

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

September 24, 2013

Chairman Goldman called the Meeting of the Engineering Committee and Finance/Insurance Committee to order at 7:30 o'clock a.m. on September 24, 2013.

Chairman Goldman 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, JOSE F. VERGARA, and JERARD B. WERNER.

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, NEELY SHAHBAKHTI, Controller, GILBERT J. GRANITO, General Counsel, POLLY WELSCH, Recording Secretary, KEVIN BURTON, IRWD, RICH MORI, IRWD, DOUG REINHART, IRWD, SHANNON REED, IRWD, KATHRYN FRESHLEY, Customer, and CAROL MOORE, Customer.

Oral Communication/Public Comment

There were no comments.

Items Received too Late to be Agendized

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

IRWD Presentation

Mr. Hill introduced Mr. Burton, Mr. Mori, Mr. Reinhart, and Ms. Reed of IRWD.

Mr. Burton stated that as part of the Baker Project Committee (“Committee”), they are presenting key milestones for the Go/No Go Decision and will review project objectives with our staff and Board. He further stated that they will discuss upcoming activities and schedules.

Mr. Burton stated that they have already given the presentation to SMWD, TCWD, MNWD, and IRWD and it has been well received.

Mr. Mori stated that the Baker project was started in 2006 and the first objective is reliability.

Mr. Mori stated that the treatment process will ensure regulatory compliance and minimize waste. He further stated that the Committee has representatives from each agency which meets monthly to review design alternatives, decisions, and details.

Mr. Mori stated that noise tests have been done as well as visual aesthetics of the proposed site. He further stated that each agency will have slightly different costs based on funding and delivery methods.

Mr. Mori stated that the Committee prepared a live flow test to see how much water could be pushed through the pipeline. The test revealed that the plant could be expanded to the new cfs capacity.

Mr. Mori stated that another change was the decision to implement on site sludge handling facilities, and the shift in product water delivery approach. He

further stated that they are working with MET on approval for pipeline connections. Mr. Mori stated that the South County pipeline was preferred.

Mr. Reinhart stated that the water will be cheaper than any other new reliable source of water.

Mr. Mori stated that the projected cost of Baker water will consist of untreated water costs, annualized capital, and estimated annual O&M.

Mr. Mori stated that they are in the 7th week of bidding the treatment plant, and are finalizing remaining permits for pipeline easements and access. He further stated that they are working with the consultants on construction management support, and geotechnical services.

Mr. Mori stated that there are CEQA requirements which they don't anticipate having any issues. He further stated that each agency is reviewing the amended capacity draft agreements.

Mr. Mori stated that updated project costs will be available shortly. He further stated that the Committee will continue to meet throughout the project.

Vice President Goldman asked what the approval process will be for change orders. Mr. Mori stated that the Baker Agreement states that any change order above \$100,000 will need to be approved by the Committee, and change orders less than this can be approved by IRWD until they cumulatively reach the \$100,000 amount which is reported back to the Committee, with each agency following their standard approval process.

President Martin asked if the Committee would be dissolved in the future. Mr. Mori stated that the Committee would continue throughout the operation of the plant.

Director Werner asked if IRWD intends to keep Irvine Lake full. Mr. Mori replied that there are specific operating requirements for the Lake, which is not intended to be kept full. He further stated that when full it has 25,000 acre feet capacity, which is used for emergency purposes.

Director Werner asked if the Baker plant will require substantial power use. Mr. Mori replied yes, and it will have diesel backup power supply.

Director Vergara asked if there would ever be recycled water in the Lake. Mr. Mori replied no.

Director Kahn asked if they will be using raw water all the time. Mr. Mori replied yes.

Mr. Mori stated that they are opening bids, providing consultant selections, updating numbers, and sending final projects costs to all interested agencies. He further stated that the approval process will then begin. Mr. Mori stated that completion is anticipated for March 2016.

Vice President Goldman asked how on-going maintenance costs and repairs will be managed. Mr. Mori replied that the existing agreement outlines the structure for the budget with a series of meetings and workshops at the staff level, replacement is covered as a shared cost among participants, and each agency will then go back to include the costs in their budget approval process.

Vice President Goldman asked if we will pay capital costs on the pump station. Mr. Cafferty replied yes, we will own capacity in the pump station, but will not pay any variable O&M costs unless we use the facility. Mr. Cafferty stated that costs associated with building the pump station will differ among the participating agencies.

Vice President Goldman asked if Irvine Lake water demand could be used on a regular basis. Mr. Mori replied that Irvine Lake water will remain agricultural water, but it could be considered as an option.

At approximately 8:30 o'clock a.m., Mr. Mori, Mr. Burton, Mr. Reinhart, and Ms. Reed left the meeting.

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

Chloramination Station Generator

Director Werner asked if the new generator will be larger than the old one. Mr. Cafferty replied yes, the existing load on the existing 25 year old generator does not represent current air quality emissions technology, and the proposed project will install a new one to properly accommodate all of the R-6 electrical loads.

Director Kahn asked if the capacity will now be doubled, will other changes be required for CEQA compliance. Mr. Cafferty replied that staff has considered this, and while the generator will be larger, the load will remain the same, so there is no growth. Mr. Hill clarified that the CEQA categorical exemption used is appropriate for this application.

Mr. Cafferty stated that Caterpillar is no longer making generators of the size required for this project. Director Werner asked about future maintenance on the generator. Mr. Cafferty replied that Cummins is heavily invested in generators and will be available for future maintenance needs.

Director Kahn asked if there are any other generators that could meet our needs. Mr. Cafferty replied that there is nothing that would match the District's requirements.

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.

Recycled Water Expansion Project North Side Distribution System

Mr. Cafferty stated that bids are in, and under the Engineer's estimate. He further stated that staff recommends a construction contract with Paulus Engineering for construction of the RWEF North Side Distribution System.

Director Kahn asked if the District has inspectors who will verify that the project is in compliance with regulatory requirements. Mr. Cafferty replied that the District plans to hire a Recycled Water Coordinator whose job will be to oversee the project including coordinating inspections.

Mr. Hill stated that the Department of Health regulations requirements, labor and material costs, and finalization of Rules and Regulations are underway.

Mr. Cafferty stated that a pole and mounted camera was installed at the site and captures photos every 15 minutes of the project. He further stated that these photos could be shown as a slideshow at a future CAG meeting. Mr. Cafferty stated that he will send the link for the Directors to view the photos.

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.

Baker Pipeline Capacity Transfer Agreement

Mr. Cafferty stated that the District's participation in the Baker Water Treatment Plant Project requires the acquisition of capacity in the Baker Pipeline. He further stated that the 2013/14 Capital Budget for this purchase provides for 5 cfs to match the District's capacity in the Baker Water Treatment Plant.

Mr. Cafferty stated that the purchase price was negotiated between the participating agencies and generally defined in the previous MOU. He further stated that the final terms of the transfer of capacity are defined in the agreement which has been thoroughly reviewed by the Baker project participants, District staff, and District legal counsel.

Director Werner asked when payment is due. Mr. Cafferty replied after the Go/No Go Decision and award of contract.

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, with the understanding and conditioned upon the District's ultimate participation in the Baker Water Treatment Plant Project.

Engineering General Information Items

El Toro Water District Capital Project Status Report

Director Kahn stated that on the Central SCADA upgrade project, is there a demo that the Directors could view the upgrades. Mr. Cafferty replied that staff will set up something for next month.

Poseidon Huntington Beach Ocean Desal Project

Mr. Hill stated that at Thursday's meeting there is a proposed action item of a support letter to the Coastal Commission authorizing ETWD to be a signatory for the Huntington Beach desal project. He further stated that there are some agencies that don't want to be referenced in the letter.

Director Kahn stated that he read where the Coastal Commission want to close down the SCE plant in Huntington Beach, so how will the desal plant use the intakes that currently exist. Mr. Hill replied that Poseidon has contemplated the requirements that will be imposed if AES operations terminate.

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 9:03 o'clock a.m. the Engineering Committee meeting was closed and the Board took a short recess.

FINANCE/INSURANCE COMMITTEE

At approximately 9:10 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 September 24, 2013 and Receive and File Financial Statements as of August 31, 2013

Ms. Shahbakhti stated that we expect to be receiving the \$3 million grant money from the State by the end of November.

President Martin asked for an update on the loan from IRWD. Mr. Grandy replied that staff received an email stating that their Legal Counsel will be reviewing the agreement this week.

Mr. Grandy stated that staff is prepared to meet with the rating agencies, if needed.

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 Investment Policy Statement 1983-3 (IV)

Mr. Grandy stated that staff is required to review the policy annually, and has reviewed it with PFM as well. He further stated that staff recommends making 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.

Capital Facility Fee Reserve Reconciliation in Accordance with SB1760

(Government Code Section 66013)

Mr. Grandy stated that we charge developers and new customers a Capital Facility Fee for new water and sewer services. All such funds collected are held in a Capital Facilities Reserve. He further stated that SB 1760 requires that the District must make available to the Public, within 180 days after the last day of each fiscal year, information regarding the nature, balances, collections, earnings, and expenditures of funds in the Capital Facilities Reserve.

Ms. Moore asked what the money can be used for. Mr. Grandy replied that the funds collected can be spent on the overall improvement of the backbone system.

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. 13-9-1 – Adoption of the ETWD Appropriations Limit for Fiscal
Year 2013/14

Mr. Grandy stated that the District is restricted to the amount of borrowing we can make under general obligation bonds, using a formula called Appropriations limitation. He further stated that although we have no general obligation bonds, we are required to calculate any amounts we may borrow, and present this calculation to the Auditors for review.

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 we are 2 months into the fiscal year, and consumption is fairly consistent.

Update on Auditor Selection Process

Chairman Werner stated that the District received 4 proposals, and an Audit Committee meeting will be scheduled for review.

Mr. Grandy stated that the goal will be to present an Audit Committee recommendation for new Auditors at the October meeting.

Vice President Goldman asked how long a period the proposals are for. Mr. Grandy replied that the proposals are for a one-year period, with 4 additional one-year renewal options, for a maximum of 5 years.

Comments Regarding Non-Agenda FIC Items

Close Finance and Insurance Committee Meeting

At approximately 9:22 o'clock a.m. the Finance meeting was closed.

Attorney Report

Mr. Granito reported that a Closed Session is necessary at today's meeting.

Closed Session

At approximately 9:22 o'clock am. President Martin called for a Closed Session. Also at this time, Ms. Moore, Ms. Freshley, Ms. Shahbakhti, and Ms. Welsch left the meeting.

At approximately 9:40 o'clock a.m. Vice President Goldman left the meeting.

At approximately 9:50 o'clock a.m. Director Vergara left the meeting.

Open Session

At approximately 9:58 o'clock a.m. Regular Session resumed, and Ms. Welsch returned to the meeting.

Report on Closed Session

Mr. Granito reported that the Board did go into Closed Session at approximately 9:22 o'clock a.m. to consult with Legal Counsel pursuant to subdivision (b) (1) of Government Code Section 54956.9 on a matter of potential litigation, and no further reportable action was taken.

ETWD Emergency Potable Water Trailer

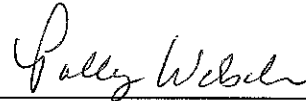
Mr. Hill stated that staff is not ready today to inspect the ETWD Emergency Potable Water Trailer, and will review the trailer at Thursday's meeting.

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 Kahn and unanimously carried that today's meeting be adjourned at 10:00 o'clock a.m. to Tuesday, October 22, 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,

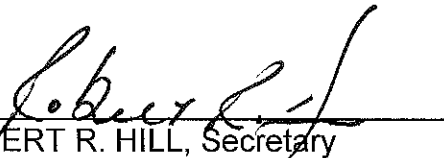


POLLY WELSCH
Recording Secretary

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