MINUTES OF THE REGULAR MEETING
OF THE
BOARD OF DIRECTORS
OF THE
EL TORO WATER DISTRICT
February 28, 2013

President Martin called the meeting of the Board of Directors of the ELTORO WATER DISTRICT to order at 7:30 o'clock a.m. on February 28, 2013 at the El Toro Water District Administrative Offices, 24251 Los Alisos Boulevard, Lake Forest, California.

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

Directors TED F. MARTIN, WILLIAM H. KAHN, JERARD B. WERNER, and JOSE F. VERGARA were present.

Director M. SCOTT GOLDMAN was absent.

Also present were ROBERT R. HILL, General Manager/Secretary, MICHAEL P. GRANDY, Chief Financial Officer/Assistant Treasurer, DENNIS P. CAFFERTY, Director of Operations and Engineering, GILBERT J. GRANITO, General Counsel, POLLY WELSCH, Recording Secretary, JONATHAN VOLZKE, Faubel Public Affairs, KATHRYN FRESHLEY, customer, and CAROL MOORE, customer.

Oral Communications - Public Comments

President Martin stated that at this time members of the public may address the Board or they may reserve this opportunity with regards to an item on the agenda, until the Board discusses said item later in today's meeting.

There were no comments.

Items Received Too Late To Be Agendized

Mr. Hill stated that there were no items received too late to be agendized.

Presentation of Awards, Recognitions and Introductions

Service Awards

There were no awards.

Continuing Education & Training, Degree and Certification Program Acknowledgement

There were no acknowledgements.

Special District/Employee Association/Community Award Acknowledgement and Employee Special Recognition

There were no acknowledgements.

Consent Calendar

There being no further comments, President Martin asked for a motion to approve the Consent Calendar.

Motion: Director Werner made a motion, seconded by Director Kahn and unanimously carried across the Board to approve the Consent Calendar.

Director Reports for Meetings Attended

Director Werner stated that he attended the ISDOC meeting, the WACO meeting, the SOCWMA Executive Committee meeting, and the OCWA luncheon.

Director Kahn stated that he attended the MWDOC/MET Directors meeting.

Director Vergara stated that he attended the WACO Planning meeting where pension liabilities were discussed. He also attended the Urban Water Institute Spring Conference.

President Martin stated that he attended a meeting with Supervisor Pat Bates on the Recycled Water Expansion Project.

General Manager Action Items

South County Agencies Meeting Framework/Draft MET Director Selection Process

President Martin stated that this item is being pulled from today's agenda due to Vice President Goldman's absence from today's meeting.

General Managers Information Items

Poseidon Resources (Surfside) LLC Huntington Beach Seawater Desalination Project

Mr. Hill stated that this item will be returned to the Board at next month's meeting for further discussion. He further stated that ETWD had executed a non-binding LOI in 2009, and if the board deemed it appropriate it could be updated to reflect a revised lower ETWD based loaded participation capacity to align better with our current demand trend. Mr. Hill suggested that this discussion should be included in a workshop to review and comment on ETWD's overall current and projected water supply/system reliability requirements. Mr. Hill stated that he handed out a key summary of the Draft Term Sheet to the Board members and public audience. He further stated that there is a workgroup meeting this afternoon.

Director Kahn asked if this item is a choice program at MWDOC. Mr. Hill replied yes.

Director Vergara stated that he has concerns about the project, considering what happened in Tampa Bay, Florida with their desal project. He further stated that the cost of water could be very expensive.

Director Vergara stated that the Term Sheet proposes that the conveyance facility will be owned by the agencies, which could get very expensive. Mr. Hill stated that is Poseidon's current proposal and that the working group still needs to evaluate that alternative further.

Director Kahn stated that a Lessons Learned needs to be done on Poseidon's prior projects before ETWD makes a decision to be involved in the Huntington Beach project.

At approximately 8:22 o'clock a.m. Mr. Volzke left the meeting.

General Manager's Monthly Report

Mr. Hill stated that there were numerous meetings with city council staff regarding the Recycled Water Expansion project.

Legislative Reports

Mr. Hill stated that there are renewed efforts to relook at the proposed 2014 Water bond this year.

Public Education and Outreach/Water Conservation Report

Mr. Hill stated that about 85 people attended the ETWD Open House at LWV on February 11th. Mr. Grandy stated that the construction mode will begin soon.

Director Kahn stated that MNWD has a sign that they give classes in landscaping, and asked if our District does anything similar. Mr. Hill replied that our District gives classes, and could check on enhancing promotion of the ETWD classes to the public which when appropriate are coordinated with neighboring agencies.

SOCWA Reports

Mr. Hill stated that he attended the SOCWA Managers meeting.

At approximately 8:34 o'clock a.m. Ms. Moore left the meeting.

Mr. Cafferty stated that he attended the SOCWA Engineering meeting, where capital budget was discussed.

MWDOC

Mr. Hill stated that he attended the MWDOC Managers meeting where budget initiatives were discussed. He further stated that there is a meeting today to discuss the 2013/14 budget, the MET foundational action program, and the letter to the OC Grand Jury.

President Martin asked whether they discussed hiring a new General Manager. Mr. Hill replied that they had a meeting to identify the consultant that would be seeking a replacement.

Director Kahn stated that he attended the MWDOC/MET Directors meeting where they discussed MET's proposed foundational action program. He further stated that it has to do with feasibility studies for programs that other agencies might come up with as additional resources of water.

Director Kahn stated that the components are core resource strategy, supply buffers, and foundational actions. He further stated that they are talking about recycled water, seawater desalination, storm water, and ground water.

Director Kahn stated that they also discussed MET's 6-month Financial Review Summary, where they are looking at an average 5% increase for 2014. Mr. Hill stated that he feels the 5% is still consistent with our budget planning.

Director Kahn stated that water supply conditions were discussed, where as of January 29, 2013, Lake Shasta is at 111% of average, 76% average at San Luis Reservoir, and 113% average at Lake Oroville. He further stated that Diamond Valley Lake is 85% capacity, and Lake Powell is at 50% capacity, and Lake Mead is 53% capacity.

Director Kahn stated that MET is estimating that there is approximately 2 years worth of supply in our Reservoirs. He further stated that statewide snowpack is at 93% average for this time of the year.

Director Kahn stated that there was concern expressed by the audience that MET is not participating enough.

Director Werner stated that at the MWDOC Admin/Finance meeting, the alarming cost of the election was discussed, which was between $900,000 and a million. Mr. Grandy stated that ETWD received their election bill of $20,000 and staff budgeted $45,000. President Martin asked why our amount was lower than budgeted. Mr. Grandy replied that the calculation used is based on the number of voters in the service area.

Director Werner stated that in the MWDOC Board agenda, there is mention of a Baker agreement that ETWD has not reviewed. Mr. Cafferty replied that the Baker agreement has been going through some modifications and an amendment will be produced. Mr. Hill indicated that MWDOC has since been made aware that their review of the draft agreement is premature.

LAFCO

Mr. Hill stated that he attended the LAFCO meeting, where the Commission discussed the Sphere of Influence (SOI). He further stated that collaborative programs were discussed and best practices for agencies to share services.

Mr. Hill stated that no significant MSR related issues were discovered with special districts and OC cities. The Commission adopted resolutions confirming ETWD's SOI and MSR determinations similar to the Commission's action in 2008.

Mr. Hill stated that pension reform for future LAFCO new hires was also discussed. The Commission voted to approve a 1.62% at 60 pension formula for new hires.

SOCWMA

Director Werner stated that they approved a two year budget.

City Coordination Efforts

There was no meeting.

Committee and General Information

Computer Committee Report

There was no meeting.

Dates to Remember

There were no comments.

Carry-Over Pending Matters

There were no matters.

Director Comments/Non-Agenda Items

There were no comments.

Attorneys Report

Mr. Granito reported that there is no need for a Closed Session at today's meeting.

Mr. Granito reported that Assembly Bill 792 provides for an exception to the Brown Act's web site posting requirements that is noteworthy. Mr. Granito reported that AB 792 provides that if a District is unable to post the agenda or notice of board meetings on its Internet Web site because of software or hardware impairment beyond the District's reasonable control, any such delay or failure to post, would not preclude the District from conducting the meeting or taking action on items of business. Mr. Granito further noted that the Chairman or Secretary would be required to announce at the beginning of any such meeting, the reason for the failure or delay in posting the agenda.

Mr. Granito reported that Assembly Bill 194 is also noteworthy. AB 194 provides that if a board member, while acting as the chairperson of the Board at a public meeting, prohibits public criticism of the policies, procedures, programs,

or services of the District or of the acts or omissions of the Board, he or she could be charged with a a misdemeanor criminal violation.

Closed Session

There was no Closed Session at today's meeting, therefore Regular Session continued.

Open Session

Adjournment

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

Motion: Director Werner moved, seconded by Director Vergara and unanimously carried that today's meeting be hereby adjourned at 9:19 o'clock a.m. to Thursday, February 28, 2013 at 7:30 o'clock a.m. at the District's Administrative Offices, 24251 Los Alisos Blvd., Lake Forest, California.

Respectfully submitted,

Polly Welsch

POLLY WELSCH
Recording Secretary

APPROVED:

TED F. MARTIN, 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