engineers	0.00	7,141.63	0.0%	0.00	7,141.63	0.0%	85,700.00
5482 · Dump Fees	0.00	1,333.26	0.0%	0.00	1,333.26	0.0%	16,000.00
5485 · Laboratory	135.00	1,558.26	8.66%	135.00	1,558.26	8.66%	18,700.00
5490 · License & Permits	2,977.40	10,640.44	27.98%	2,977.40	10,640.44	27.98%	127,680.00
5495 · Gas & Oil	6,795.68	7,500.00	90.61%	6,795.68	7,500.00	90.61%	90,000.00
5500 · Equipment Rental	530.20	1,366.63	38.8%	530.20	1,366.63	38.8%	16,400.00
5505 · Landscaping	3,738.33	6,888.37	54.27%	3,738.33	6,888.37	54.27%	82,660.00
5510 · Small Tools & Equipment	967.34	4,708.26	20.55%	967.34	4,708.26	20.55%	56,500.00
5515 · Security	1,587.81	1,587.66	100.01%	1,587.81	1,587.66	100.01%	19,055.00
5520 · Operating Supplies	5,288.16	3,958.26	133.6%	5,288.16	3,958.26	133.6%	47,500.00
5525 · Safety Equipment	5,068.58	1,958.37	258.82%	5,068.58	1,958.37	258.82%	23,500.00
5530 · Temporary Help	0.00	4,583.26	0.0%	0.00	4,583.26	0.0%	55,000.00
5535 · Other Employee Cost	5,841.58	6,583.26	88.73%	5,841.58	6,583.26	88.73%	79,000.00
5540 · Depreciation	317,888.00	333,333.37	95.37%	317,888.00	333,333.37	95.37%	4,000,000.00
5545 · Insurance	36,728.02	35,191.63	104.37%	36,728.02	35,191.63	104.37%	422,300.00
5555 · Advertising & Publicity	579.00	208.37	277.87%	579.00	208.37	277.87%	2,500.00
5560 · Amortization	570.49	570.87	99.93%	570.49	570.87	99.93%	6,850.00
5570 · Annual Event	0.00	445.87	0.0%	0.00	445.87	0.0%	5,350.00
5575 · Audit	9,900.00	2,500.00	396.0%	9,900.00	2,500.00	396.0%	30,000.00
5580 · Bad Debts	1,303.10	1,666.63	78.19%	1,303.10	1,666.63	78.19%	20,000.00
5585 · Bank Charges	4,140.35	4,500.00	92.01%	4,140.35	4,500.00	92.01%	54,000.00
5590 · Data Processing Supply & Access	2,341.18	1,666.63	140.47%	2,341.18	1,666.63	140.47%	20,000.00
5595 · Data Processing Equipment	0.00	3,333.37	0.0%	0.00	3,333.37	0.0%	40,000.00
5600 · Data Processing Consultants	3,455.00	4,166.63	82.92%	3,455.00	4,166.63	82.92%	50,000.00
5605 · Directors Fees	8,808.00	7,750.00	113.65%	8,808.00	7,750.00	113.65%	93,000.00
5610 · Dues & Memberships	11,767.39	6,250.00	188.28%	11,767.39	6,250.00	188.28%	75,000.00
5615 · Education & Training	4,883.97	2,625.00	186.06%	4,883.97	2,625.00	186.06%	31,500.00
5620 · Election Expense	0.00	0.00	0.0%	0.00	0.00	0.0%	0.00
5625 · Employee Service Awards	0.00	333.37	0.0%	0.00	333.37	0.0%	4,000.00
5630 · Software Maintenance & Licenses	838.70	6,616.63	12.68%	838.70	6,616.63	12.68%	79,400.00
5640 · Interest Expense	67,144.07	67,144.12	100.0%	67,144.07	67,144.12	100.0%	805,729.00
5645 · Janitorial	2,775.00	2,875.00	96.52%	2,775.00	2,875.00	96.52%	34,500.00
5650 · Legal	6,764.24	12,500.00	54.11%	6,764.24	12,500.00	54.11%	150,000.00
5655 · Meets, Conventions & Travel	3,645.06	2,916.63	124.98%	3,645.06	2,916.63	124.98%	35,000.00
5657 · Meets, Con & Travel - Directors	3,578.18	2,166.63	165.15%	3,578.18	2,166.63	165.15%	26,000.00
5660 · Office Supplies	897.21	1,916.63	46.81%	897.21	1,916.63	46.81%	23,000.00
5670 · Postage	103.20	1,708.37	6.04%	103.20	1,708.37	6.04%	20,500.00
5675 · Printing & Reproduction	3,699.29	1,750.00	211.39%	3,699.29	1,750.00	211.39%	21,000.00
5680 · Property Tax	0.00	458.37	0.0%	0.00	458.37	0.0%	5,500.00
5685 · Public Education & Outreach	5,910.61	20,016.63	29.53%	5,910.61	20,016.63	29.53%	240,200.00
5690 · Publications & Subscriptions	0.00	250.00	0.0%	0.00	250.00	0.0%	3,000.00
5695 · Communications	6,330.52	6,916.63	91.53%	6,330.52	6,916.63	91.53%	83,000.00
5700 · Utilities	1,691.30	1,541.63	109.71%	1,691.30	1,541.63	109.71%	18,500.00
Total Expense	2,158,895.22	2,367,283.94	91.2%	2,158,895.22	2,367,283.94	91.2%	26,245,243.00
	Jul 17	Budget	% of Budget	Jul 17	YTD Budget	% of Budget	Annual Budget
Net Income	319,652.71	22,421.45	1,425.66%	319,652.71	22,421.45	1,425.66%	-487,002.00

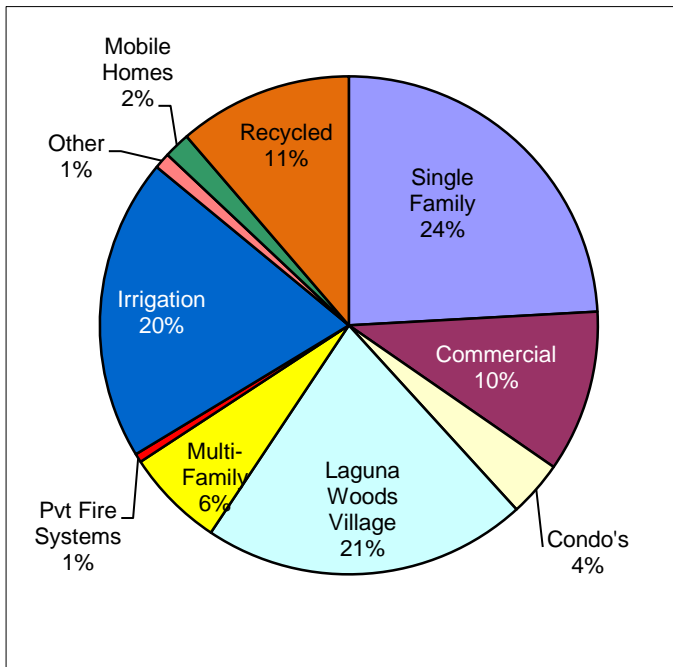
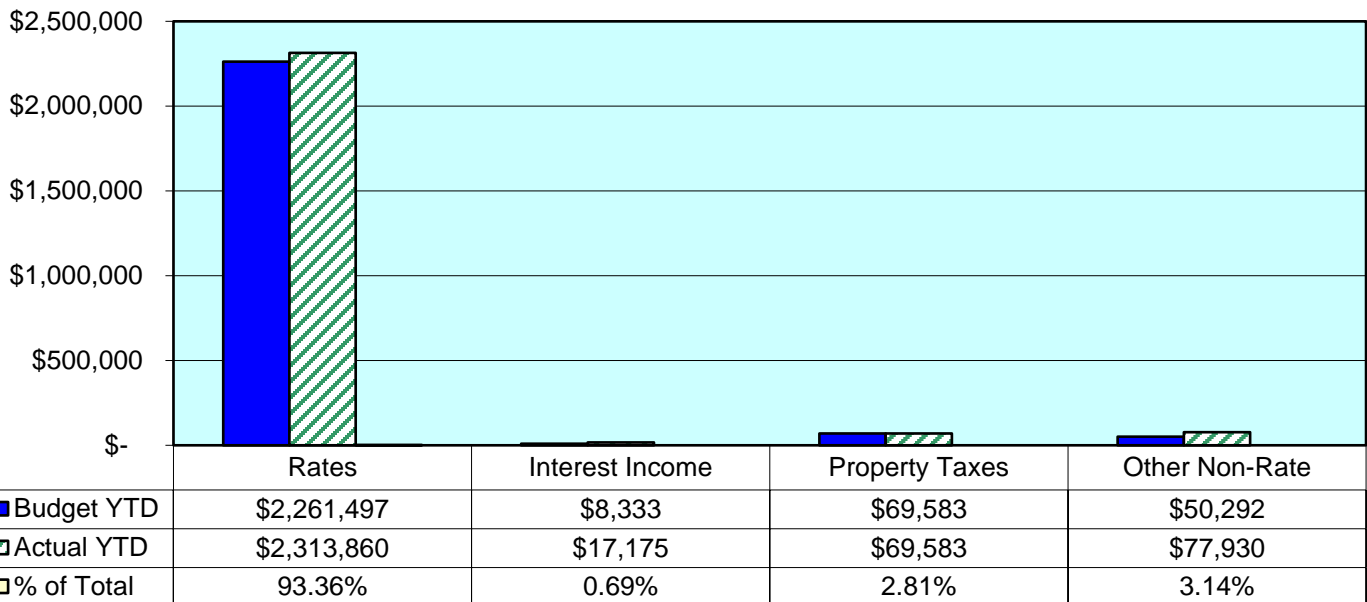


## ANALYSIS OF REVENUES & EXPENSES BUDGET COMPARED TO ACTUAL FISCAL YEAR 2017/2018

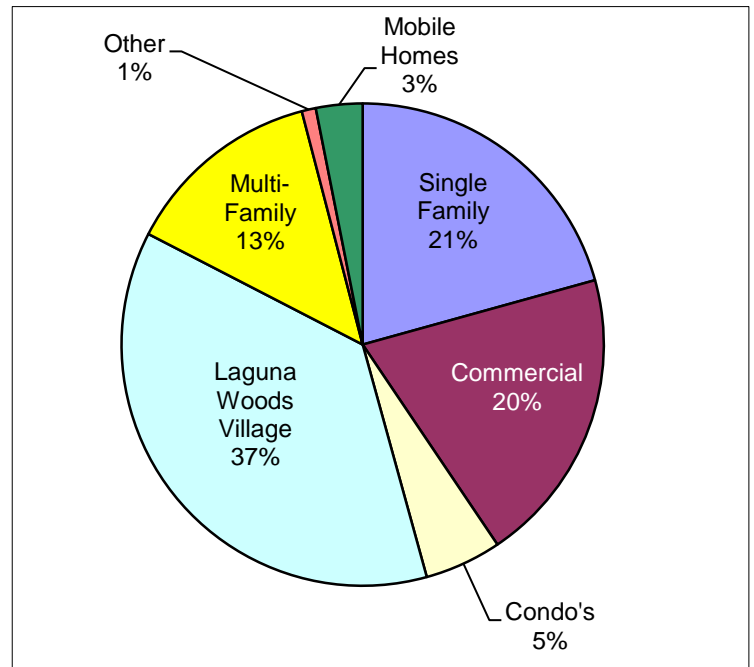
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# EL TORO WATER DISTRICT REVENUES FROM WATER & WASTE WATER SALES AS OF 7/31/17

## Where the Money Comes From



WATER REVENUE YTD 2017/2018



WASTE WATER REVENUE YTD 2017/2018

**EL TORO WATER DISTRICT  
REVENUE COMPARISON  
For the Month Ended July 31, 2017**

	ACTUAL	CURRENT MONTH BUDGET	VARIANCE DOLLARS	% +/-	YEAR TO DATE ACTUAL	YEAR TO DATE BUDGET	VARIANCE DOLLARS	% +/-	BUDGET	REMAINING BUDGET
<u>From Rates</u>										
Capital Facilities Charge	\$ 250,267	\$ 251,250	\$ (983)	0%	\$ 250,267	\$ 251,250	\$ (983)	0%	\$ 3,015,000	\$ 2,764,733
Water sales - Commodity	973,332	951,514	21,817	2%	973,332	951,514	21,817	2%	8,908,451	7,935,119
Water sales - Fixed Meter	234,687	256,108	(21,421)	-8%	234,687	256,108	(21,421)	-8%	3,073,290	2,838,603
Waste water sales	634,654	630,417	4,237	1%	634,654	630,417	4,237	1%	7,565,000	6,930,346
Recycled water tertiary sales	205,225	154,875	50,350	33%	205,225	154,875	50,350	33%	1,450,000	1,244,775
Service charge - Recycled water	15,697	17,333	(1,637)	-9%	15,697	17,333	(1,637)	-9%	208,000	192,303
<b>TOTAL FROM RATES</b>	<b>2,313,860</b>	<b>2,261,497</b>	<b>52,363</b>	<b>2%</b>	<b>2,313,860</b>	<b>2,261,497</b>	<b>52,363</b>	<b>2%</b>	<b>24,219,741</b>	<b>21,905,881</b>
<u>Non-rate Revenue</u>										
Admin fee	3,591	1,600	1,991	124%	3,591	1,600	1,991	124%	19,200	15,609
48 Hour notice fee	2,355	2,451	(96)	-4%	2,355	2,451	(96)	-4%	29,416.44	27,061
Restoration fee	270	370	(100)	-27%	270	370	(100)	-27%	4,440	4,170
Unpaid check fee	155	150	5	3%	155	150	5	3%	1,800	1,645
Cut lock fee	-	12	(12)	-100%	-	12	(12)	-100%	144	144
<b>TOTAL NON-RATE</b>	<b>6,371</b>	<b>4,583</b>	<b>1,788</b>	<b>39%</b>	<b>6,371</b>	<b>4,583</b>	<b>1,788</b>	<b>39%</b>	<b>55,000</b>	<b>48,629</b>
<u>Other Revenue</u>										
Interest	17,175	8,333	8,842	106%	17,175	8,333	8,842	106%	100,000	82,825
Change FMV Investment	10,969	-	10,969	0%	10,969	-	10,969	0%	-	(10,969)
Property taxes	69,583	69,583	(0)	0%	69,583	69,583	(0)	0%	835,000	765,417
Other	49,590	35,625	13,964	39%	49,590	35,625	13,965	39%	427,500	377,910
<b>TOTAL OTHER REVENUE</b>	<b>147,317</b>	<b>113,542</b>	<b>33,775</b>	<b>30%</b>	<b>147,317</b>	<b>113,542</b>	<b>33,775</b>	<b>30%</b>	<b>1,362,500</b>	<b>1,215,183</b>
<u>Contract Service</u>										
Santa Margarita W. D.	-	8,333	(8,333)	-100%	-	8,333	(8,333)	-100%	100,000	100,000
Moulton Niguel W. D.	11,000	1,750	9,250	529%	11,000	1,750	9,250	529%	21,000	10,000
<b>TOTAL CONTRACT SERVICES</b>	<b>11,000</b>	<b>10,083</b>	<b>917</b>	<b>9%</b>	<b>11,000</b>	<b>10,083</b>	<b>917</b>	<b>9%</b>	<b>121,000</b>	<b>110,000</b>
<b>TOTAL REVENUE</b>	<b>\$ 2,478,548</b>	<b>\$ 2,389,705</b>	<b>\$ 88,843</b>	<b>4%</b>	<b>\$ 2,478,548</b>	<b>\$ 2,389,705</b>	<b>\$ 88,843</b>	<b>4%</b>	<b>\$ 25,758,241</b>	<b>\$ 23,279,694</b>

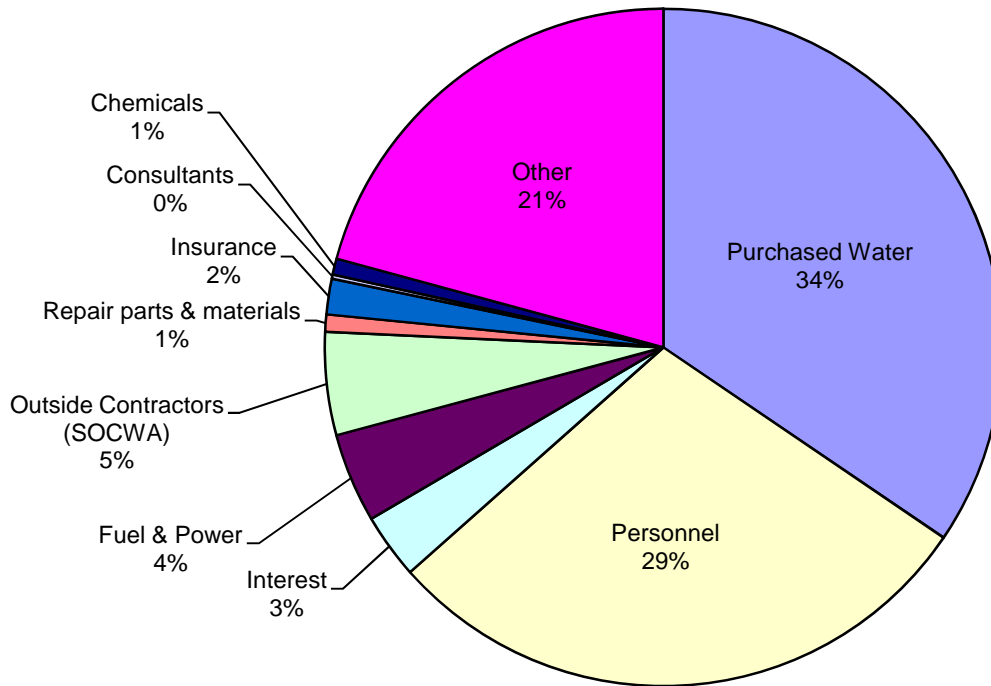


**EL TORO WATER DISTRICT  
NON-RATE REVENUE ANALYSIS  
FOR THE MONTH ENDING July 31, 2017**

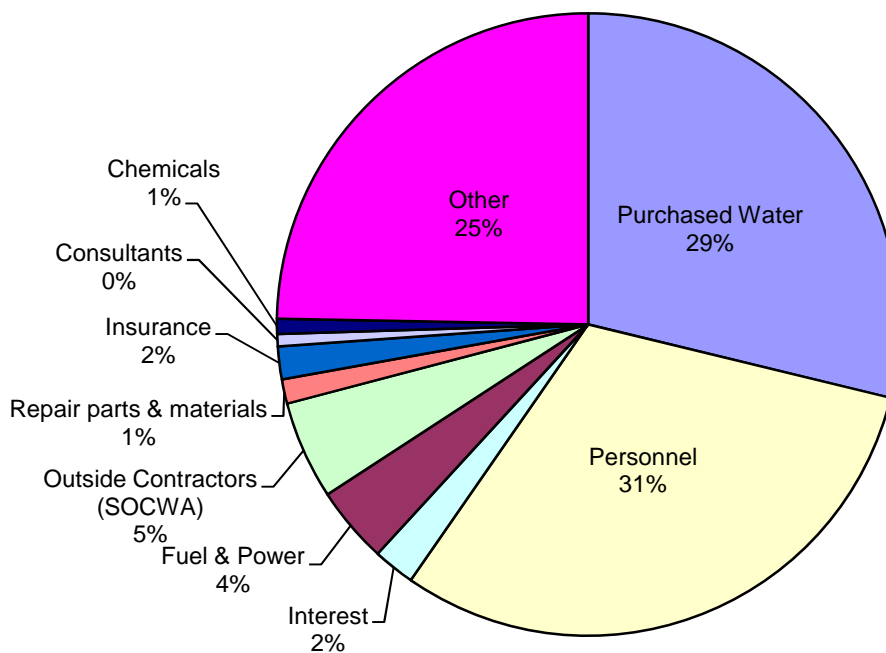
	<b>Jul-17 Actual</b>	<b>Jul-17 Budget</b>	<b>Jul 17-Jul 17 YTD Actual</b>	<b>Jul 17-Jul 17 YTD Budget</b>
Site Leases	23,364	15,833	23,364	15,833
MWD Recycled Water LRP Rebate	25,500	19,792	25,500	19,792
SOCWA Refund	-	-	-	-
MWDOC RPOI Distribution	-	-	-	-
Recycled Metal	-	-	-	-
Diesel Fuel Tax Refund	-	-	-	-
Sale of District Vehicle	-	-	-	-
Misc Work for Customers	726	-	726	-
	<u>\$ 49,590</u>	<u>\$ 35,625</u>	<u>\$ 49,590</u>	<u>\$ 35,625</u>
<b>Other Operating Income</b>				
Sales to Santa Margarita	-		-	
Sales to Moulton Niguel	-		-	
	<u>-</u>		<u>-</u>	
<b>Total</b>	<u>49,590</u>		<u>49,590</u>	

## WHERE THE MONEY GOES

### YTD EXPENSES AT 7/31/17



### EXPENSES YEAR ENDING 6/30/17



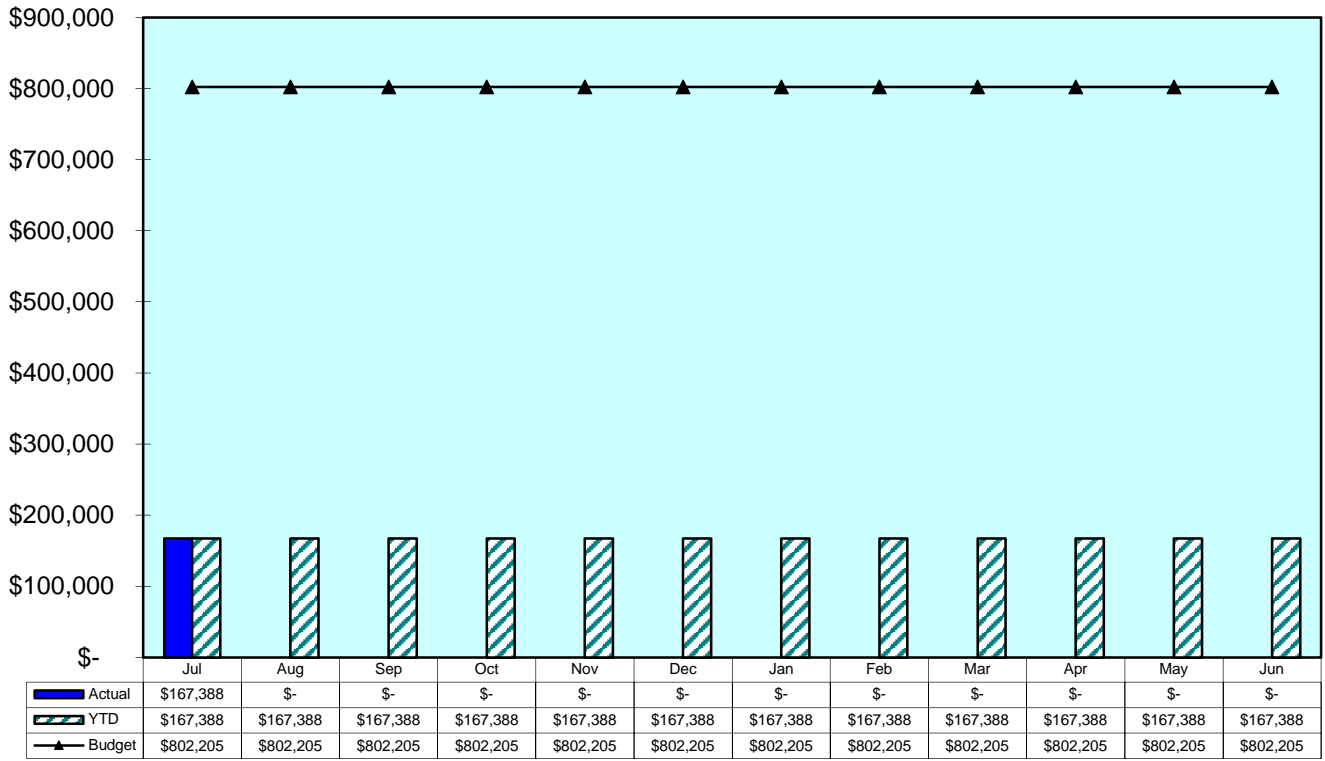
**EL TORO WATER DISTRICT**  
**Expense Comparison**  
**For the Month Ended July 31, 2017**

	ACTUAL	CURRENT MONTH BUDGET	VARIANCE DOLLARS	% +/-	YEAR TO DATE ACTUAL	YEAR TO DATE BUDGET	VARIANCE DOLLARS	% +/-	Annual BUDGET	REMAINING BUDGET
<b><u>Operating Expenses</u></b>										
Personnel cost	\$625,097	\$658,579	\$33,483	5%	\$625,097	\$658,579	\$33,483	5%	\$7,902,953	7,277,856
Purchased water	744,717	821,160	76,443	9%	744,717	821,160	76,443	9%	7,691,757	6,947,040
Electrical power	92,079	80,342	(11,737)	-15%	92,079	80,342	(11,737)	-15%	964,100	872,021
Repair parts & materials	17,633	34,373	16,740	49%	17,633	34,373	16,740	49%	412,470	394,837
Equipment repairs & maintenance	1,748	11,046	9,299	84%	1,748	11,046	9,299	84%	132,550	130,802
Pump repairs & maintenance	880	12,742	11,862	93%	880	12,742	11,862	93%	152,900	152,020
Motor repairs & maintenance	-	3,141	3,141	100%	0	3,141	3,141	100%	37,700	37,700
Generator repairs & maintenance	-	-	0	0%	0	0	0	0%	0	0
Electrical repairs & maintenance	-	5,500	5,500	100%	0	5,500	5,500	100%	66,000	66,000
Meter repairs & maintenance	-	183	183	100%	0	183	183	100%	2,200	2,200
Chemicals	16,536	17,275	739	4%	16,536	17,275	739	4%	207,300	190,764
Structure repairs & maintenance	868	2,722	1,854	68%	868	2,722	1,854	68%	32,660	31,792
Asphalt repairs & maintenance	10,260	6,125	(4,135)	-68%	10,260	6,125	(4,135)	-68%	73,500	63,240
Consultants - outside	4,257	11,433	7,177	63%	4,257	11,433	7,177	63%	137,200	132,944
Contractors - outside	106,150	109,536	3,386	3%	106,150	109,536	3,386	3%	1,314,429	1,208,279
Engineers - outside	-	7,142	7,142	100%	0	7,142	7,142	100%	85,700	85,700
Dump fees	-	1,333	1,333	100%	0	1,333	1,333	100%	16,000	16,000
Laboratories	135	1,558	1,423	91%	135	1,558	1,423	91%	18,700	18,565
License & permits	2,977	10,640	7,663	72%	2,977	10,640	7,663	72%	127,680	124,703
Automotive fuel & oil	6,796	7,500	704	9%	6,796	7,500	704	9%	90,000	83,204
Equipment rental	530	1,367	836	61%	530	1,367	836	61%	16,400	15,870
Landscaping	3,738	6,888	3,150	46%	3,738	6,888	3,150	46%	82,660	78,922
Small tools & equipment	967	4,708	3,741	79%	967	4,708	3,741	79%	56,500	55,533
Security	1,588	1,588	(0)	0%	1,588	1,588	(0)	0%	19,055	17,467
Operating supplies	5,288	3,958	(1,330)	-34%	5,288	3,958	(1,330)	-34%	47,500	42,212
Safety equipment	5,069	1,958	(3,110)	-159%	5,069	1,958	(3,110)	-159%	23,500	18,431
Temporary help	-	4,583	4,583	100%	0	4,583	4,583	100%	55,000	55,000
Other employee cost	5,842	6,583	742	11%	5,842	6,583	742	11%	79,000	73,158
Employee service awards	-	333	333	100%	-	333	333	100%	4,000	4,000
Education & training	4,884	2,625	(2,259)	-86%	4,884	2,625	(2,259)	-86%	31,500	26,616
<b>Total Operating Expenses</b>	<b>1,658,037</b>	<b>1,836,923</b>	<b>178,886</b>	<b>10%</b>	<b>1,658,037</b>	<b>1,836,923</b>	<b>178,886</b>	<b>10%</b>	<b>19,880,914</b>	<b>18,222,877</b>

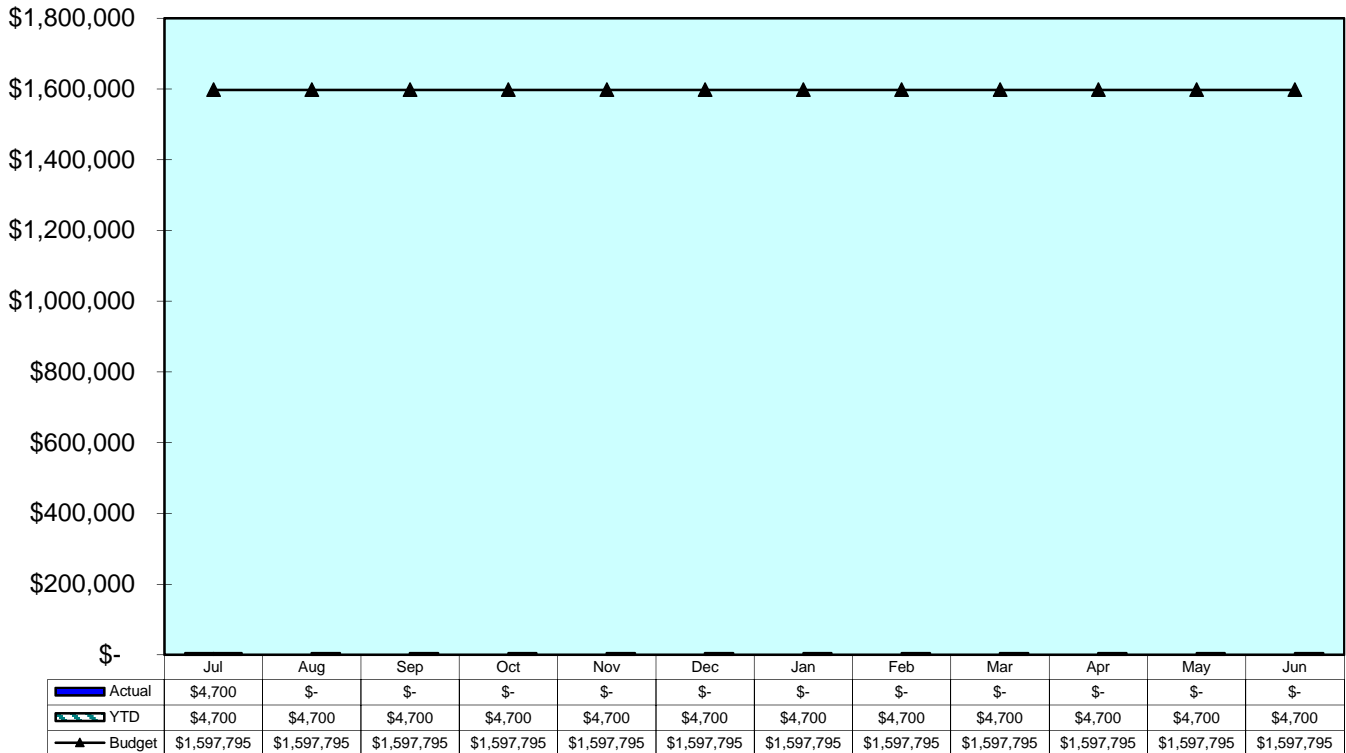
**EL TORO WATER DISTRICT**  
**Expense Comparison**  
**For the Month Ended July 31, 2017**

	ACTUAL	CURRENT MONTH BUDGET	VARIANCE DOLLARS	% +/-	YEAR TO DATE ACTUAL	YEAR TO DATE BUDGET	VARIANCE DOLLARS	% +/-	Annual BUDGET	REMAINING BUDGET
<b><u>Indirect Cost</u></b>										
Depreciation	317,888	333,333	15,445	5%	317,888	333,333	15,445	5%	4,000,000	3,682,112
Amortization	570	571	0	0%	570	571	0	0%	6,850	6,280
Insurance	36,728	35,192	(1,536)	-4%	36,728	35,192	(1,536)	-4%	422,300	385,572
Data processing supplies & assc.	2,341	1,667	(675)	-40%	2,341	1,667	(675)	-40%	20,000	17,659
Data processing equipment	0	3,333	3,333	100%	0	3,333	3,333	100%	40,000	40,000
Data processing consultants	3,455	4,167	712	17%	3,455	4,167	712	17%	50,000	46,545
Software maintenance & licenses	839	6,617	5,778	87%	839	6,617	5,778	87%	79,400	78,561
Janitorial	2,775	2,875	100	3%	2,775	2,875	100	3%	34,500	31,725
Printing & reproduction	3,699	1,750	(1,949)	-111%	3,699	1,750	(1,949)	-111%	21,000	17,301
Publications & subscriptions	0	250	250	100%	0	250	250	100%	3,000	3,000
Communications - voice	2,620	1,250	(1,370)	-110%	2,620	1,250	(1,370)	-110%	15,000	12,380
Communications - data	1,531	3,917	2,386	61%	1,531	3,917	2,386	61%	47,000	45,469
Communications - mobile	2,179	1,750	(429)	-25%	2,179	1,750	(429)	-25%	21,000	18,821
Utilities	1,691	1,542	(150)	-10%	1,691	1,542	(150)	-10%	18,500	16,809
<b>Total Indirect Cost</b>	<b>376,318</b>	<b>398,212</b>	<b>21,895</b>	<b>5%</b>	<b>376,318</b>	<b>398,212</b>	<b>21,895</b>	<b>5%</b>	<b>4,778,550</b>	<b>4,402,233</b>
<b><u>Overhead Cost</u></b>										
Annual events	-	446	446	100%	-	446	446	100%	5,350	5,350
Audit	9,900	2,500	(7,400)	-296%	9,900	2,500	(7,400)	-296%	30,000	20,100
Bad debts	1,303	1,667	364	22%	1,303	1,667	364	22%	20,000	18,697
Bank charges	4,140	4,500	360	8%	4,140	4,500	360	8%	54,000	49,860
Directors fees	8,808	7,750	(1,058)	-14%	8,808	7,750	(1,058)	-14%	93,000	84,192
Dues & memberships	11,767	6,250	(5,517)	-88%	11,767	6,250	(5,517)	-88%	75,000	63,233
Election Expense	-	-	0	0%	0	0	0	0%	0	0
Interest	67,144	67,144	0	0%	67,144	67,144	0	0%	805,729	738,585
Legal	6,764	12,500	5,736	46%	6,764	12,500	5,736	46%	150,000	143,236
Meetings, conventions & travel	3,645	2,917	(728)	-25%	3,645	2,917	(728)	-25%	35,000	31,355
Meets, con & travel - Directors	3,578	2,167	(1,412)	-65%	3,578	2,167	(1,412)	-65%	26,000	22,422
Office supplies	897	1,917	1,019	53%	897	1,917	1,019	53%	23,000	22,103
Postage	103	1,708	1,605	94%	103	1,708	1,605	94%	20,500	20,397
Property taxes	-	458	458	100%	-	458	458	100%	5,500	5,500
Advertising & Publicity	579	208	(371)	-178%	579	208	(371)	-178%	2,500	1,921
Public education & outreach	5,911	20,017	14,106	70%	5,911	20,017	14,106	70%	240,200	234,289
<b>Total Overhead Cost</b>	<b>124,540</b>	<b>132,148</b>	<b>7,608</b>	<b>6%</b>	<b>124,540</b>	<b>132,148</b>	<b>7,608</b>	<b>6%</b>	<b>1,585,779</b>	<b>1,461,239</b>
<b>TOTAL EXPENSES</b>	<b>\$2,158,895</b>	<b>\$2,367,284</b>	<b>\$208,389</b>	<b>9%</b>	<b>\$2,158,895</b>	<b>\$2,367,284</b>	<b>\$208,389</b>	<b>9%</b>	<b>\$26,245,243</b>	<b>\$24,086,348</b>

## COST ANALYSIS - EQUIPMENT 7/17



## COST ANALYSIS - PROJECTS 7/17



## **WATER CAPITAL FACILITIES FEE LANGUAGE REVISION**

Staff is recommending a revision of the language in Schedule 2-W of the Districts Rules and Regulations defining the Water Supply Charge component of the Water Capital Facilities Fee. The Water Supply Charge was implemented in 2016 to fund water supply projects to offset the impact of new demand created by development projects. The fee is designed to facilitate assessment based on the projected volume of new water demand.

The calculation of water demand that serves as the basis for the Water Supply Charge is based on the calculation of sewer demand and an assumption that 95% of the metered water consumption is returned to the sewer. This approach made use of the existing procedure defined in Schedule 5-S (Sewer Capital Facilities Fee) of the Rules and Regulations that provides a specific methodology to estimate sewer demand based on the size and type of development.

Since the implementation of the Water Supply Charge staff has had an opportunity to apply the fee to several new developments. During that effort staff identified opportunities to revise the Water Supply Charge language in Schedule 2-W to make it more consistent with the language in Schedule 5-S and to provide more flexibility in the resources available to the calculation procedure.

The proposed revisions to Schedule 2-W include the following:

- |                 |  |
|-----------------|--|
| Paragraph A-2-a | Clarifies the formula used to calculate water Project Demand based on estimated sewer volume.  |
| Paragraph A-2-b | Adds language similar to the language currently used in Schedule 5-S to more clearly define the methodology used to estimate the sewer demand that will ultimately be used to calculate the Project Demand as defined in Paragraph A-2-a.  |
| Paragraph A-2-c | Adds language similar to the language currently used in Schedule 5-S that provides an opportunity to validate the Project Demand estimate based on actual water use after the development has been in operation for a full year with an associated adjustment of the Capital Facilities Fee if necessary and appropriate.  |
| Paragraph A-2-d | Adds language similar to the language currently used in Schedule 5-S that allows the District, at its discretion, to use the developer's statement of estimated water or sewer use in the calculation of the Project Demand that is ultimately used to calculate the Water Supply Charge. This language provides staff the flexibility to make use of information provided by the developer in an effort to more accurately determine the estimated project demands and associated fees. |

Both a redline and a clean version of the revised Schedule No. 2-W are attached for reference.

## **RECOMMENDED ACTION**

**Recommended Action:** Staff recommends that the Board of Directors approve Resolution No. 17-8-1 which adopts a revision to the District's Water Capital Facilities Fee and Amends Schedule 2-W (Capital Facilities Fee) of the District's Rules and Regulations.

### **RESOLUTION NO. 17-8-1**

#### **RESOLUTION OF THE BOARD OF DIRECTORS OF EL TORO WATER DISTRICT REVISING THE WATER CAPITAL FACILITIES FEE AND AMENDING SCHEDULE 2-W OF THE DISTRICT'S RULES AND REGULATIONS**

By: Dennis P. Cafferty  
Date: August 16, 2017

# EL TORO WATER DISTRICT

Page 1 of ~~23~~

## Schedule No. 2-W

### WATER CAPITAL FACILITIES FEE

#### Residential and Non-residential Customers

#### Applicability

Applicable to Residential and Non-residential customers desiring new and/or increased capacity in the El Toro Water District water system.

#### Water Capital Facilities Fee

- A. The Water Capital Facilities Fee for each new residential and/or non-residential customer shall consist of two components.
1. The Water Capital Facilities Fee – Meter Component, based on capacity in the water distribution system, shall be an amount based on the meter size as follows:

Meter Size	Water Capital Facilities Fee Meter Charge
5/8"	\$2,145
3/4"	\$2,145
1"	\$3,582
1-1/2"	\$8,708
2"	\$21,856

2. The Water Capital Facilities Fee – Water Supply Charge Component (WSC), designed to offset the cost of supply to serve the project, shall be an amount based on the estimated new demand in acre-feet per year (afy) at a rate of \$8,900/afy as follows:

$$\text{WSC (\$)} = \text{Project Demand (afy)} \times \$8,900/\text{afy}$$



- a.) The Project Demand (afy) calculation will make use of the estimated daily volume of sewage determined by the District's engineer. The calculation will assume 95% of domestic water use is returned to the sewer. The Project Demand (afy) will be determined by dividing the calculated volume of sewage generation by 95% as follows:

$$\text{Project Demand (afy)} = \frac{\text{Sewer Vol (gpd)} \times 365 \text{ d/y} \times (\text{af}/325,751 \text{ gal})}{0.95}$$

- b.) As defined in Schedule No. 5-S, the estimated daily volume of sewage will be determined as follows: Prior to service being rendered to establishments in the development, the District's engineer shall determine an estimated daily volume of sewage using characteristic sewage generation factors established by the City of Los Angeles/Los Angeles County Sanitation Districts for various non-residential user classifications as identified in Exhibit 'A'.

The average percentages of 53% and 44% will be applied to the City of Los Angeles/Los Angeles County Sanitation Districts flow data to determine the estimated daily sewage volume for restaurants and non-restaurant commercials, respectively.

- c.) At the request of the developer, the District will validate the Project Demand using domestic water meter readings after one full year of operation. If the water use totalized over a single one-year period indicates the Project Demand during the single one-year period is different than the Project Demand previously established by the District's engineer, the developer's Capital Facilities Fee would be adjusted accordingly. The one-year period referred to above shall be a period of full operation of the establishment, at full occupancy, as determined by the District.

- d.) The District requires from any prospective commercial or industrial developer, prior to commencement of service to the development, a statement as to the quantity and quality of sewage to be discharged into its system and a statement as to the anticipated water demand. At the option of the District, these statements may be used to any degree

in determining the Project Demand.

~~The volume of acre-feet per year will be calculated using characteristic sewage generation factors established by the City of Los Angeles/Los Angeles County Sanitation Districts for various user classifications (Reference Exhibit A). The calculation will assume 95% of domestic water use is returned to the sewer. The Project Demand (afy) will be determined by dividing the calculated volume of sewage generation by 95%.~~

- B. When customers change their usage and/or when redevelopment occurs, the property will be provided credit for the existing capacity applied to the property. There will not be a charge or credit for downsizing capacity to serve the property. Further, no refunds will be provided when service to the property is terminated and/or removed.
- C. Unless otherwise mutually agreed upon between the District and the customer, the Capital Facilities Fee shall be paid prior to service being provided to the property.

RESOLUTION NO. 17-8-1

RESOLUTION OF THE BOARD OF DIRECTORS  
OF EL TORO WATER DISTRICT REVISING THE  
WATER CAPITAL FACILITIES FEE AND AMENDING SCHEDULE 2-W  
OF THE DISTRICT'S RULES AND REGULATIONS

WHEREAS, the Board of Directors of the El Toro Water District has today held a public meeting pursuant to the provisions of Government Code Sections 66013 and 66016; and

WHEREAS, the purpose of today's public meeting is to consider the adoption of a revision to Water Capital Facilities Fee defined in Schedule 2-W of the District's Rules and Regulations which is set forth in Exhibit "A" to this Resolution; and

WHEREAS, today's public meeting was appropriately noticed in accordance with Government Code Section 6066; and

NOW, THEREFORE, the Board of Directors of the El Toro Water District hereby resolves, determines, and orders that Schedule 2-W of the El Toro Water District's Rules and Regulations as set forth in Exhibit "A" to this Resolution, and the revised Water Capital Facilities Fee set forth therein, are hereby approved and adopted effective immediately.

ADOPTED, SIGNED AND APPROVED this 22<sup>nd</sup> day of August, 2017.

---

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

(SEAL)

ATTEST:

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Robert R. Hill, General Manager and Secretary  
El Toro Water District and the  
Board of Directors thereof

# EL TORO WATER DISTRICT

Page 1 of 3

## Schedule No. 2-W

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- C. Unless otherwise mutually agreed upon between the District and the customer, the Capital Facilities Fee shall be paid prior to service being provided to the property.

# Memo

**TO: ETWD BOARD OF DIRECTORS**

**FROM: GENERAL MANAGER**

**SUBJECT: ETWD 401(k)/457 PROVIDER EVALUATION UPDATE**

**DATE: AUGUST 21, 2017**

This will be a continuation of the discussion I initiated at our July Finance Committee Meeting regarding our efforts to evaluate the District's existing 401(k) Retirement Savings Plan and 457 Deferred Compensation Plan providers and our on-going relationships with same. Current service providers:

**401(k) Retirement Savings Plan (401(k) Plan) – District Directed  
IRS Certified as an IRS Qualified Government Pension Plan – 1983**

Custodian	US Bank
Co-Fiduciary Investment Management/Advisor	HighMark Capital
Administrator/Record Keeper	Prudential
Legal Counsel	Drinker Biddle & Reath, LLP

**District 457 Deferred Compensation Plan (457 Plan) – Participant Directed**

Custodian	US Bank
Investment Fund Platform	Prudential
Administrator/Record Keeper	Prudential
Legal Counsel	Drinker Biddle & Reath, LLP

For your information, please find the following two proposals:

- Prudential Proposal to convert the 401(k) Plan from a Districted Directed to a Participant Directed Plan provided for and administered by Prudential. Prudential has indicated that their Administrator/Record Keeping Fee (10 basis points) is an inadequate incentive to continue in that limited role.
- Sageview Proposal to perform:
  - A comprehensive evaluation of the 401(k) Plan Co-Fiduciary Investment Manager/Advisor scope of service and performance, and
  - Evaluation of current Plan Administration/Record Keeping pricing along with possible alternative Administration/Record keeping options

Under the procurement authority of the General Manager, Staff will be engaging Sageview in the amount of \$20,000 to assist the Board and Staff comprehensively evaluate HighMark Capital, the Prudential Proposal and options for Plan Administration/Record Keeping replacement options for both plans.

Staff will lead a discussion on this project.

# **PRUDENTIAL PROPOSAL**





**Prudential Retirement**  
500 Main Street, Dubuque IA 52001

A business of Prudential Financial, Inc.

Judy Cimorell  
El Toro Water District  
24251 Los Alisos Blvd.  
Lake Forest, CA 92630

**Re: El Toro Water District Retirement Savings Plan**

Dear Judy,

I would like to first take a moment to thank you for being a valued customer at Prudential. As we have recently discussed Prudential's recordkeeping income from your above referenced plan is not meeting our business standards.

My understanding is that El Toro Water District wants the 401(k) plan to continue to be Employer Directed. You might want to consider the option of replacing the funds that are currently outside managed by Highmark with Prudential's Day One Target Date Funds. El Toro can map the plan investments that are currently held outside of Prudential and managed by Highmark to the applicable Prudential Day One Target Date Funds based on each participant's years to retirement.

I recently provided you with information to educate you on the Day One suite of Target Date funds. I would also be happy to set up a meeting with you and Kirk Lebeck, who is an investment strategist at Prudential, if you would like further information about these Funds.

The participants of the plan are currently paying an annual fee of 0.10% to Prudential for recordkeeping fees and they are also paying approximately 0.42% (about \$20,000 quarterly) annually for Highmark Management Fees. This totals approximately 0.52% annually.

Should El Toro elect to add the Prudential Day One Target Date Funds to the 401(k) plan and map the current outside managed accounts to the Day One funds based on each participant's years to retirement, the Prudential recordkeeping fee would be increased to 0.47% which would reduce the total fees by .05% less than what is currently being paid.

Prudential Retirement is not an Investment Advisor and El Toro Water District is solely responsible for choosing and monitoring the investments of the plan. This proposal is for purposes of changing the financial arrangement that Prudential has with El Toro Water District for the goal of continuing our relationship as recordkeeper for your plan.



**Prudential Retirement**  
500 Main Street, Dubuque IA 52001  
  
A business of Prudential Financial, Inc.

We do have investment strategists available at Prudential to provide your committee with investment reviews semi-annually or annually. This would not incur additional cost for your plan.

Once again, I want you know that we value you as our client at Prudential and we would like to continue our relationship with the El Toro Water District. I will follow up with you to determine next steps shortly.

Sincerely,

**Evelyn Hooghkirk**

**Relationship Manager, Total Retirement Solutions | Registered Representative**  
**Prudential Retirement | 500 Main Street | Dubuque, IA 52001**  
p. 800.840.5452 | f. 866.439.8602 | e. [evelyn.hooghkirk@prudential.com](mailto:evelyn.hooghkirk@prudential.com)  
CA License #0G42404

**Registered Representative**  
**Prudential Investment Management Services LLC**  
**A Prudential Financial company**

Offering securities products and services as a Registered Representative of Prudential Investment Management Services LLC.  
Three Gateway Center, 14th Floor, Newark NJ 07102-4077. 973 802-8624

The Prudential Insurance Company of America and Prudential Investment Management are Prudential Financial companies.

# **SAGEVIEW PROPOSAL**



## El Toro Water District – SageView Advisory Group Proposal Independent Investment Advisory Consulting Services

Date: August 15, 2017

SEE WHERE YOU'RE GOING

### Brief Statement of Qualifications

**The Firm:** SageView Advisory Group (SageView) is a private, employee owned, fully independent, Registered Investment Adviser (RIA) serving retirement plan sponsors throughout the United States. The firm provides unbiased retirement plan and wealth management consulting services to clients throughout the U.S. We have been evaluating and advising retirement plans and participants since 1989.

SageView advises on over 1200 defined contribution, defined benefit and deferred compensation plans totaling more than \$70 billion of client assets. Currently, SageView has over 130 employees located in 22 offices nationwide. Our advisors each have extensive experience in the financial industry and have worked with some of the largest plans in the nation.

#### Where we work:

Nationally, with headquarters in Irvine, California and offices in Atlanta, Austin, Boston, Chicago, Denver, Honolulu, Houston, Knoxville, Los Angeles, Milwaukee, Minneapolis, Nashville, Omaha, Orinda, Overland Park, Portland, Pasadena, Richmond, San Francisco, Washington, D.C., and West Palm Beach.

#### How we are different:

- Clear thinking, proven proprietary processes and national resources that give you insights you won't get from other firms.
- Commitment to translating the mysteries of retirement advisory into plain English you can understand and use.
- Clarity on investments, fiduciary obligations, compliance and all the other issues that bedevil plan sponsors, to help you see where you're going.

#### Below is a summary list of SageView's consulting services:

- Investment consulting
- Fiduciary risk management
- Compliance consulting
- Plan design consulting
- Vendor comparative analysis
- Participant communication consulting
- Actuarial consulting

## SageView Team Members

The lead consultant assigned to this project will be Jon Upham. He is located in the Irvine, CA headquarters of SageView. He will be the face you associate with SageView, and he will be present at all meetings requested by the El Toro Water District.

Additionally, Jon will have at his disposal the experience and investment expertise of Matt Hammonds, SageView's Managing Director, Research and Operations, and Dan Quirk, CFA CFP, Investment Analyst, who will also assist in the review of the plan's investment portfolios.

## Experience with Similar Engagements

In its role as a trusted investment adviser and retirement consultant for currently over 1200 plan sponsors, SageView has utilized a proprietary investment review and scoring system that we believe is unique in the adviser community. Through our well established and disciplined investment review process, we have had numerous experiences with the development of customized benchmarks for a variety of plans and purposes.

SageView regularly reviews existing 3rd party portfolios for its clients and has developed custom age and risk-based portfolios for many of its clients. We feel our experience of both evaluating and developing these types of portfolios will provide the El Toro Water District with the expertise it is looking for in an advisor.

## Investment Methodology

At SageView, we employ a methodical due diligence process comprised of both qualitative and quantitative components in both our investment analysis and asset allocation strategies. We utilize institutional level technology and evaluation techniques to ensure a complete understanding of an investment option. The SageView Internal Investment Committee analyzes information and data derived from a variety of industry leading sources and technologies.

Our quantitative analysis focuses on a detailed comparison of an individual fund to its peer group. We feel it is crucial in determining the success of a fund, that all data is viewed in context to the other funds within a specific investment category. It has been our experience that various asset classes can perform differently at any given time. Therefore we rank a fund's returns, rolling returns, Sharp Ratio, expense ratio, R-squared, and other statistics to all other funds within a category. Our proprietary system combines these various rankings into an overall "fund score" which then allows us to place a fund appropriately within its peers.

Our qualitative analysis includes manager tenure, manager change, style drift, current economic environment, corporate scrutiny/public perception, individual and sector concentration, portfolio turnover, asset size and growth, cash flow, bond duration, firm structure, management team structure, and firm ownership.

## SageView's Approach to the Engagement:

1. Gain a complete understanding of the portfolio construction and investment methodology for the current 4 aged-based portfolios. This will include the glide path design, strategic asset allocation process, and the underlying fund selection process.

2. Review current market dynamics and employee demographics in order to determine continued appropriateness of asset allocation and risk profile for each age group.
3. Evaluate and compare the current asset allocation strategy being utilized in the portfolios with other age-based options, including a review of the glide-path, allocation philosophy and risk/return profile.
4. Develop custom benchmarks for each of the 4 portfolios based on the underlying allocations, in order to accurately evaluate performance.
5. Develop a side-by-side comparison of the appropriate benchmarks and similar portfolios with the 4 aged-based funds, in order to review both absolute and relative performance.
6. Gather a complete set of costs and performance figures for the underlying fund managers, to assess the fees and performance of each manager in comparison to their respective asset categories.
7. Provide a set of recommendations as to the continued appropriateness of the underlying assumptions and processes of the 4 age-based portfolios, as well as the development and presentation of alternative solutions.
8. Provide a summary of the current plan administration (Prudential) pricing and receive a minimum of three additional preliminary administration pricing quotes from alternate vendor solutions for the 401(k) and 457 programs.
9. Act as a sounding board and subject matter expert for the committee to ask questions of and to uncover additional research for fiduciary due diligence and archival purposes.

## A Summary of the Deliverables

SageView will provide a bound report to be presented to the committee that includes:

- SageView's custom benchmarks for each of the current 4 aged-based funds
- Comparison of the portfolio structure and asset category exposure of current aged-based funds with other aged-based options
- Comparison and assessment of the glide-path
- Cost assessment of the current 4 aged-based funds
- Performance assessment of the current 4 aged-based funds
- SageView Score assessment of the underlying funds of the 4 aged-based funds
- Asset allocation versus industry peers comparison

- Risk metrics evaluation
- Final Report with accompanying supporting documents and charts
- SageView's presentation of final report, findings, and recommendations
- A summary of the current administration pricing at Prudential with a comparison to three other administrators who can handle both the 401(k) and 457 plans. (this information can be used to determine if an RFP for a new plan administrator will be necessary)

## Timeline of the Work (From Hire Date):

### First Week:

1. Collection of all relevant information, including asset allocations, underlying funds, and performance figures
2. Review of collected materials to determine thoroughness
3. Interview of existing investment manager (i.e. HighMark Financial) to gain complete understanding of all provided reports, strategy, and investment methodology for 4 age- based funds
4. Summary of SageView's understanding of scope of work and deliverables to client

### Second Week:

1. SageView's review of materials and data
2. Development of appropriate benchmarks for comparison purposes
3. Initial assessment of performance by investment analysts
4. Run SageView scores and portfolio comparison reports

### Third Week

1. Internal SageView investment committee to review performance assessment
2. Review of materials by SageView internal review team for quality control and to spot areas of concerns
3. Establishment of a meeting date for presentation of final report and materials to the client by SageView

### Fourth Week:

1. Development of write up for client and recommendations
2. Development of presentation of findings and recommendations

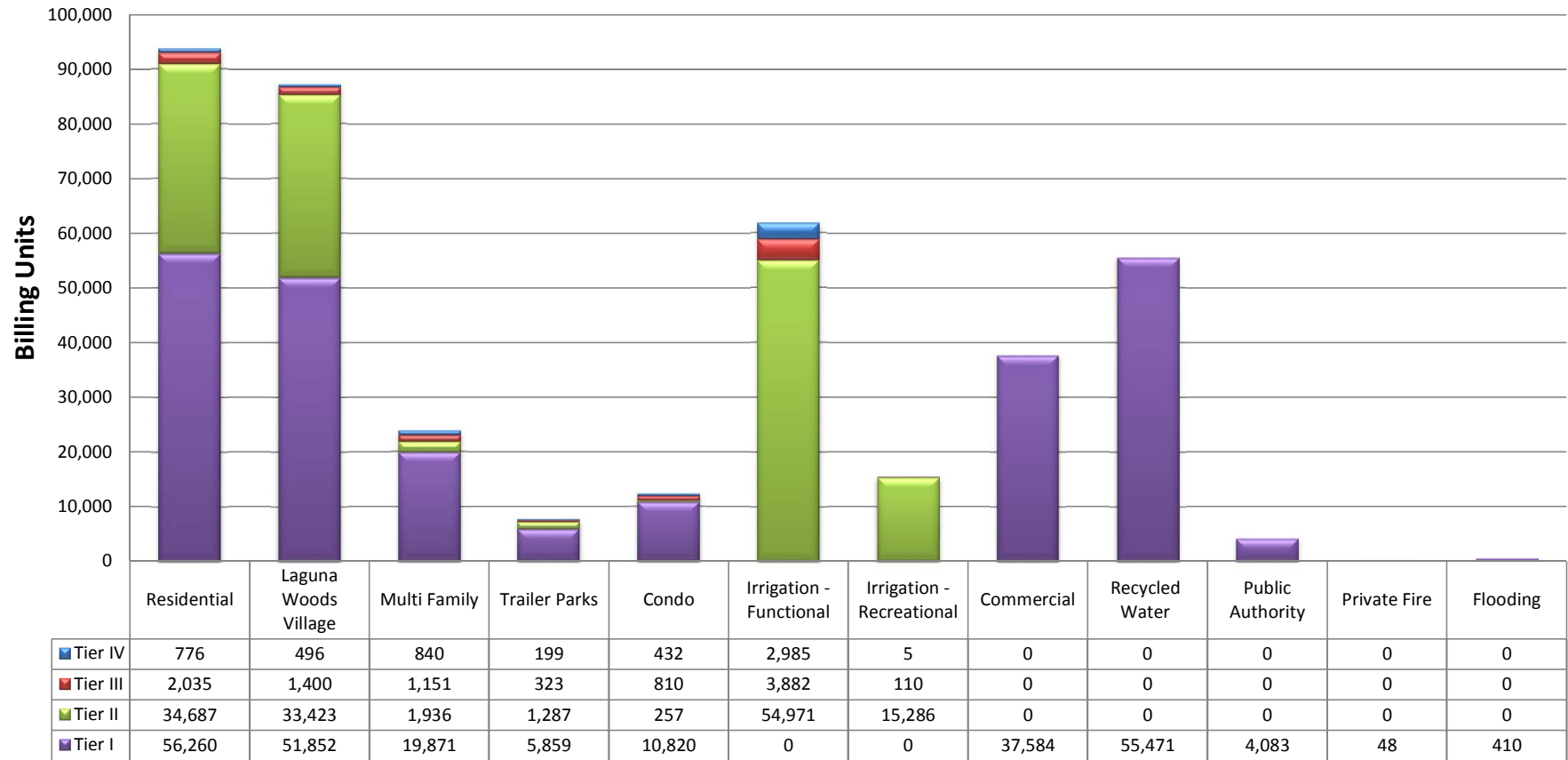
### To Be Determined

1. Meeting with client to review final report, findings and recommendations
2. Follow up with client to respond to questions that arise from presentation

## Fee Quote

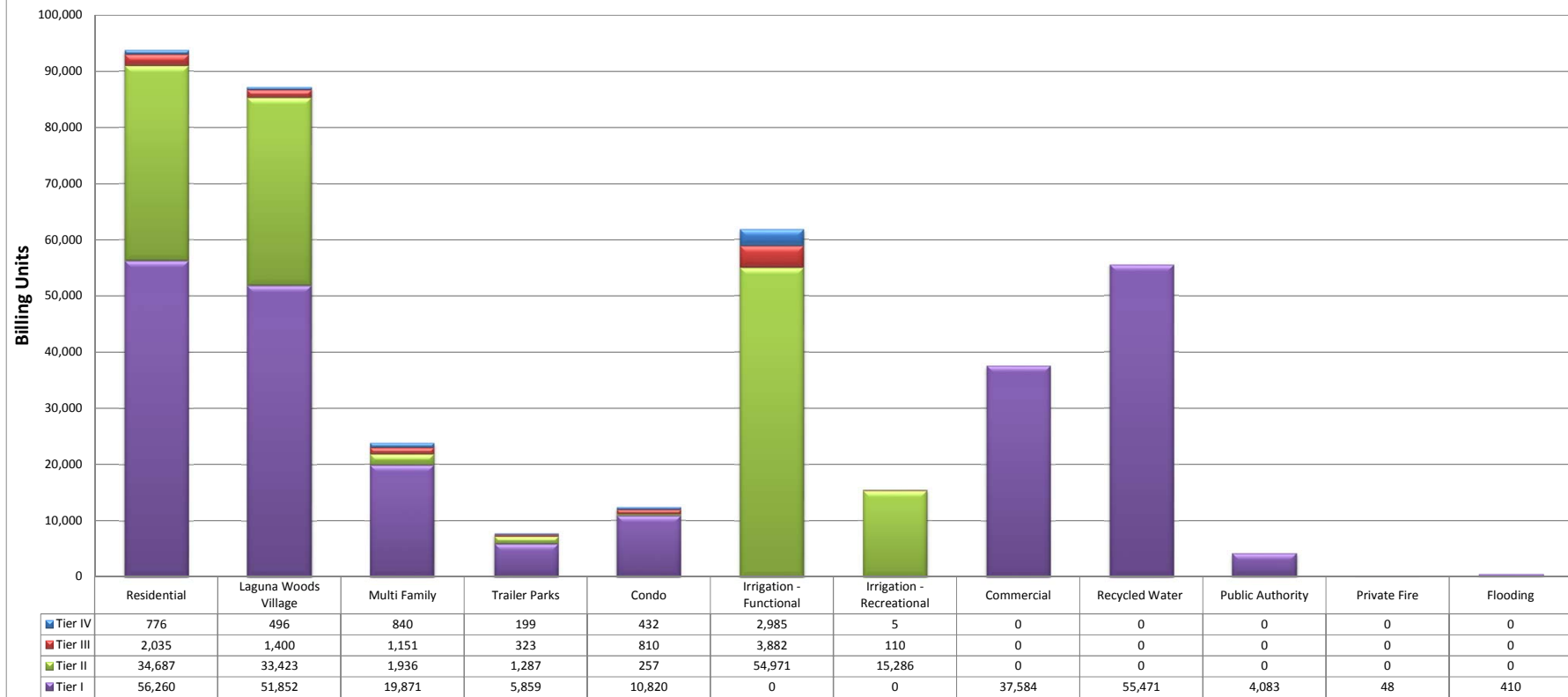
SageView works on a project basis for these types of engagements. For this engagement, SageView will conduct the work listed above for a one-time fee of \$20,000.

## July 2017 Water Sales

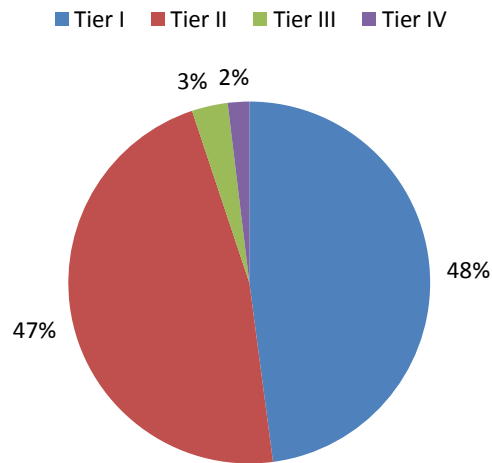




### Year-to-Date Water Sales as of July 2017

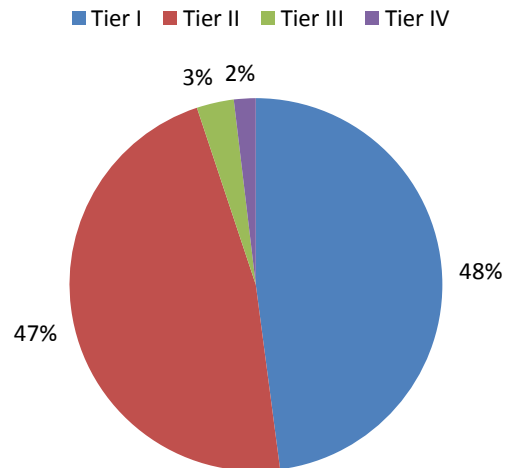


## Year to Date Tiered Sales As of July 2017



Year To Date Sales in ccf		
Tier I	144,662	47.91%
Tier II	141,847	46.98%
Tier III	9,711	3.22%
Tier IV	5,733	1.90%
	301,953	100.00%

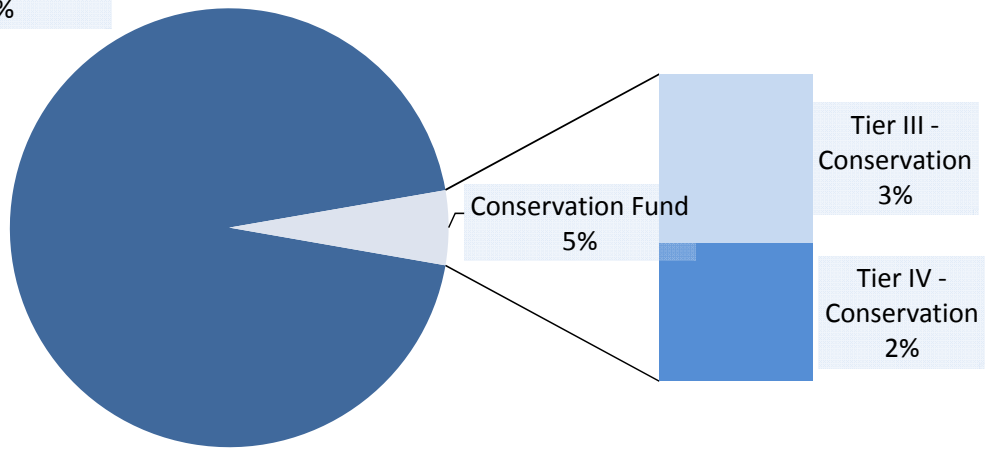
## July 2017 Tiered Sales



Current Month Sales in ccf		
Tier I	144,662	47.91%
Tier II	141,847	46.98%
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Tier IV	5,733	1.90%
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## Year to Date Water Sales as of July 2017

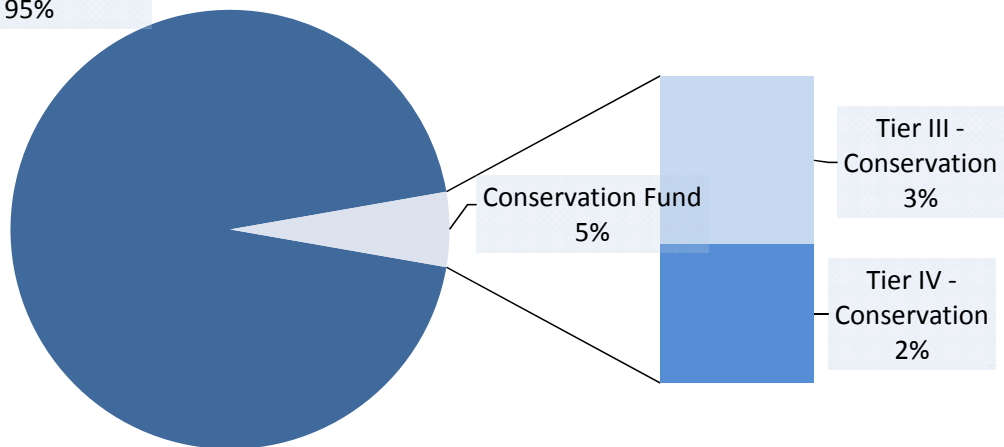
Water Delivery Cost  
95%



Category	Billings	Percentage
Water Delivery Cost	\$804,213.70	94.51%
Tier III - Conservation	\$25,734.15	3.02%
Tier IV - Conservation	\$21,023.41	2.47%
	<b>\$850,971.26</b>	<b>100.00%</b>

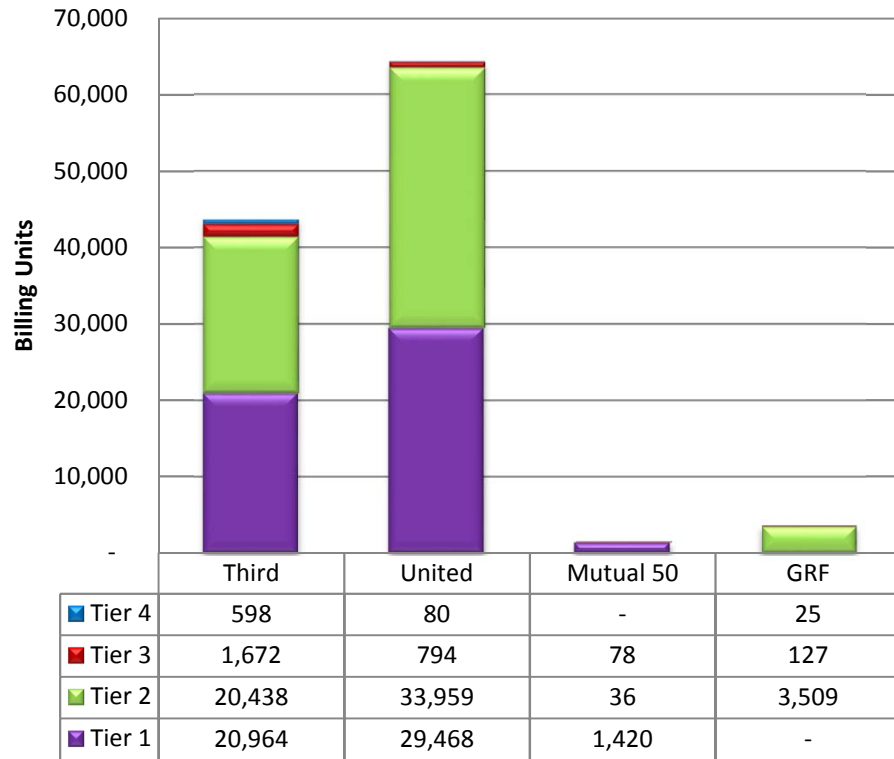
## July 2017 Water Sales

Water Delivery Cost  
95%

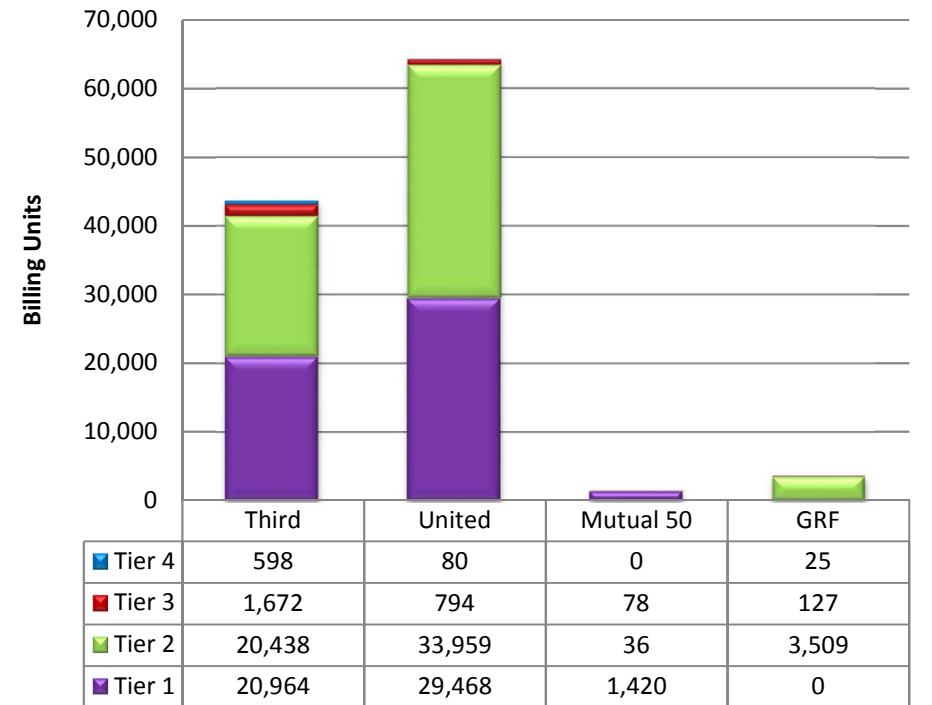


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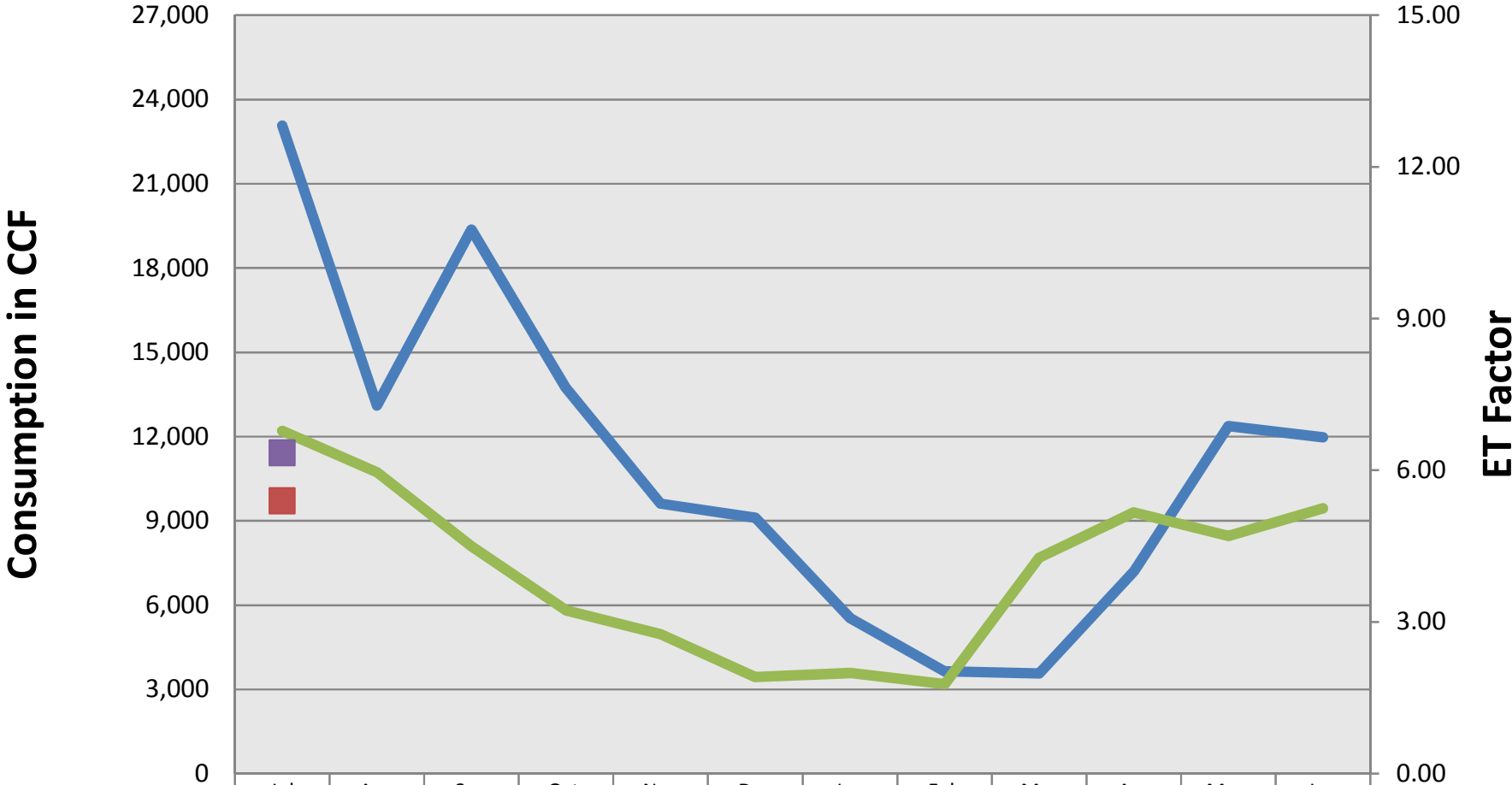
## Laguna Woods Village July 2017 Water Sales



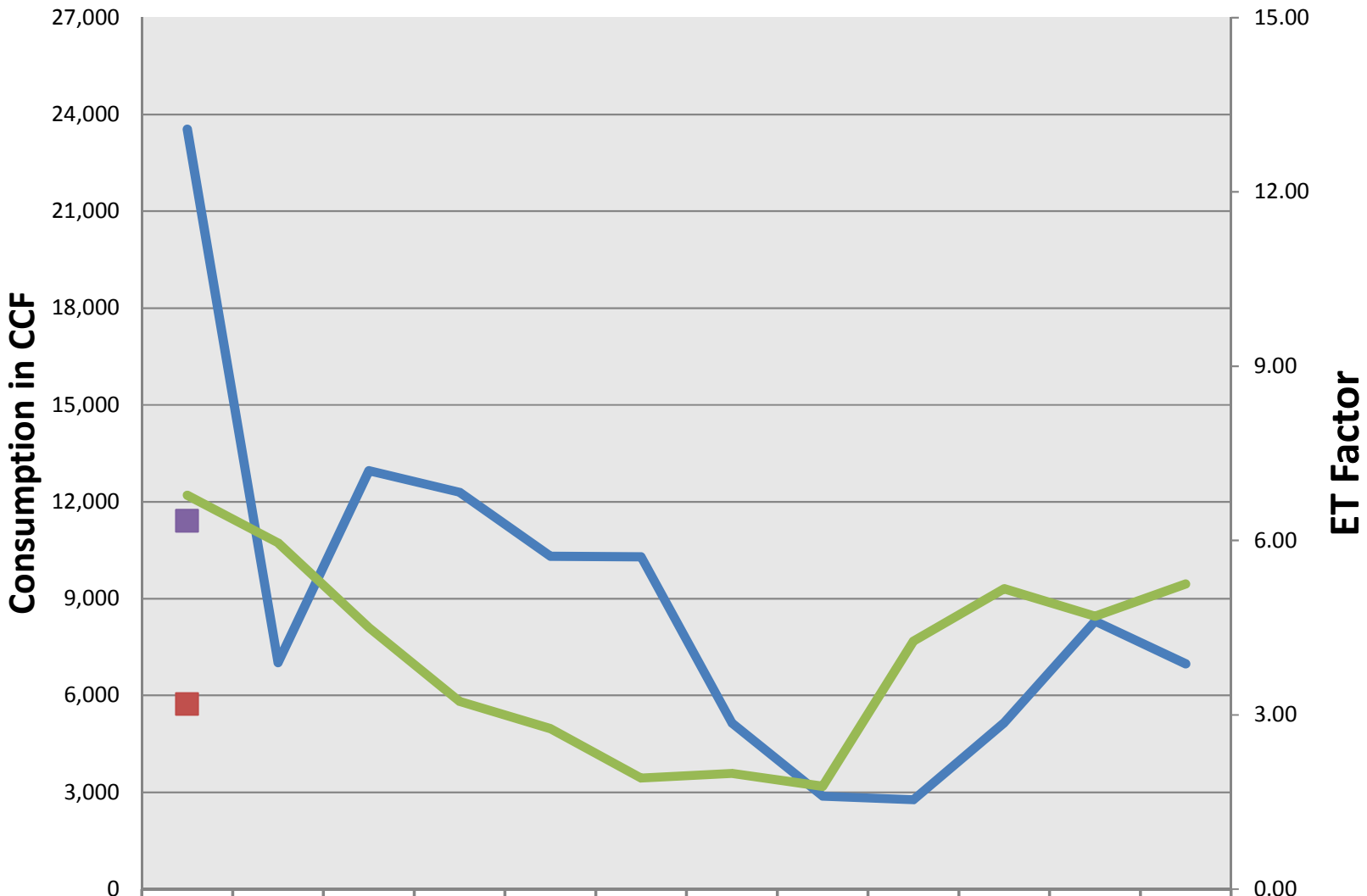
## Laguna Woods Village Year-to-Date Water Sales July 2017



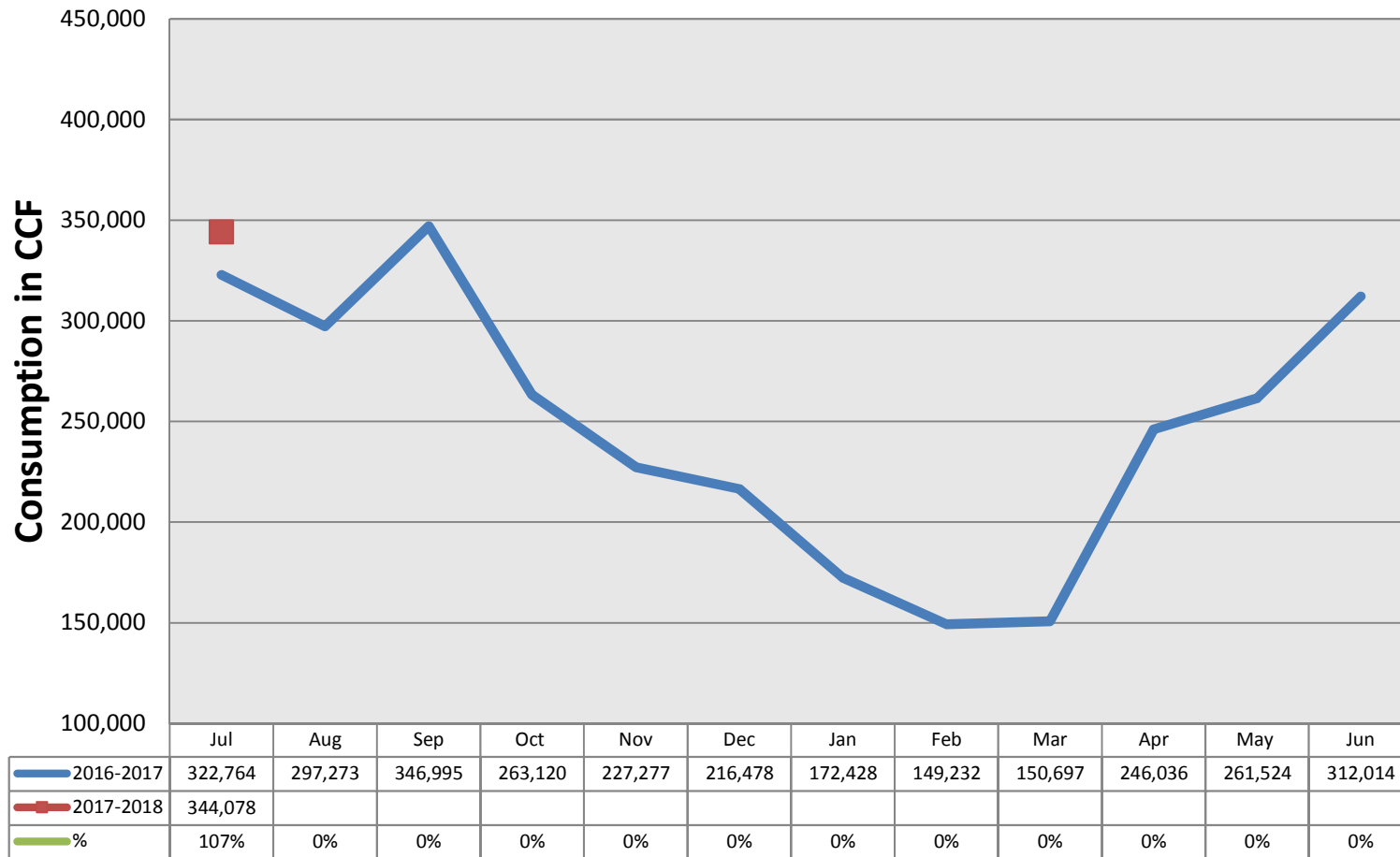
## Tier III Consumption

[illegible]

## Tier IV Consumption

[illegible]

## ETWD Total Consumption

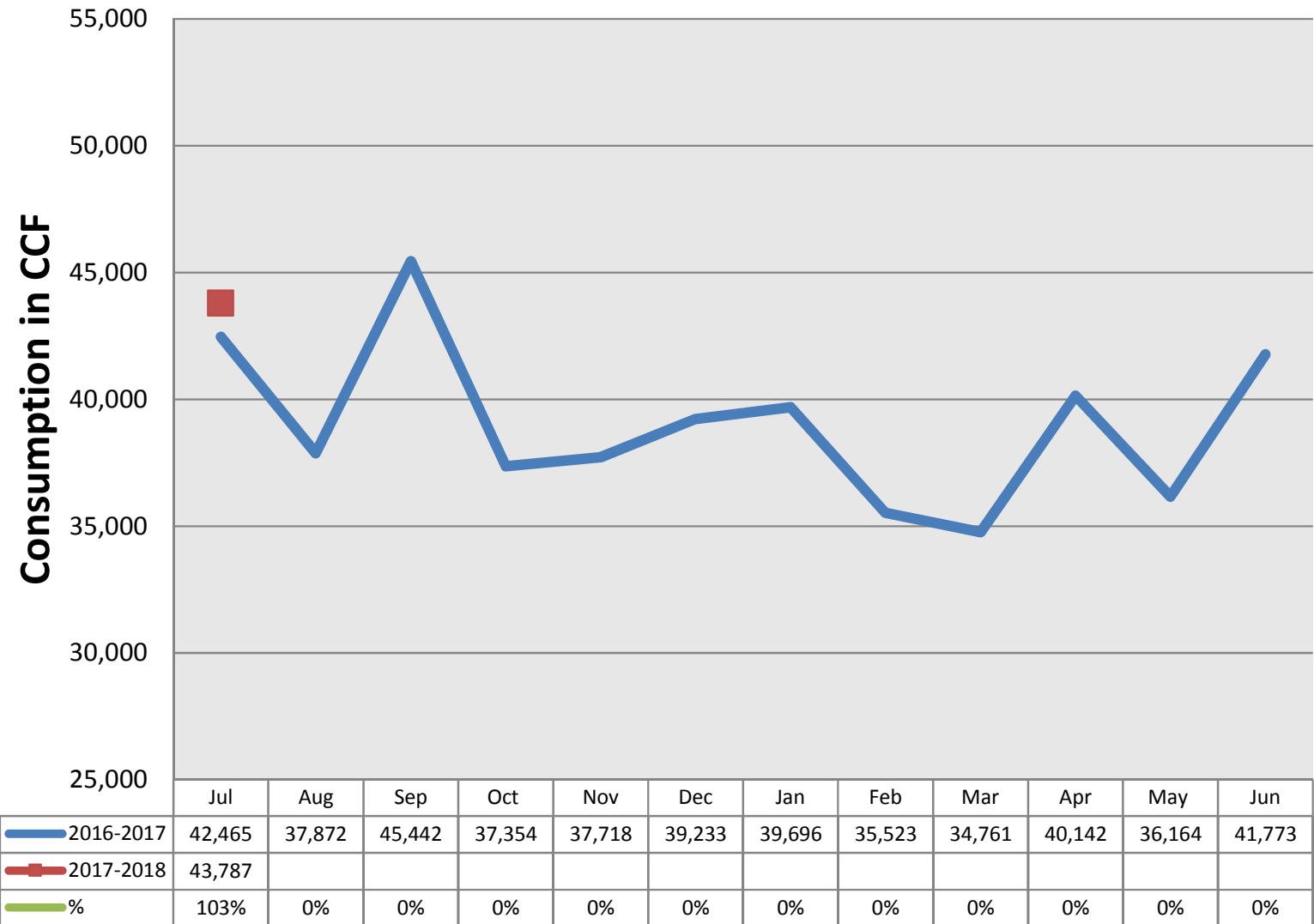


## Single Family Residents Consumption





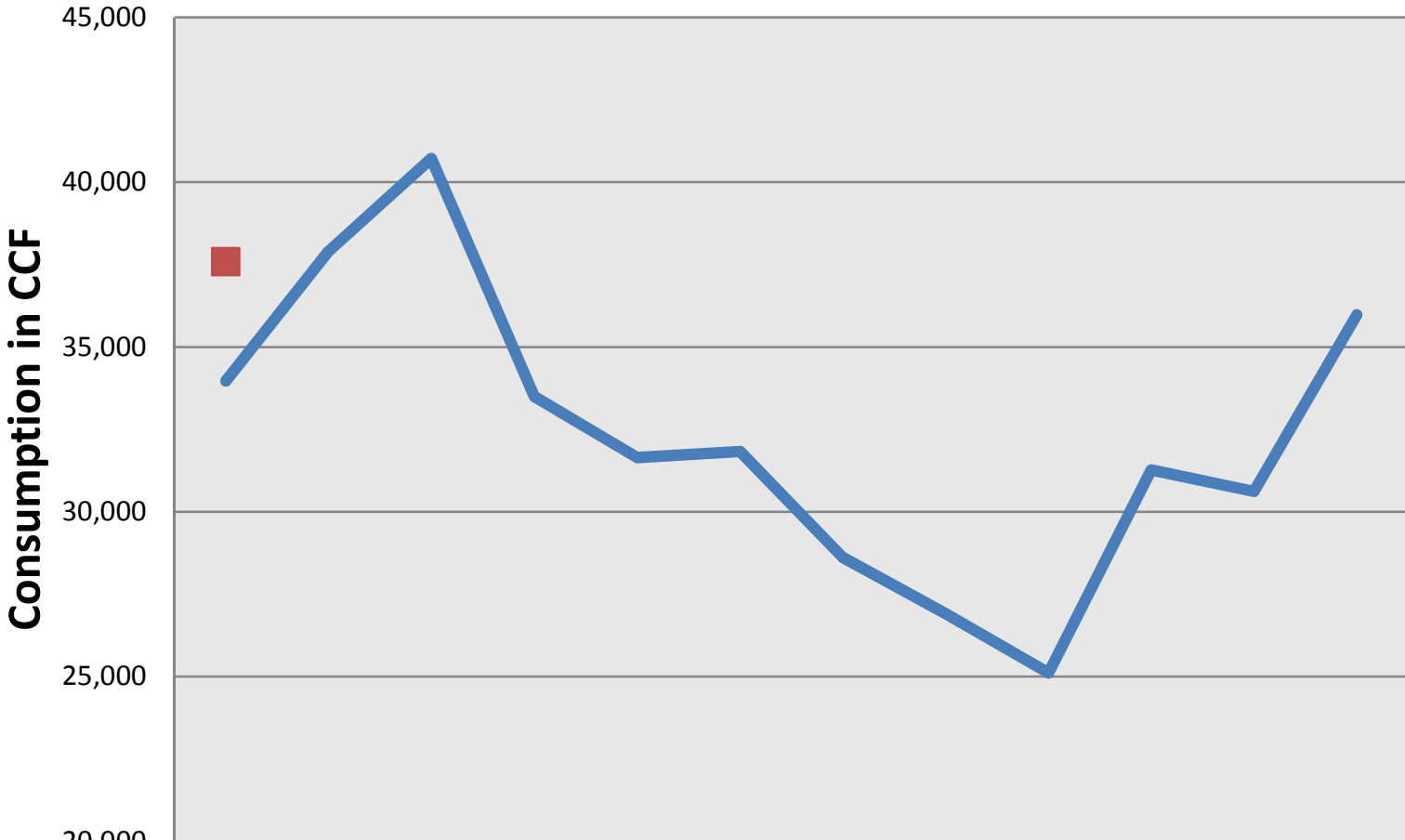
## Multi Family Residents Consumption



Month	Consumption in CCF
1	82,000
2	77,000
3	92,000
4	65,000
5	58,000
6	54,000
7	55,000
8	44,000
9	40,000
10	38,000
11	36,000
12	83,000

[illegible]

## Commercial Consumption

[illegible]

## Dedicated Irrigation Consumption (including LWV)



# EL TORO WATER DISTRICT

## Glossary of Water Terms

**Accumulated overdraft:** The amount of water necessary to be replaced in the intake area of the groundwater basin to prevent the landward movement of ocean water into the fresh groundwater body.

**Acre-foot, AF:** A common water industry unit of measurement. An acre-foot is 325,851 gallons, or the amount of water needed to cover one acre with water one foot deep. An acre-foot serves annual needs of two typical California families.

**ACWA:** Association of California Water Agencies.  
A statewide group based in Sacramento that actively lobbies State and Federal Government on water issues.

**Advanced treatment:** Additional treatment processes used to clean wastewater even further following primary and secondary treatment. Also known as tertiary treatment.

**AFY:** Acre-foot per year.

**Alluvium:** A stratified bed of sand, gravel, silt, and clay deposited by flowing water.

**AMP:** Allen McCulloch pipeline.

Major pipeline transporting treated water to water districts between Yorba Linda, where it starts to El Toro Water District reservoir, where it terminates.

**Annexation:** The inclusion of land within a government agency's jurisdiction.

**Annual overdraft:** The quantity by which the production of water from the groundwater supplies during the water year exceeds the natural replenishment of such groundwater supplies during the same water year.

**Aqueduct:** A man-made canal or pipeline used to transport water.

**Aquifer:** An underground geologic formation of rock, soil or sediment that is naturally saturated with water; an aquifer stores groundwater.

**Arid:** Dry; deserts are arid places. Semi-arid places are almost as dry as a desert.

**Artesian:** An aquifer in which the water is under sufficient pressure to cause it to rise above the bottom of the overlying confining bed, if the opportunity is provided.

**Artificial recharge:** The addition of surface water to a groundwater reservoir by human activity, such as putting surface water into recharge basins. (See also: groundwater recharge and recharge basin.)

**AWWA** American Water Works Association  
Nationwide group of public and private water purveyors and related industrial suppliers.

**Base flow:** The portion of river surface flow which remains after deduction of storm flow and/or purchased imported water.

**Bay-Delta:** The Sacramento-San Joaquin Bay-Delta is a unique natural resource of local, state and national significance. The Delta is home to more than 500,000 people; contains 500,000 acres of agriculture; provides habitat for 700 native plant and animal species; provides water for more than 25 million Californians and 3 million acres of agriculture; is traversed by energy, communications and transportation facilities vital to the economic health of California; and supports a \$400 billion economy.

**BIA:** Building Industry Association.

**Biofouling:** The formation of bacterial film (biofilm) on fragile reverse osmosis membrane surfaces.

**Biosolids:** Solid organic matter recovered from a sewage treatment process and used especially as fertilizer.

**BMP:** Best Management Practice. An engineered structure or management activity, or combination of these, that eliminates or reduces adverse environmental effects.

**Brackish water:** A mixture of freshwater and saltwater.

**Brown Act:** Ralph M. Brown Act enacted by the State legislature governing all meetings of legislative bodies. Also known as the Open Meeting requirements.

**Canal:** A ditch used to move water from one location to another.

**CASA:** California Association of Sanitation Agencies The sanitation equivalent of ACWA concerned solely with issues affecting the treatment and disposal of solid waste and wastewater.

**CEQA:** California Environmental Quality Act.

**CERCLA:** Comprehensive Environmental Response, Compensation and Liability Act. This federal law establishes the Superfund program for hazardous waste sites. It provides the legal basis for the United States EPA to regulate and clean up hazardous waste sites, and if appropriate, to seek financial compensation from entities responsible for the site.

**CFS:** Cubic feet per second.

**Chloramines:** A mixture of ammonia and chlorine used to purify water.

**Clarify:** To make clear or pure by separation and elimination of suspended solid material.

**Coagulation:** The clumping together of solids so they can more easily be settled out or filtered out of water. A chemical called aluminum sulfate (alum) is generally used to aid coagulation in water treatment and reclamation.

**Coastkeepers:** A non-profit organization dedicated to the protection and preservation of the marine habitats and watersheds of Orange County through programs of education, restoration, enforcement and advocacy.

**Colored water:** Groundwater extracted from the basin that is unsuitable for domestic use without treatment due to high color and odor exceeding drinking water standards.

**Condensation:** The process of water vapor (gas) changing into liquid water. An example of condensation can be seen in the tiny water droplets that form on the outside of a glass of iced tea as warmer air touches the cooler glass.

**Confined aquifer:** An aquifer that is bound above and below by dense layers of rock and contains water under pressure.

**Conjunctive use:** Storing imported water in a local aquifer, in conjunction with groundwater, for later retrieval and use.

**Contaminate:** To make unclean or impure by the addition of harmful substances.

**CPCFA:** California Pollution Control Financing Authority. State agency providing funds for wastewater reclamation projects.

**Crisis:**

1. **a:** The turning point for better or worse **b:** a paroxysmal attack of pain, distress, or disordered function **c:** an emotionally significant event or radical change of status in a person's life <a midlife crisis>
2. The decisive moment (as in a literary plot)
3. **a:** An unstable or crucial time or state of affairs in which a decisive change is impending; *especially* : one with the distinct possibility of a highly undesirable outcome <a financial crisis> **b:** a situation that has reached a critical phase

**CTP** Coastal Treatment Plant

**CWPCA** California Water Pollution Control Association. A 7000 member non-profit educational organization dedicated to water pollution control.

**Dam:** A barrier built across a river or stream to hold water.

**Decompose:** To separate into simpler compounds, substances or elements.

**Deep percolation:** The percolation of surface water through the ground beyond the lower limit of the root zone of plants into a groundwater aquifer.

**Degraded water:** Water within the groundwater basin that, in one characteristic or another, does not meet primary drinking water standards.

**Delta:** Where the rivers empty; an outlet from land to ocean, also where the rivers deposit sediment they carry forming landforms.

**Delta Vision:** Delta Vision is intended to identify a strategy for managing the Sacramento-San Joaquin Delta as a sustainable ecosystem that would continue to support environmental and economic functions that are critical to the people of California.

**Demineralize:** To reduce the concentrations of minerals from water by ion exchange, distillation, electro-dialysis, or reverse osmosis.

**De-nitrification:** The physical process of removing nitrate from water through reverse osmosis, microfiltration, or other means.

**Desalting (or desalination):** Removing salts from salt water by evaporation or distillation. Specific treatment processes, such as reverse osmosis or multi-stage flash distillation, to demineralize seawater or brackish (saline) waters for reuse. Also sometimes used in wastewater treatment to remove salts other pollutants.

**Desilting:** The physical process of removing suspended particles from water.

**Dilute:** To lessen the amount of a substance in water by adding more water.

**Disinfection:** Water treatment which destroys potentially harmful bacteria.

**Drainage basin:** The area of land from which water drains into a river, for example, the Sacramento River Basin, in which all land area drains into the Sacramento River. Also called catchment area, watershed, or river basin.

**Drought:** A prolonged period of below-average precipitation.

**DPHS:** California Department of Public Health Services. Regulates public water systems; oversees water recycling projects; permits water treatment devices; certifies drinking water treatment and distribution operators; supports and promotes water system security; provides support for small water systems and for improving technical, managerial, and financial (TMF) capacity; provides funding opportunities for water system improvements.

**DVL:** Diamond Valley Lake. Metropolitan's major reservoir near Hemet, in southwestern Riverside County.

**DWR:** California Department of Water Resources. Guides development/management of California's water resources; owns/operates State Water Project and other water facilities.

**Endangered Species:** A species of animal or plant threatened with extinction.

**Endangered Species Act of 1973 (ESA):** The most wide-ranging of the dozens of United States environmental laws passed in the 1970s. As stated in section 2 of the act, it was designed to protect critically imperiled species from extinction as a "consequence of economic growth and development untended by adequate concern and conservation.

**Ecosystem:** Where living and non-living things interact (coexist) in order to survive.

**Effluent:** Wastewater or other liquid, partially or completely treated or in its natural state, flowing from a treatment plant.

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**Evaporation:** The process that changes water (liquid) into water vapor (gas).

**Estuary:** Where fresh water meets salt water.

**Evapotranspiration:** The quantity of water transpired (given off), retained in plant tissues, and evaporated from plant tissues and surrounding soil surface. Quantitatively, it is expressed in terms of depth of water per unit area during a specified period of time.

**FCH** Federal Clearing House – Environmental Review/Processing

**FEMA** Federal Emergency Management Agency

**Filtration:** The process of allowing water to pass through layers of a porous material such as sand, gravel or charcoal to trap solid particles. Filtration occurs in nature when rain water soaks into the ground and it passes through hundreds of feet of sand and gravel. This same natural process of filtration is duplicated in water and wastewater treatment plants, generally using sand and coal as the filter media.

**Flocculation:** A chemical process involving addition of a coagulant to assist in the removal of turbidity in water.

**Forebay:** A reservoir or pond situated at the intake of a pumping plant or power plant to stabilize water level; also, a portion of a groundwater basin where large quantities of surface water can recharge the basin through infiltration.

**Gray water reuse:** Reuse, generally without treatment, of domestic type wastewater for toilet flushing, garden irrigation and other non-potable uses. Excludes water from toilets, kitchen sinks, dishwashers, or water used for washing diapers.

**Green Acres Project (GAP):** A 7.5 million gallons per day (MGD) water reclamation project that serves tertiary treated recycled water to irrigation and industrial users in Costa Mesa, Fountain Valley, Huntington Beach, Newport Beach, and Santa Ana.

**God Squad:** A seven-member committee that is officially called the "Endangered Species Committee". Members consist of Secretary of the Interior, the Secretary of Agriculture, the Secretary of the Army, the Chairman of the Council of Economic Advisers, the Administrator of the National Oceanic and Atmospheric Administration and one individual from the affected state. The squad was established in 1978 by an amendment to the 1973 Endangered Species Act (ESA). It has only been called into action three times to deal with proposed federal agency actions that have been determined to cause "jeopardy" to any listed species. Such actions may receive an exemption from the ESA if five members of the committee determine that the action is of regional or national significance, that the benefits of the action clearly outweigh the benefits of conserving the species and that there are no reasonable and prudent alternatives to the action.

**Groundwater:** Water that has percolated into natural, underground aquifers; water in the ground, not water puddled on the ground.

**Groundwater basin:** A groundwater reservoir defined by the overlying land surface and the underlying aquifers that contain water stored in the reservoir. Boundaries of success-ively deeper aquifers may differ and make it difficult to define the limits of the basin.

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**Groundwater mining:** The withdrawal of water from an aquifer in excess of recharge over a period of time. If continued, the underground supply would eventually be exhausted or the water table could drop below economically feasible pumping lifts.

**Groundwater overdraft:** The condition of a groundwater basin in which the amount of water withdrawn by pumping exceeds the amount of water that recharges the basin over a period of years during which water supply conditions approximate average.

**Groundwater recharge:** The action of increasing groundwater storage by natural conditions or by human activity. See also: Artificial recharge.

**Ground Water Replenishment System (GWRS):** A joint project of the Orange County Water District and the Orange County Sanitation District that will provide up to 100,000 acre-feet of reclaimed water annually. The high-quality water will be used to expand an existing underground seawater intrusion barrier and to replenish the groundwater basin underlying north and central Orange County.

**Groundwater table:** The upper surface of the zone of saturation (all pores of subsoil filled with water), except where the surface is formed by an impermeable body.

**GPM:** Gallons per minute.

**Ground Water Replenishment System (GWRS):** Orange County Water District's state-of-the-art, highly advanced, waste-water treatment facility.

**Hydrologic balance:** An accounting of all water inflow to, water outflow from, and changes in water storage within a hydrologic unit over a specified period.

**Hydrologic cycle:** The process of water constantly circulating from the ocean, to the atmosphere, to the earth in a form of precipitation, and finally returning to the ocean.

**Imported water:** Water that has originated from one hydrologic region and is transferred to another hydrologic region.

**Inflatable rubber dams:** Designed to replace temporary sand levees that wash out during heavy storm flow, the dams hold back high-volume river flows and divert the water into the off-river system for percolation.

**Influent:** Water or wastewater entering a treatment plant, or a particular stage of the treatment process.

**Irrigation:** Applying water to crops, lawns or other plants using pumps, pipes, hoses, sprinklers, etc.

**JPIA** Joint Powers Insurance Authority. A group of water agencies providing self-insurance to members of the ACWA.

**LAIF** Local Agency Investment Fund. Statewide pool of surplus public agency money managed by State Treasurer.

**Leach:** To remove components from the soil by the action of water trickling through.

**MAF:** Million acre feet.

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**MCL:** Maximum contaminant level set by EPA for a regulated substance in drinking water. According to health agencies, the maximum amount of a substance that can be present in water that's safe to drink and which looks, tastes and smells good.

**MET:** Metropolitan Water District of Southern California.

**MGD:** Million gallons per day.

**Microfiltration:** A physical separation process where tiny, hollow filaments members separate particles from water.

**Microorganism:** An animal or plant of microscopic size.

**MWD:** Metropolitan Water District of Southern California.

**MWDOC:** Municipal Water District of Orange County. Intermediate wholesaler between MWD and 27 member agencies including ETWD.

**Non-point source pollution:** Pollution that is so general or covers such a wide area that no single, localized source of the pollution can be identified.

**NPDES** National Pollution Discharge Elimination System

**OCBC:** Orange County Business Council.

**OCEMA** Orange County Environmental Management Agency

**OCWD:** Orange County Water District.

**Opportunity:**

1. A favorable juncture of circumstances.
2. A good chance for advancement or progress .

**Organism:** Any individual form of life, such as a plant, animal or bacterium.

**PCM** Professional Community Management, Inc. Property Management company providing services to Laguna Woods Village and other homeowner associations.

**Perched groundwater:** Groundwater supported by a zone of material of low permeability located above an underlying main body of groundwater with which it is not hydrostatically connected.

**Percolation:** The downward movement of water through the soil or alluvium to the groundwater table.

**Permeability:** The capability of soil or other geologic formations to transmit water.

**Point source:** A specific site from which waste or polluted water is discharged into a water body, the source of which is identified. See also: non-point source.

**Potable water:** Suitable and safe for drinking.

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**PPB:** Parts per billion.

**Precipitation:** Water from the atmosphere that falls to the ground as a liquid (rain) or a solid (snow, sleet, hail).

**Primary treated water:** First major treatment in a wastewater treatment facility, usually sedimentation but not biological oxidation.

**Primary treatment:** Removing solids and floating matter from wastewater using screening, skimming and sedimentation (settling by gravity).

**Prior appropriation doctrine:** Allocates water rights to the first party who diverts water from its natural source and applies the water to beneficial use. If at some point the first appropriator fails to use the water beneficially, another person may appropriate the water and gain rights to the water. The central principle is beneficial use, not land ownership.

**Pumping Plant:** A facility that lifts water up and over hills.

**Recharge:** The physical process where water naturally percolates or sinks into a groundwater basin.

**Recharge basin:** A surface facility, often a large pond, used to increase the infiltration of surface water into a groundwater basin.

**Reclaimed wastewater:** Wastewater that becomes suitable for a specific beneficial use as a result of treatment. See also: wastewater reclamation.

**Reclamation project:** A project where water is obtained from a sanitary district or system and which undergoes additional treatment for a variety of uses, including landscape irrigation, industrial uses, and groundwater recharge.

**Recycling:** A type of reuse, usually involving running a supply of water through a closed system again and again. Legislation in 1991 legally equates the term "recycled water" to reclaimed water.

**Reservoir:** A place where water is stored until it is needed. A reservoir can be an open lake or an enclosed storage tank.

**Reverse osmosis:** (RO) A method of removing salts or other ions from water by forcing water through a semi-permeable membrane.

**RFP** Request for Proposal

**Riparian:** Of or on the banks of a stream, river, or other body of water.

**RO:** Reverse osmosis. See the listing under "reverse osmosis."

**R-O-W** Right-of-way

**Runoff:** Liquid water that travels over the surface of the Earth, moving downward due to gravity. Runoff is one way in which water that falls as precipitation returns to the ocean.

**RWQCB** Regional Water Quality Control Board. State agency regulating discharge and use of recycled water.

**Safe Drinking Water Act (SDWA):** The Safe Drinking Water Act (SDWA) was originally passed by Congress in 1974 to protect public health by regulating the nation's public drinking water supply. The law was amended in 1986 and 1996 and requires many actions to protect drinking water and its sources: rivers, lakes, reservoirs, springs, and ground water wells. (SDWA does not regulate private wells which serve fewer than 25 individuals.) SDWA authorizes the United States Environmental Protection Agency (US EPA) to set national health-based standards for drinking water to protect against both naturally-occurring and man-made contaminants that may be found in drinking water. US EPA, states, and water systems work together to make sure that these standards are met.

**Safe yield:** The maximum quantity of water that can be withdrawn from a groundwater basin over a long period of time without developing a condition of overdraft, sometimes referred to as sustained yield.

**SAFRA** Santa Ana River Flood Protection Agency

**Salinity:** Generally, the concentration of mineral salts dissolved in water. Salinity may be measured by weight (total dissolved solids - TDS), electrical conductivity, or osmotic pressure. Where seawater is known to be the major source of salt, salinity is often used to refer to the concentration of chlorides in the water.

**SAWPA:** Santa Ana Watershed Project Authority.

**SCADA** Supervisory Control and Data Acquisition

**SCAP** Southern California Alliance of Publicly. Newly formed group of public agencies seeking reasonable regulation of sewer industry.

**SCH** State Clearing House – Environmental Review/Processing

**Seasonal storage:** A three-part program offered by Metropolitan Water District of Southern California:

**STSS (Short Term Seasonal Storage)** financially encourages agencies with local groundwater production capabilities to produce a higher percentage of their demand in the summer from their local groundwater supplies, thus shifting a portion of their demand on the MWD system from the summer to winter;

**LTSS (Long Term Seasonal Storage)** financially encourages retail agencies to take and store additional amounts of MWD water above their normal annual demands for later use; Replenishment Water provides less expensive interruptible water that is generally available and used to increase the operating yield of groundwater basins.

**Seawater intrusion:** The movement of salt water into a body of fresh water. It can occur in either surface water or groundwater basins.

**Seawater barrier:** A physical facility or method of operation designed to prevent the intrusion of salt water into a body of freshwater.

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**Secondary treatment:** The biological portion of wastewater treatment which uses the activated sludge process to further clean wastewater after primary treatment. Generally, a level of treatment that produces 85 percent removal efficiencies for biological oxygen demand and suspended solids. Usually carried out through the use of trickling filters or by the activated sludge process.

**Sedimentation:** The settling of solids in a body of water using gravity.

**Settle:** To clarify water by causing impurities/solid material to sink to a container's bottom.

**Sewer:** The system of pipes that carries wastewater from homes and businesses to a treatment plant or reclamation plant. Sewers are separate from storm drains, which is a system of drains and pipes that carry rain water from urban streets back to the ocean. Overwatering your yard can also cause water to run into the streets and into storm drains. Storm drain water is not treated before it is discharged.

**SigAlert:** Any unplanned event that causes the closing of one lane of traffic for 30 minutes or more, as opposed to a planned event, like road construction, which is planned.

**SJBA** San Juan Basin Authority

**Sludge:** The solids that remain after wastewater treatment. This material is separated from the cleaned water, treated and composted into fertilizer. Also called biosolids.

**SOCWA** South Orange County Wastewater Authority. Regional Joint Powers Authority formed for collection and treatment of sewerage (previously known as AWMA/SERRA/SOCRA). SOCWA member agencies:

CSC – City of San Clemente

CSJC – City of San Juan Capistrano

CLB – City of Laguna Beach

ETWD – El Toro Water District

EBSD – Emerald Bay Service District

IRWD – Irvine Ranch Water District

MNWD – Moulton Niguel Water District

SCWD – South Coast Water District

SMWD – Santa Margarita Water District

TCWD – Trabuco Canyon Water District

**SRF** State Revolving Fund

**Storm Drain:** The system of pipes that carries rain water from urban streets back to the ocean. Overwatering your yard can also cause water to run into the streets and into storm drains. Storm drain

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water is not treated before it is discharged. Storm drains are separate from sewers, which is a separate system of pipes to carry wastewater from homes and businesses to a treatment plant or reclamation plant for cleaning.

**Storm flow:** Surface flow originating from precipitation and run-off which has not percolated to an underground basin.

**SWP:** State Water Project. An aqueduct system that delivers water from northern California to central and southern California.

**SWRCB** State Water Resources Control Board

**TDS:** Total dissolved solids. A quantitative measure of the residual minerals dissolved in water that remain after evaporation of a solution. Usually expressed in milligrams per liter.

**Tertiary treatment:** The treatment of wastewater beyond the secondary or biological stage. Normally implies the removal of nutrients, such as phosphorous and nitrogen, and a high percentage of suspended solids.

**THM:** Trihalomethanes. Any of several synthetic organic compounds formed when chlorine or bromine combine with organic materials in water.

**TMA:** Too many acronyms.

**TMDL:** Total maximum daily load; A quantitative assessment of water quality problems, contributing sources, and load reductions or control actions needed to restore and protect bodies of water.

**Transpiration:** The process in which plant tissues give off water vapor to the atmosphere as an essential physiological process.

**Turbidity:** Thick or opaque with matter in suspension; muddy water.

**Ultraviolet light disinfection:** A disinfection method for water that has received either secondary or tertiary treatment used as an alternative to chlorination.

**VE** Value Engineering

**VOC:** Volatile organic compound; a chemical compound that evaporates readily at room temperature and contains carbon.

**Wastewater:** Water that has been previously used by a municipality, industry or agriculture and has suffered a loss of quality as a result.

**Water Cycle:** The continuous process of surface water (puddles, lakes, oceans) evaporating from the sun's heat to become water vapor (gas) in the atmosphere. Water condenses into clouds and then falls back to earth as rain or snow (precipitation). Some precipitation soaks into the ground (percolation) to replenish groundwater supplies in underground aquifers.

**Water rights:** A legally protected right to take possession of water occurring in a natural waterway and to divert that water for beneficial use.

**Water-use Efficiency:** The water requirements of a particular device, fixture, appliance, process, piece of equipment, or activity.

**Water year (USGS):** The period between October 1st of one calendar year to September 30<sup>th</sup> of the following calendar year.

**Watermaster:** A court appointed person(s) that has specific responsibilities to carry out court decisions pertaining to a river system or watershed.

**Water Reclamation:** The treatment of wastewater to make it suitable for a beneficial reuse, such as landscape irrigation. Also called water recycling.

**Watershed:** The total land area that from which water drains or flows to a river, stream, lake or other body of water.

**Water table:** The top level of water stored underground.

**WEF** Water Environment Federation. Formerly – Water Pollution Control Federation (WPCF). International trade group advising members of sewage treatment techniques and their effect on the environment.

**Weir box:** A device to measure/control surface water flows in streams or between ponds.

**Wellhead treatment:** Water quality treatment of water being produced at the well site.

**Wetland:** Any area in which the water table stands near, at, or above the land surface for a portion of the year. Wetlands are characterized by plants adapted to wet soil conditions.

**Xeriscape:** Landscaping that requires minimal water.