

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

December 17, 2013

Chairman Goldman called the Meeting of the Engineering Committee and Finance/Insurance Committee to order at 7:30 o'clock a.m. on December 17, 2013.

Director Kahn 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, and CAROL MOORE, Customer.

Oral Communication/Public Comment

There were no comments.

Items Received too Late to be Agendized

President Martin 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

There were no action items.

Engineering General Information Items

El Toro Water District Capital Project Status Report

Radio Equipment Replacement

Mr. Cafferty stated that programing and testing of the radios and repeaters is in progress. He further stated that the system will go on-line shortly after the completion of the repeater internet connection at the R-4 Reservoir site, and construction of the new internet cable is expected to commence in January.

Mr. Cafferty stated that staff tested a wireless internet connection, but it did not provide adequate service.

President Martin asked if ETWD would own the cable. Mr. Cafferty replied that he will investigate further.

PLC Upgrade to Control Logix

President Martin asked what is the plan for keeping the system current. Mr. Cafferty replied that the Control Logix PLC represents the most current technology. Staff expects the useful life to be 10-20 years.

Allen McCulloch Pipeline Shutdown

Mr. Cafferty stated that MET has scheduled an 11-day shutdown of the

AMP beginning January 13, 2014. He further stated that staff will attend a shutdown coordination meeting on Wednesday.

Director Vergara asked how long the District can sustain after the 11 day period. Mr. Cafferty replied that staff has reviewed winter conditions and anticipates 3-4 weeks supply could be possible.

Director Kahn asked if MET will be doing any outreach on this. Mr. Hill replied that MWDOC will provide a regional press release.

Vice President Goldman asked if the shutdown will put pressure on SMWD and MNWD. Mr. Cafferty stated that SMWD has a water reservoir and some capacity in our R-6, so they have adequate storage during the shutdown. In addition, the shutdown affects only the AMP. MNWD and SMWD can still get water from the EOC #2 pipeline.

Recycled Water Expansion Project

Mr. Cafferty stated that the East Side System is done, and the West Side System construction is approximately 54% complete. He further stated that the North Side System preconstruction meeting was conducted with Paulus Engineering, who is mobilizing to commence construction.

Mr. Cafferty stated that the Prop 50 grant funding \$3.1 million invoice should be paid soon. He further stated that the check from the State has been received by the County and should be dispersed by the end of the year to the project owners.

Mr. Cafferty stated that as part of the recycled water project, covers over air release valves have been installed, which are purple to indicate recycled

water. He further stated that a complaint was received from a resident who does not like the “pink cans” and forwarded his concern to a reporter at the OC Register. Mr. Cafferty stated that he has communicated via email with the reporter and discussed the project with her. A discussion ensued regarding changing the color of the covers or adding landscape to soften the aesthetic impact of the covers. Mr. Cafferty stated that he had discussion with PCM and they feel it could cost between \$70,000 - \$80,000 to provide landscape for the 95 covers in Laguna Woods Village.

Mr. Cafferty stated that there could be a restock fee from the contractor of approximately \$10,000 to change to a different cover.

Tertiary Treatment Plant

Mr. Cafferty stated that construction is 20% complete and much of the underground piping has been installed. He further stated that the concrete ringwall for the storage tanks has been poured, and the electrician has mobilized and commenced work on the electrical portion of the project.

Mr. Cafferty stated that the change orders have been on the low end.

On-Site Conversions

Director Vergara asked about the main line and laterals. Mr. Cafferty replied that the retrofit will involve connecting the existing irrigation system to the new recycled water meters as well as signage, backflow devices on the remaining domestic meters and tags to identify potable and recycled facilities.

Mr. Cafferty stated that staff is evaluating the most efficient means to accomplish the on-site conversions. He further stated that the work could be

done by temporary staff hired for this project or by contractors.

Baker Water Treatment Plant Project

Mr. Cafferty stated that IRWD's Board approved the project last night and a construction contract should be awarded soon.

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 8:16 o'clock a.m. the Engineering Committee meeting was closed.

FINANCE/INSURANCE COMMITTEE

At approximately 8:16 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 December 17, 2013 and Receive and File Financial Statements as of November 30, 2013

Ms. Shahbakhti stated that we are 5 months into the fiscal year and doing 200% of the budgeted bottom line. She further stated that on page 5, Reserve Analysis, Restricted Reserves has dropped below required limits in working capital, which is a temporary situation.

Ms. Shahbakhti stated that the 401(k) Plan is doing well. Director Werner asked how the fund is performing relative to the equity market. Mr. Grandy replied that our goal in this fund is to take a long term horizon with safety first and yield being last on the list for long term money. He further stated that we receive a quarterly report of benchmark comparisons from HighMark which reflect inception to date.

Mr. Grandy commented on the 401(k) Plan versus the 457 Plan. He further stated that employees do not have to contribute to either Plan. Mr. Grandy stated that the District does not contribute to Social Security, choosing to contribute to the 401(k) Plan instead. He further stated that the District puts money into the 401(k) Plan only, and employees have the option to contribute to either Plan. Mr. Hill stated that it is mandatory for the District to participate in the 401(k) Plan.

Mr. Granito reported that in 1983 the District decided to opt out of Social Security and go into a 401(k) Plan. Mr. Granito further reported that the District hired Actuaries which projected that the 401(k) Plan would by far produce a greater retirement benefit for the employees.

Director Vergara stated that on page 9, Receivables and Payables Ageing, Bad Debts are at \$11,193. He asked if there is anything the District can do to get this money. Mr. Grandy replied that usually they are tenants and commercial customers who leave without paying the water bill. He further stated that it would be a lengthy process trying to obtain a lien against the property owner.

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.

Mr. Granito stated that AB 1248 adopted Government Code Section 12422.5 which mandates that the State Controller adopt model internal control guidelines for public agencies. Director Kahn asked if the State will put out a standard. Mr. Granito replied yes they have a year to prepare the standard.

TREASURER INFORMATION ITEMS

Water Budget Based Tiered Conservation Rate Structure and Usage Activity Report

Mr. Grandy stated that we are tracking close with prior years and anticipate we will collect from Tier 3 and 4 approximately \$800,000 to \$1 million in conservation funds which will be used to support the Recycled Water Project. He further stated that staff is working with Raffelis to conform to Prop 218 guidelines, rate design, and any improvements needed to remain in compliance with competing regulations.

Director Werner asked what rate Laguna Beach has. Mr. Grandy stated that they have 2 tiers, Indoor/Outdoor budget, and Overuse.

Mr. Granito reported that the City of San Juan rate challenge litigation is on appeal and the ACWA Legislative Committee will be filing an amicus brief on the matter on behalf of ACWA.

Comments Regarding Non-Agenda FIC Items

There were no comments.

Close Finance and Insurance Committee Meeting

At approximately 8:39 o'clock a.m. the Finance meeting was closed.

ETWD PFC Meeting

At approximately 8:39 o'clock a.m. President Martin called the ETWD Public Facilities "Corporation" (PFC) Meeting to order.

Mr. Grandy stated that this Corporation was formed with the purpose to issue certain types of debt, such as COP's, which the District has none at the current time. He further stated that the Board is required to have an annual meeting to review the PFC.

Approve Minutes of the December 18, 2012 Annual meeting of the Public Facilities Corporation

President Martin asked for a Motion.

Motion: Director Werner made a motion, seconded by Director Kahn and unanimously carried across the Board to approve the minutes of the December 18, 2012 annual meeting of the Public Facilities Corporation.

Articles of Incorporation of the ETWD PFC

There were no comments.

Review of the By-Laws of the ETWD PFC

There were no comments.

Appointment of Officers of the ETWD PFC

President Martin asked for a Motion.

Motion: Vice President Goldman made a motion, seconded by Director Werner and unanimously carried across the Board to appoint the Directors and

Officers of the El Toro Water District as Directors and Officers of the El Toro Water District Public Facilities Corporation.

At approximately 8:48 o'clock a.m. the ETWD PFC meeting was closed.

Attorney Report

Mr. Granito reported that a Closed Session for item 1 of today's Closed Session agenda is not required, but a Closed Session for item 2 of today's agenda would be held.

At approximately 8:49 o'clock a.m. President Martin called for a Closed Session. Also at this time Mr. Hill, Mr. Cafferty, Mr. Grandy, Ms. Welsch, Ms. Shahbakhti, and Ms. Moore left the meeting.

Closed Session

At approximately 9:20 o'clock a.m. the Board called Mr. Hill into the Closed Session.

Open Session

At approximately 9:56 o'clock a.m. Open Session resumed. Also at this time Ms. Welsch returned to the meeting.

Report on Closed Session

Mr. Granito reported that at approximately 8:49 o'clock a.m. the Board went into Closed Session to discuss item 2 of today's Closed Session agenda, and during the initial phase of the Closed Session the Board evaluated the performance of the General Manager. During the second phase of the Closed Session, Mr. Hill was invited to participate in the discussion and no further reportable action was taken.

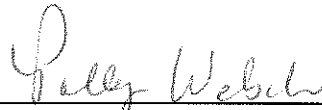
Mr. Granito reported that the Board had indicated that additional discussion on item 2 will resume at the January Board meeting.

Adjournment

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

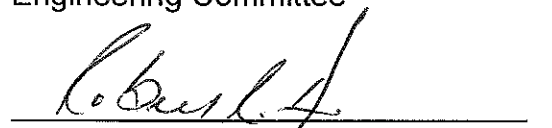
Motion: Director Werner made a motion, seconded by Director Vergara and unanimously carried that today's meeting be adjourned at 9:57 o'clock a.m. to Tuesday, January 21, 2014 at 7:30 o'clock a.m. at the District's Administrative Offices at 24251 Los Alisos Blvd, Lake Forest, CA. 92630.

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