

MINUTES OF THE REGULAR MEETING
OF THE
ENGINEERING COMMITTEE MEETING

February 26, 2019

Director Goldman called the Meeting of the Engineering Committee to order at 7:30 a.m. on February 26, 2019.

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

Present at today's meeting were Committee Members JOSE F. VERGARA, MARK MONIN, M. SCOTT GOLDMAN, KATHRYN FRESHLEY, and MIKE GASKINS.

Also present were ROBERT R. HILL, General Manager/Secretary, DENNIS P. CAFFERTY, Assistant General Manager/District Engineer, JUDY CIMORELL, Human Resources Manager, NEELY SHAHBAKHTI, Finance Manager/Controller, RICK OLSON, Operations Superintendent, BOBBY YOUNG, Project Engineer, GILBERT J. GRANITO, General Counsel, POLLY WELSCH, Recording Secretary, and KEITH STRIBLING, HIGHMARK Representative.

Oral Communication/Public Comment

There were no comments.

Items Received too Late to be Agendized

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

Quarterly Review of the District's 401(k) Retirement Savings Plan

Mr. Stribling stated that it was a very poor quarter and end of the year. He further stated that the stocks were negative for the year.

Mr. Stribling stated that the asset allocation decisions were not good, and the benchmarks did not perform well. He further stated that from a macro economic standpoint the stock market tumbled due to U.S. trade issues with China, and tariffs on some items, and the Democrats took control of the House, and will investigate and raise rates which creates the Yield Curve to shift higher on shorter-term interest rates.

Mr. Stribling stated that housing has slowed, new construction is slow, with rising mortgage rates. He further stated that the Chinese currency has been declining and the Chinese government is clamping down on money leaving their country.

Mr. Stribling stated that the Yield Curve flattened, and became inverted where the 2-year Yields were higher than the 7-year Yield and implies a recession. He further stated that the Feds came out in December and raised rates and spooked the market.

Mr. Stribling stated that the market began to rise in the new year, and the Feds did not raise rates; however we had a Government shutdown during the quarter. He further stated that the rate of change is accelerating and leveling off at a lesser rate.

Mr. Stribling stated that a recovery could be possible in the next quarter. He further stated that all of the portfolios were affected by these same issues.

Mr. Stribling stated that Fixed Income underperformed the benchmark by 100 basis points, Treasuries outperformed, and all active Managers had credit risks. He further stated that the Eaton Advance was funded and did not do well.

Mr. Stribling stated that the Large Cap Managers underperformed by 250 basis points due to the Columbia Contrarian Fund which underperformed by 400 basis points. He further stated that Growth outperformed Value in the year by 700 basis points.

Mr. Stribling stated that International funds did not do well, and Alternative funds also did poorly. He further stated that they have made fund changes hoping for higher Yields which did not happen. He also stated that the Fidelity Fund was sold and replaced with Delaware Small Cap Fund. They also sold the Nationwide Fund.

Mr. Stribling stated that each Fund that was added caused the portfolio to go down. He further stated that the next quarter should do better.

Vice President Monin asked what the fee was for the DFA Fund. Mr. Stribling replied that it is a low fee.

Vice President Monin stated that Vanguard Short-term is down 15.2% and year to date down 9.95%, but Short-term Bond Funds are not expected to go down for the longer term. He further stated that this is a brutal hit, and the Intermediate-term Bonds were also down by large numbers and Large Growth stocks were also way down.

Director Gaskins stated that the Government Shutdown should not have affected the Portfolio because it was after the end of the quarter. Mr. Stribling replied that there was a financial cost to the economy and the market was forecasting the market volatility.

Vice President Monin suggested having the Portfolio funds reviewed by an outside party.

President Vergara suggested adding this to Thursday's agenda for continued discussion and possible action.

At approximately 8:00 o'clock am. Mr. Stribling left the meeting.

Attorney Report

Mr. Granito reported that there is a need for a Closed Session as provided for in items #2 and #3 of today's Closed Session agenda.

Closed Session

At approximately 8:00 o'clock a.m. the Board did go into Closed Session. Also at this time, Mr. Hill, Mr. Cafferty, Ms. Cimorell, Ms. Shahbakhti, and Ms. Welsch left the meeting.

At approximately 8:23 o'clock a.m Mr. Hill was called to join the Closed Session.

Open Session/Regular Session

At approximately 9:03 o'clock a.m. the Board returned to Open Session. Also at this time, Mr. Cafferty, Ms. Cimorell, and Ms. Shahbakhti returned to the meeting.

Report on Closed Session

Mr. Granito reported that at approximately 8:00 o'clock a.m. the Board did go into Closed Session to discuss item #2 of today's Closed Session agenda. Mr. Granito reported that during the first Phase of the Closed Session the Board deliberated without the participation of Mr. Hill, after which, Mr. Hill participated.

Mr. Granito reported that during the second part of the first Phase of the Closed Session, the Board made the threshold unanimous decision that a merit raise was in order, but not as to any specific amount. No further reportable action was taken.

Mr. Granito further reported that the Board also went into Closed Session with regard to item #3 to consult with Legal Counsel on a matter of potential litigation as reflected in item #3 of today's Closed Session agenda. No further reportable action was taken.

General Manager Compensation

President Vergara stated that the Board was in agreement that a merit increase was in order.

President Vergara asked for a Motion.

Motion: Director Gaskins made a Motion that Mr. Hill be granted a 4% merit increase retroactive to January 1, 2019, seconded by Director Goldman, and unanimously carried across the Board.

Roll Call Vote:

Director Gaskins	aye
Director Freshley	aye
Director Goldman	aye
Vice President Monin	aye
President Vergara	aye

Engineering Committee

Consent Calendar

1. Consider approving the minutes of the January 21, 2019 Engineering Committee meeting.

President Vergara asked for a Motion.

Motion: Director Freshley made a Motion, seconded by Vice President Monin, and unanimously carried across the Board to approve the Consent Calendar.

Roll Call Vote:

Director Goldman	aye
President Vergara	aye
Director Freshley	aye
Vice President Monin	aye
Director Gaskins	aye

Engineering Action Items

There were no action items.

Engineering General Information Items

At approximately 9:00 o'clock a.m. Director Gaskins left the meeting.

Capital Project Status Report

Oso Lift Station Project

Mr. Cafferty stated that the City has been helping to resolve an issue where the County will amend the lease they have with the City, but discovered a document from the State Coastal Conservancy that potentially provides a roadblock in the acquisition of the property.

Lab Certification Update

Mr. Cafferty stated that staff continues to outsource sample testing while working with the SOCWA lab to enable ETWD staff to perform testing under the SOCWA ELAP certification. He further stated that staff has completed the proficiency testing to support the certification application to ELAP and is waiting for the issuance of a new certification.

Director Goldman asked if there is a cost to outsource the sampling. Mr. Cafferty replied yes, approximately \$2,000 per week. Director Goldman asked is there is a cost to use SOCWA's certification. Mr. Cafferty replied that there is a labor cost associated with administration and oversight that is estimated to be approximately \$20,000 for 6 months of use.

MWDOC Shared Services Business Plan

Mr. Cafferty stated that MWDOC's Plan is intended to supplement the resources

available to member agencies efforts to comply with evolving Water Loss mitigation and reporting requirements. He further stated that staff is monitoring the Plan to assess whether the Plan is of any benefit to the District.

Irvine Lake Storage

Mr. Cafferty stated that IRWD is proposing the possibility of storing water in Irvine Lake that could provide water for an emergency supply to the Baker Water Treatment Plant. He further stated that IRWD is working on some technical issues including costs associated with evaporation and capital projects.

AMI Feasibility Study & Alternatives Analysis

Mr. Cafferty stated that a consulting contract has been issued to MC Engineering, and the project is expected to be complete in March 2019.

Poseidon Huntington Beach Ocean Desal Project

Mr. Hill stated that ETWD hosted a meeting with ETWD, SMWD, CLB, MNWD, IRWD, and Poseidon which provided more detail regarding conveyance alternatives to deliver Huntington Beach product water to South County along with more definitive Treatment Plant and Distribution costs for South County Agencies.

Mr. Hill stated that OCWD is requesting a soft Letter of Interest in late Spring.

He further stated that staff will bring more information to the Board at a future meeting.

Engineering Items Discussed at Various Conferences and Meetings

There were no comments.

Comments Regarding Non-Agenda Engineering Committee Items

Director Freshley asked if there is an update on dual plumbing relative to the

recycled water retrofits. Mr. Cafferty replied that staff is dividing the project into two phases, beginning with the irrigation sites that don't have potential dual plumbed issues first and then circle back to finish the remaining recycled water use sites.

Adjournment

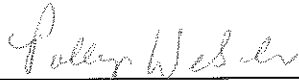
There being no further business to come before the Board, the following motion was duly made and passed.

Motion: Director Freshley made a Motion, seconded by Vice President Monin and unanimously carried that today's meeting be adjourned at 9:25 o'clock a.m. to Tuesday, March 26, 2019 at 7:30 o'clock a.m. at the District's Administrative Offices at 24251 Los Alisos Blvd, Lake Forest, CA. 92630.

Roll Call:

Vice President Monin	aye
Director Goldman	aye
President Vergara	aye
Director Freshley	aye

Respectfully submitted,

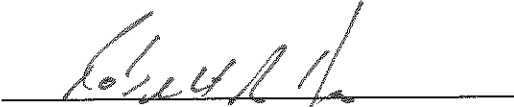


POLLY WELSCH
Recording Secretary

APPROVED:



JOSE F. VERGARA, 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