MINUTES OF THE REGULAR MEETING
OF THE
ENGINEERING COMMITTEE MEETING

January 22, 2018

Chairman Vergara called the Meeting of the Engineering Committee and Finance/Insurance Committee to order at 7:30 a.m. on January 22, 2018.

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

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

Director MARK MONIN 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, RICHARD BABBE, CAMP Representative, KATHRYN FRESHLEY, Customer, and CAROL MOORE, City of Laguna Woods.

Oral Communication/Public Comment

There were no comments.

Items Received too Late to be Agendized

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

Approval of Minutes

Chairman Vergara asked for a Motion.

Motion: Vice President Kahn made a Motion, seconded by Director Adjarian and unanimously carried across the Board to approve the Minutes.

Roll Call Vote

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

CAMP Presentation

Ms. Shahbakhti introduced Richard Babbe of PFM to provide an update on the District's investment funds.

Mr. Babbe stated that Key Themes provide economic conditions and strategy considerations. He further stated that the economic growth remained strong in the third quarter.

Mr. Babbe stated that the labor market activity slowed in December, and inflation steadies but the outlook remains weak.

Mr. Babbe stated that two-year Treasury yields moved higher for the year ending 2017; the increase was pronounced during the fourth quarter as markets responded to another rate hike and passage of the largest overhaul of the tax system in more than 30 years. He further stated that short-term yields were higher in the fourth quarter but the yield curve flattened. He also stated that the interest rate could rise 3 additional times in 2018.

Director Adjarian asked if the co-gen generation is affecting the market. Mr. Babbe replied that it could be an explanation for the low labor board by historical standards.

Mr. Babbe stated that the District's portfolio is in compliance with the District's Investment Policy, and is well diversified across sectors and issuers.

Mr. Babbe stated that the individual investments are concentrated in the 1-3 year maturity range, consistent with the benchmark, and the District maintains significant assets in LAIF to provide liquidity and a cushion against market value fluctuations.

Mr. Babbe stated that the portfolio's yield has moved higher during the past six months as it adjusts to current interest rate levels, and should continue to trend upward with any increases in interest rate. He further stated that on an absolute basis, total returns were down, as the rise in interest rates drove market values down, but average out over longer periods of time.

Mr. Babbe presented a chart on the Portfolio Earnings for the four quarters, and the CAMP characteristics as of December 31, 2017. He also presented a chart of the LAIF characteristics as of December 31, 2017.

Director Vergara asked if the new tax bill would affect big companies by bringing in money, and if so, will that help our economy. Mr. Babbe replied that tax reform will be a positive impact to the economy, and there are a lot of dynamic factors associated with the new tax bill.

Director Vergara stated that he heard a lobbyist last year say that the small businesses did not want the new tax bill, and asked if this is true. Mr. Babbe replied that he has not heard of this, but small business would benefit in any increase in economic demand.

At approximately 7:43 o'clock a.m. Mr. Babbe left the meeting.

Engineering Committee

At approximately 7:43 o'clock a.m. Chairman Vergara called the Engineering Committee meeting to order.

Engineering Action Items

There were no action items.

Engineering General Information Items

El Toro Water District Capital Project Status Report

Oso Lift Station Improvement Project

Mr. Cafferty stated that the Oso Lift Station Improvement Project is in progress, and final design is expected to be complete in March.

Recycled Water Distribution System Expansion Projects

Mr. Cafferty stated that we have installed a little over 5,000 feet of pipe installed, and 20% of the pipe is in the ground. He further stated that there was one change order since the beginning of the project.

2nd Street Pump Station Demolition

Mr. Cafferty stated that the demo is underway and the building is gone. He further stated that he will provide photos at the next meeting of the before, during, and after.

Director Adjarian asked if IRWD is going to share with the demo cost. Mr. Cafferty replied yes.

President Goldman asked if staff communicated with the HOA. Mr. Cafferty replied that staff previously communicated with the HOA regarding the transfer of ownership of the land following the demolition. Mr. Cafferty further noted that staff will communicate with the HOA regarding the final condition of the site as the demolition

project is completed.

Upcoming Projects

Mr. Cafferty stated that within the next month or two he will bring some projects before the Board. He further stated that these projects include Asphalt Maintenance at the Main Office, Sodium Hypochlorite Tank Replacement at the R-6 Reservoir, and purchasing a Backhoe.

Energy Efficiency Projects

Mr. Cafferty stated that AMS will install batteries at the Plant at their cost, and we would share in the energy savings with them. He further stated that staff has had discussions with AMS regarding the potential impact on future projects.

Mr. Cafferty stated that the first $19,000 of savings would go to AMS for equipment reimbursement, and the next $27,000 of savings would belong to the District and after that we share the energy savings by 50/50. Mr. Cafferty stated that the AMS analytics team will assist the District in evaluating future energy efficiency projects at the Plant to determine any impacts on the savings associated with the battery project. Director Adjarian asked if there is an additional charge for AMS to provide this evaluation, or is it as needed basis. Mr. Cafferty replied that he will follow up with AMS to see if there is an additional fee for future evaluations.

Vice President Kahn asked if staff has evaluated how often the savings would have exceeded the $19,000. Mr. Cafferty replied that the reason AMS gets the first $19,000 is to recover their costs of the batteries and installation. Mr. Cafferty further noted that AMS has performed a detailed analysis of historical power consumption and costs at the Plant and conservatively estimates savings of at least $46,000.

Baker Water Treatment Product Water Conveyance Options

Director Adjarian asked if we are dependent on MNWD to get our cfs from the Baker system. Mr. Cafferty replied that we are taking the 5 cfs from the interconnection with MNWD through their system.

Poseidon HB Ocean Desal Project

Mr. Hill stated that there will be a regional Board workshop on February 9th, and possibly around June it will go back to the Regional Board for approval, and then to the Coastal Commission in the fall, and distributing the water has not been determined yet.

Engineering Items Discussed at Various Conferences and Meetings

There were no comments.

Comments Regarding Non-Agenda Engineering Committee Items

There were no comments.

Adjournment

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

Motion: Director Adjarian made a Motion, seconded by President Goldman and unanimously carried that today's meeting be adjourned at 8:00 o'clock a.m. to Tuesday, February 20, 2018 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
Vice President Kahn	aye
Director Adjarian	aye
Director Vergara	aye

Respectfully submitted,

POLLY WELSCH
Recording Secretary

APPROVED:

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

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