

MINUTES OF THE SPECIAL MEETING  
OF THE  
BOARD OF DIRECTORS  
OF THE  
EL TORO WATER DISTRICT  
January 8, 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 January 8, 2013 at the El Toro Water District Administrative Offices, 24251 Los Alisos Boulevard, Lake Forest, California.

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

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

Also present were ROBERT R. HILL, General Manager/Assistant 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, MARY VISCONTE, President of Lake Forest Chamber of Commerce, 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.

## Recycled Water Expansion Project West Side Distribution System

Mr. Hill stated that Mr. Cafferty will review the bids received on the West Side Distribution System. He further stated that Exhibit 6 is a Financial Analysis which reconciles all anticipated expenses and revenues for the project.

Mr. Hill stated that the staff paper refers to a cash flow. Mr. Hill indicated that this item is not available to present this morning but it will be presented at the January E, F & I Committee Meeting. Further Mr. Hill indicated that it will look out 10 years as opposed to our traditional 5 year projection.

Mr. Cafferty stated that the West Side system is the largest part of the Recycled Water Expansion Distribution System. He further stated that it amounts to approximately 60,000 feet of pipe.

Mr. Cafferty stated that 8 bidders were invited to the mandatory pre-bid meeting, 7 contractors attended the meeting and 6 bids were received. He further stated that staff and MWH reviewed the bid packages, and MWH has worked with the lowest bidder, Trautwein and has had good experience on previous projects.

Director Kahn asked if staff receives any schedules reflecting contractor overruns. Mr. Cafferty stated no, but staff receives references and recommendations on the contractors from previous projects.

Director Vergara asked if staff provides the engineering estimate. Mr. Cafferty replied yes.

Director Vergara asked if the borrowed money will impact our Capital Improvement program. Mr. Cafferty stated that included in the package is a cash flow estimate done on the Recycled Water project. He further stated that the cash flow that Mr. Hill mentioned is the revenues and expenses relating to the District's water, sewer, and recycled water cost total as an analysis of the total Capital Reserves. Mr. Cafferty concluded that the project will not impact the District's Capital Improvement Program.

Mr. Cafferty stated that the District has sufficient working capital in its existing reserves to fund the required SRF reserve. He further stated that the restricted reserve required to supplement recycled water revenues declines over time in both approaches to the financial analysis.

Mr. Cafferty stated that as the restricted reserves are generated exceeding the recycled water revenue supplement requirement this surplus may be used to replace the working capital portion of the SRF reserve, thereby restoring the working capital to the water and sewer enterprises from which it originally came.

Mr. Cafferty stated that at the end of November, 2012, the restricted reserve balance was approximately \$1.5 million. He further stated that since the current rates took effect in July, the restricted reserve balance accumulated approximately \$470,000, which would generate approximately \$1.1 million per year in restricted reserves.

Mr. Cafferty stated that in an effort to remain conservative, staff has assumed 80% of that amount and then removed \$100,000 a year that is

slated to the District's on-going conservation program. He further stated that this approach leaves approximately \$800,000 per year to fund the recycled water expenses.

Director Kahn asked if staff could count on the reserves which come from the Tier 3 & 4 rates, by showing a running trend of the numbers. Mr. Grandy replied that included in the Engineering/FIC packages, charts are included which reflect a running trend of the Tiered rate consumption for the current and prior year.

Mr. Cafferty stated that grant money will be used solely for construction. He further stated that change orders/contingencies are not included in the SRF loan money.

Director Vergara asked if awarding to the lowest bidder is required by law, or a District rule. Mr. Cafferty stated neither, staff typically rewards to the lowest bidder unless there is a reason not to, after contractors are pre-qualified for the bidding process.

Vice President Goldman asked if the Cost Estimate has been updated. Mr. Cafferty replied that the cost estimate is current.

Mr. Cafferty stated that the East Side System and West Side System have \$250,000 in contingency built into the bid amount.

Vice President Goldman asked if staff will be changing to purple sprinkler heads. Mr. Cafferty replied no.

Mr. Cafferty stated that a large cost will be installation of backflow devices, and pressure regulators downstream.

President Martin asked what the status of the Health Department. Mr. Cafferty replied that staff submitted the first set of on-site plans to the Department of Health. He further stated that they are asking staff to submit an update to the District's Recycled Water Rules and Regulations.

Mr. Granito asked what is staff's best estimate for on-site conversion costs, percentage of labor component. Mr. Cafferty replied approximately 50%.

Director Vergara stated that the bid evaluation shows an Iran Contracting Certification, and asked if it is required. Mr. Cafferty replied yes it is a required part of the bid documents.

Director Werner asked if staff has seen a draft loan agreement yet. Mr. Cafferty stated that staff has seen a preliminary funding commitment and facility plan approval draft. He further stated that staff had some minor comments, and once the preliminary funding commitment is signed, the loan agreement should be forthcoming.

President Martin stated that the recommended action states that staff recommends that the Board authorize the District's General Manager to enter into a construction contract. He further stated that in the past it has been the General Manager and the President, and he asked if there is a set policy for signing contracts.

Mr. Granito reported that technically the law requires that the contract be signed by the Board President and the Board Secretary in order to be enforceable, and the award will be contingent upon being locked in to the

SRF loan.

President Martin asked for a motion.

Motion: Vice President Goldman made a motion, seconded by Director Werner and unanimously carried across the Board to authorize the Board President and the Board Secretary to enter into a construction contract with Trautwein Construction, Inc. in the amount of \$10,239,072 for the construction of the Recycled Water Expansion Project West Side Distribution System, with the award being contingent upon being locked into the SRF loan.

President Martin asked for a roll call vote.

Roll Call:

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

Resolution No. 13-1-1 Appointment of the District's Secretary and Assistant

Secretary

Mr. Hill stated that due to the reduction of Mr. Grandy's work hours, staff feels that it is deemed to be in the best interest of the District to appoint Robert R. Hill, General Manager, as the District's Secretary and Michael P. Grandy, Assistant General Manager/CFO, as the District's Assistant Secretary.

Director Kahn asked if it is appropriate for Mr. Grandy to sign the Resolution as the Secretary. President Martin replied that he is not yet sworn in.

Mr. Granito reported that Mr. Grandy is simply attesting to the Resolution, so the language may remain as is.

President Martin asked for a motion.

Motion: Vice President Goldman made a motion, seconded by Director Werner and unanimously carried across the Board to adopt Resolution No. 13-1-1 which appoints Robert R. Hill, General Manager as the District's Secretary and Michael P. Grandy, Assistant General Manager/CFO as the District's Assistant Secretary.

Action:

President Martin asked Mr. Hill and Mr. Grandy to stand and administered the Oath of Office to them, accepting the positions of District Secretary and Assistant District Secretary.

Attorneys Report

Mr. Granito reported that there is no need for a Closed Session at today's meeting, and therefore regular session continued.

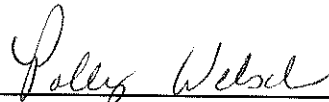
Regular Session

Adjournment

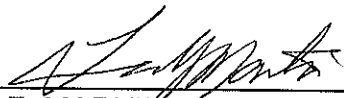
There being no further business to come before the Board, the following motion was duly made and passed.

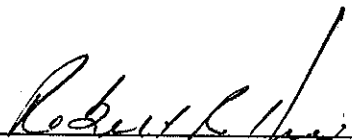
Motion: Vice President Goldman moved, seconded by Director Werner and unanimously carried that today's meeting be hereby adjourned at 8:30 o'clock a.m.

Respectfully submitted,

  
\_\_\_\_\_  
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