

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

March 26, 2013

Chairman Goldman called the Meeting of the Engineering Committee and Finance/Insurance Committee to order at 7:30 o'clock a.m. on March 26, 2013.

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

Present at today's meeting were Committee Members TED F. MARTIN, M. SCOTT GOLDMAN, WILLIAM H. KAHN, JERARD B. WERNER and JOSE F. VERGARA .

Also present were ROBERT R. HILL, General Manager/Secretary, DENNIS P. CAFFERTY, Director of Operations and Engineering, MICHAEL P. GRANDY, Chief Financial Officer/Assistant Treasurer, GILBERT J. GRANITO, General Counsel, POLLY WELSCH, Recording Secretary, NEELY SHAHBAKHTI, Controller, KATHRYN FRESHLEY, Customer (arrived a few minutes after the meeting started), and CAROL MOORE, Customer (arrived a few minutes after the meeting started).

Items Received too Late to be Agendized

There were no items.

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

Recycled Water Expansion Project Tertiary Treatment Plant

Mr. Cafferty stated that the Notice Inviting Bids for the construction of the Tertiary Treatment Plant of the RWEP distribution system was issued on February 1, 2013 to seven contractors. He further stated that one of the contractors dropped out during the bidding process.

Mr. Cafferty stated that each of the seven contractors attended the mandatory pre-bid meeting and acquired plans and specifications on the project. He further stated that four bids were received and opened at a public bid opening on March 13th. Mr. Cafferty stated that the bid summary tabulation and chart are included in today's Board package.

Mr. Cafferty stated that the spread between the bids was extremely tight with approximately 7% separating all of the bidders. He further stated that staff has received good recommendations from a number of sources regarding Pacific Hydrotech's performance, and included a MWH letter documenting their review of the bid package and subsequent recommendation to award the Tertiary Treatment Plant construction contract to Pacific Hydrotech.

Mr. Cafferty stated that CH2MHill provided a proposal for the design engineer construction services, which includes review of submittals, change orders, and Requests for Information and preparation of record drawings. He further stated that their proposal is included in the Board package.

Mr. Cafferty stated that staff pre-negotiated the instrumentation and control portion of the Tertiary Treatment Plant with Motoronics, its SCADA consultant. He further stated that the proposal includes hardware costs and services including project drawings and specifications.

Mr. Cafferty stated that included in the Board package is a new Cost Estimate. He further stated that his handout this morning should have been included in the Capital Projects Status report.

Vice President Goldman asked about the construction support number in the cost estimate. Mr. Cafferty replied that there is an error in the number which should be slightly higher.

President Martin asked when is the proposed construction start date. Mr. Cafferty replied that construction should begin in May.

Director Werner asked when the estimated completion date will be. Mr. Cafferty replied late 2014.

Director Vergara asked if the District is obligated to award the contract to the lowest bidder. Mr. Granito replied although it is a good business practice, California water districts and irrigation districts are not subject to the competitive bidding requirement. He further stated that awarding to the lowest bidder is a self-imposed rule.

Director Kahn asked if staff has reviewed a qualified list to justify choosing this contractor by reviewing any previous overruns they may have had. Mr. Cafferty replied that staff checked contractors that ETWD and other agencies

have been successful with, and verified their experience for a contract such as this.

Director Vergara asked if the District had previous shoring issues with a different contractor on a past project. Mr. Cafferty replied that shoring was a part of the problem, and there were soil issues involved with the previous project.

Director Werner asked if the contract was a fixed price contract. Mr. Cafferty replied yes.

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.

Oral Communication/Public Comment

Chairman Goldman stated that at this time we will ask for Public Comment, as there was no public when the meeting started, and the public that arrived after the meeting began will now have a chance to speak if they so desire.

Ms. Moore asked if new technology arrives, can the District adapt the system using the current design of the project. Mr. Cafferty replied that it would depend on the technology.

Ms. Freshley stated that in her service area, the District is changing valves in the street, and asked if it is due to routine maintenance, or is it in preparation of the Recycled Water program. Mr. Cafferty replied that it is routine maintenance of the potable water system.

Engineering General Information Items

El Toro Water District Capital Project Status Report

Northline Lift Station Improvement Project

Mr. Cafferty stated that the odor resulting from the floatable mat appears to have improved, and staff is evaluating potential odor monitoring options.

WRP Grit Classifier and Grit Chamber Covers

Mr. Cafferty stated that the grit classifier installation is complete, and during installation staff identified corrosion deterioration in the existing air piping. He further stated that necessary repairs have been completed.

WRP PD Blower Replacement

Mr. Cafferty stated that the Grit Chamber Blower and the Neuros High Speed Turbo Blower have been installed, and the final electrical connections are in progress.

WRP Spill Prevention Structures

Mr. Cafferty stated that this project is complete.

Spartan Booster Station MCC Replacement

Mr. Cafferty stated that contracts have been issued to the electrical contractor and Motoronics, and the MCC equipment has been received. He further stated that the assembly of the new control panel is underway.

Towers Booster Station Roof Replacement

Mr. Cafferty stated that a contract has been issued to the contractor, and staff is working with them to confirm the roofing material and resolve a few structural issues.

Recycled Water Expansion Project

Mr. Cafferty handed out the Project Cost Tracking Summary and Total Project Cost Estimate and Estimated Completion Date Schedule.

Director Kahn asked if staff is using the GIS system for potholing. Mr. Cafferty stated that the contractor has detailed potholing reports, which staff will use at a later date to input into the GIS system.

Director Vergara asked if the Department of Health will watch for cross connections. Mr. Cafferty replied yes.

South Orange Coastal Ocean Desal Project

Vice President Goldman stated that the staff paper states a Go/No Go decision around May 2013, and he asked what process will be used. Mr. Hill replied that participants are still discussing the status of the project and potential participation.

Engineering Items Discussed at Various Conferences and Meetings

There were no comments.

Comments Regarding Non-Agenda Engineering Committee Items

Director Werner asked on the Northline Lift Station, if the project is out of the construction stage or still a work in progress. Mr. Cafferty replied that it is still a work in progress.

Close Engineering Committee Meeting

At approximately 8:12 o'clock a.m. the Engineering Committee meeting was closed and the Board took a short recess

FINANCE/INSURANCE COMMITTEE

At approximately 8:22 o'clock a.m., Chairman Werner called the

Finance/Insurance Committee meeting to order.

Treasurer Action Items

Financial Package – Authorization to Approve Bills for Consideration dated
March 26, 2013 and Receive and File Financial Statements as of February 28,
2013

Ms. Shahbakhti stated that on the Balance sheet, staff has written off \$2.6 million in fully depreciated Fixed Assets with individual values of less than \$5,000.

Ms. Shahbakhti stated that on page 4, Cash and Investments, staff included the coupon rates next to the bonds, and the column of Market Value was added to the report.

Ms. Shahbakhti stated that on page 8, 401(k) Plan Summary, the column reporting “Capital Pres Port Over 60 Years Old”, the average return YTD February 28, 2013 number of 41.63% is incorrect, and will be adjusted to reflect the correct percentage in next month’s report.

Ms. Shahbakhti stated that on page 10, Income Statement, the bottom line is better than budgeted.

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.

Review of the District’s Travel and Expense Reimbursement Policy

Mr. Hill stated that this policy is scheduled for annual review, and staff has reviewed the policy and is not recommending any changes. The Board concurred that no changes to the current policy are necessary at this time.

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.

Resolution No. 13-3-1 Amending the ETWD Policy Statement 1994-12 (IV) Cash Reserve Policy

Mr. Grandy stated that this policy is an annual review, and staff has made some changes to the current policy to bring it up to date.

Director Vergara asked on page 6 why staff has eliminated the “WCRF Wastewater Capital Reserve Fund”. Mr. Grandy replied that this is now included in the “AA Bond Reserve Investment” section of the policy.

The Board concurred with staff’s recommended changes to the policy.

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.

Review of District’s Identity Theft Prevention Program (2008-23 (IV)

Mr. Grandy stated that this policy is for annual review, and staff has reviewed the policy and recommends no changes at this time. The Board concurred with staff’s recommendation of no changes to the policy at this time.

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.

ETWD's Quarterly Report by the Auditors

Mr. Grandy stated that the Auditors have performed an audit of the first two quarters of the fiscal year. He further reported that one exception was noted, during their review of the Treasurer's report it was noted that while each investment was properly reported, the market value column was not totaling correctly. Mr. Grandy stated that the report has been corrected.

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.

Draft South County Agencies MET Director Selection Process

Mr. Hill stated that the reference material included in the Board package is incomplete, and staff has handed out a complete package at today's meeting. He further stated that as part of the settlement agreement between South County agencies and MWDOC, for the next MET Director vacancy, the agencies would be allowed to create a policy for the recommendation to fill the vacancy with a timeframe.

Vice President Goldman stated that the Subgroup polled other member agencies, and only the San Diego County Water Authority has a policy, which the Subgroup members reviewed for recommendations.

Mr. Hill asked for consensus from the Board to discuss and provide input on the draft South County Agencies MET Director Selection Process. The Board concurred.

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.

Lake Forest Chamber of Commerce Membership Renewal

Mr. Hill stated that the membership dues have not increased from last year, and staff is recommending renewal in the Lake Forest Chamber of Commerce at the Corporate Basic level.

President Martin stated that the Chamber presented him with an appreciation certificate thanking the District for their support.

The Board concurred in renewal of the District's membership in the Lake Forest Chamber of Commerce at the Corporate Basic level in the amount of \$1,200.00.

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.

TREASURER INFORMATION ITEMS

Water Budget Based Tiered Conservation Rate Structure and Usage Activity Report

Mr. Grandy stated that the water use charts are provided to reflect customer use and is on track with current weather conditions. He further stated

that the District is below MWDOC's budgeted allocation.

Comments Regarding Non-Agenda FIC Items

There were no comments.

Close Finance and Insurance Committee Meeting

At approximately 8:58 o'clock a.m. the Finance meeting was closed.

Attorney Report

Mr. Granito reported that case law has supported the premise that California water districts are not subject to the competitive bidding provisions of the Public Contracts Code. Mr. Granito reported that as such, the District could adopt a process for competitive bidding, but is not compelled by law to do so.

Mr. Granito reported that professional service contracts are likewise not subject to the Competitive bidding provisions of the Public Contract Code.

Mr. Granito reported that statutes applicable to design engineering services do place limitations on contractual indemnity provisions.

Closed Session

At approximately 9:02 o'clock a.m., President Martin called for a Closed Session. Mr. Granito reported that the Closed Session would be broken into two phases, the first phase without Mr. Hill, and the second phase with Mr. Hill.

Also at this time, Ms. Moore, Ms. Freshley, Ms. Shahbakhti, Ms. Welsch, Mr. Cafferty, Mr. Grandy, and Mr. Hill left the meeting.

At approximately 9:25 o'clock a.m., Mr. Hill was requested to participate in the Closed Session.

Regular Session

At approximately 9:31 o'clock a.m., regular session resumed. Also at this time, Mr. Grandy, Mr. Cafferty, and Ms. Welsch returned to the meeting.

Report on Closed Session

Mr. Granito reported that the Board did go into Closed Session as reflected on today's agenda. Mr. Granito reported that during the first phase of the Closed Session, item 3 only was discussed. Mr. Granito reported that during this phase of the Closed Session, the Board evaluated the General Managers performance.

Mr. Granito reported that during the second phase of the Closed Session Mr. Hill joined the Closed Session, and performance evaluation deliberations continued. Mr. Granito reported that during this phase of the Closed Session, the Board did determine that a merit raise was appropriate; however, the amount of any such increase was reserved for Open Session discussions and determination. No further reportable action was taken.

General Manager Compensation

President Martin stated that the Board will now discuss the amount of the merit increase for Mr. Hill.

Vice President Goldman stated that given the fact that the Board did not give Mr. Hill a salary increase last year, he recommended an 8% salary increase this year, due to his superior performance in carrying out the District's mission.

Director Werner stated that the Board is suggesting a salary increase only and not a bonus award or performance award.

Director Kahn expressed concern about the amount of the increase, and stated that an 8% raise is tremendous in this economy. He further stated that due to public interest, he feels that 8% is excessive.

President Martin stated that whether the increase is 5%, 6%, 7%, or 8% the public could still criticize the Board's decision.

Vice President Goldman stated that he agrees with Director Kahn that it is a large raise at one time, but he considers it a salary adjustment over a two year period, and he feels it is appropriate for the superior performance Mr. Hill has performed.

Director Kahn stated that Mr. Hill does superior performance, and his concern is with the rate payers, so he is suggesting giving Mr. Hill a 6% raise which he feels is a great raise.

Director Vergara stated that he is comfortable justifying to the public why Mr. Hill deserves an 8% raise.

Vice President Goldman stated that while the number may sound high, Mr. Hill does a superior job of maintaining efficient staff.

President Martin stated that the future projects will help maintain savings and therefore he is comfortable justifying the 8% raise for Mr. Hill.

President Martin asked for a motion.

Motion: Vice President Goldman made a motion, seconded by Director Vergara and unanimously carried across the Board, that Mr. Hill is approved for an 8% performance increase, effective January 1, 2013.

President Martin asked for a roll call vote.

Roll Call Vote:

Director Werner: aye
Vice President Goldman: aye
Director Vergara: aye
Director Kahn: aye
President Martin: aye

Comments Regarding Non-Agenda Items

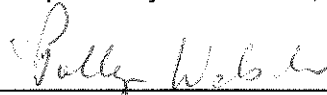
There were no comments.

Adjournment

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

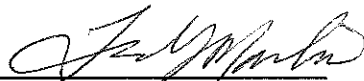
Motion: Director Werner made a motion, seconded by Director Vergara and unanimously carried that today's meeting be adjourned at 9:42 o'clock a.m. to Tuesday, April 23, 2013 at 7:30 o'clock a.m. at the District's Administrative Offices at 24251 Los Alisos Blvd, Lake Forest, CA. 92630.

Respectfully submitted,



POLLY WELSCH
Recording Secretary

APPROVED:



TED F. MARTIN, President
of the El Toro Water District
Engineering Committee



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