

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

January 20, 2015

President Goldman called the Meeting of the Engineering Committee and Finance/Insurance Committee to order at 7:30 o'clock a.m. on January 20, 2015

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

Present at today's meeting were Committee Members M. SCOTT GOLDMAN, WILLIAM H. KAHN, JOSE F. VERGARA, FRED ADJARIAN, and MARK MONIN.

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, JUDY CIMORELL, Human Resources Manager (joined the meeting at 9:13 a.m.), NANCY LAURSEN, Accountant/Insurance Administrator (joined the meeting at 9:13 a.m.), MIKE MIAZGA, IT Manager (joined the meeting at 9:44 a.m.), and SUPERVISOR LISA BARTLETT, Orange County 5th District Supervisor.

Oral Communication/Public Comment

There were no comments.

Items Received too Late to be Agendized

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

Honorable Lisa Bartlett, Orange County 5th District Supervisor

Supervisor Bartlett provided a brief update on her background. She further stated that it is her desire to give South County residents strong, effective leadership, and honest communication of issues affecting our community.

Supervisor Bartlett stated that she grew up in Orange County and she would like to invest in quality of life for all generations. She further stated that her education and professional background is in finance, real estate, and business administration. She stated that she served 8 years on the Dana Point City Council before being elected to the Board of Supervisors. She has also served as Mayor twice, she holds a Master Degree in Finance and also in Business and is a licensed Real Estate Broker, and has 15 plus years as a Senior Executive in the Private sector.

Supervisor Bartlett stated that she is focused on commitment, collaboration, transparency, and a strong support of public and private partnership. She further stated that there is a Special Election coming up January 27th for the First District seat and there are 5 candidates in the Field.

Supervisor Bartlett stated that Orange County is the economic engine for the State, and when Orange County sends money to Sacramento, we only get 6 cents back on the dollar, with the State average being 17 cents. She further stated that she will be working on this funding issue so that more money comes

back to Orange County. She stated that Orange County unemployment is at 5% compared to San Diego County at 5.9% and LA County at 7.9%.

Supervisor Bartlett stated that she continues to support economic growth and continues to work with the State on Federal level issues.

Supervisor Bartlett stated that Public Safety is an important concern for all cities. She further stated that some of the projects she is working on include better tracking of criminals with ankle bracelets, and better transponders for the toll roads that will enable driving anywhere in the U.S.

Supervisor Bartlett stated that transportation is another element she is working on, such as the widening of the I-5 and extension of the 241 toll road. She further stated that the 3-lane turn off the 5 freeway at El Toro Road is extremely dangerous and will be reviewed.

Supervisor Bartlett stated that over the next 20 years 432,000 people will be coming to all areas of Orange County, most of the growth will be in South County due to available housing. She further stated that there are multi-generational housing where many families live in the same community or same house. She said there is a hiring trend for businesses in the high tech industry.

Supervisor Bartlett stated that the Affordable Care Act is being reviewed for health care cost increases. She further stated that some hospitals are on the verge of getting closed.

Supervisor Bartlett stated that she would like to hear back from the business community on what they are passionate about.

President Goldman stated that the South County water agencies meet every month to discuss on-going projects and water reliability. He further stated that ETWD is working on a Recycled Water project and future desal projects.

Director Monin stated that Supervisor Bartlett stated that 432,000 people will be coming to Orange County, and he asked which cities and what will bring them here. Supervisor Bartlett replied that the population growth will involve all of Orange County, with most people going where there are available housing units.

Director Monin asked what jobs will bring them to Orange County. Supervisor Bartlett replied that demographics show there are a lot of multi generational housing where many families live in the same community or house. She further stated that the high tech industry is very active, growing, and have a hiring trend.

Vice President Kahn stated that after hearing her today, he is hopeful for the economy.

Director Vergara stated that there is a measles outbreak and asked what the County is doing about it. Supervisor Bartlett replied that the County has a major outreach program working with the County health officials, and in newsletters.

President Goldman thanked Supervisor Bartlett for speaking to the Board today. At approximately 8:09 o'clock a.m. Supervisor Bartlett left the meeting.

Engineering Committee

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.

President Goldman asked for a Roll Call Vote.

Roll Call Vote:

Director Vergara	aye
Vice President Kahn	aye
President Goldman	aye
Director Monin	aye
Director Adjarian	aye

ETWD Baker Pump Station

Mr. Cafferty stated that during the planning and design of the Baker Water Treatment Plant, a number of alternatives were considered for the delivery of the Baker product water to the participating agencies. He further stated that it was decided by the majority of the project committee that Baker will deliver water to the South County Pipeline to which the District has no connections.

Mr. Cafferty stated that the District determined the optimum conveyance system to be an interconnection between the IRWD distribution system and the District's R-6 pressure zone. He further stated that the conveyance of water through the interconnection will require pumping, and in addition certain modifications in the ETWD system will be constructed that will allow the interconnection to deliver water to the R-6 Reservoir transmission system.

Mr. Cafferty stated that the Baker source of water will therefore function similar to the MWD supply in how it is received and delivered within the ETWD distribution system.

Mr. Cafferty stated that ETWD now owns the existing IRWD pump station located near the intersection of El Toro Road and 2nd street in Lake Forest. He further stated that the pump station has been dormant for some time.

Mr. Cafferty stated that the use of the interconnection to deliver the Baker capacity to the higher hydraulic grade in the District's R-6 Pressure Zone requires ETWD design and construct improvements to the pump station.

Mr. Cafferty stated that based on an analysis of the interconnection hydraulics and necessary pump station improvements performed for the District by RBF Consulting, their previous experience with the District's water distribution system hydraulic model, they have a significant head start on the project.

President Goldman asked if staff is asking for permission today to award the design of the project. Mr. Cafferty replied yes.

President Goldman asked for a Motion.

Motion: Director Vergara made a Motion, seconded by Director Adjarian and unanimously carried across the Board to authorize the District's General Manager to enter into an engineering contract with RBF Consulting, a Company of Michael Baker International in the amount of \$174,610 for engineering design services for the ETWD Baker Pump Station.

President Goldman asked for a Roll Call Vote.

Roll Call Vote:

Vice President Kahn	aye
Director Vergara	aye
Director Monin	aye
Director Adjarian	aye
President Goldman	aye

Automatic Weir Washer System for Clarifiers #3 & #4

Mr. Cafferty stated that sediment in the secondary treatment process at the WRP takes place in three circular clarifiers. He further stated that the final effluent exits the clarifier over a system of weirs at the perimeter of the tank.

Mr. Cafferty stated that these weirs require on-going maintenance to keep them clean and avoid accumulation of solids and algae. He further stated that the current method to maintain the weirs involves manual effort by staff to clean the weirs with a hose and nozzle.

Mr. Cafferty stated that there has been an increase in algae growth, due to the increase in solids retention time in the activated sludge process necessary to accommodate the tertiary treatment system.

President Goldman asked if staff checked on covers instead of just the washer system. Mr. Cafferty replied no. President Goldman stated that the covers help keep algae out of the system. Mr. Cafferty agreed to evaluate covers prior to purchasing the Weir Washer system.

President Goldman asked for a Motion.

Motion: Director Vergara made a Motion to move forward with this project after staff reviews with the Chief Plant Operator, alternative methods of keeping the clarifiers #3 & #4 clean, seconded by Director Adjarian, and unanimously carried across the Board.

President Goldman asked for a Roll Call Vote.

Roll Call Vote:

Vice President Kahn	aye
Director Vergara	aye

Director Monin	aye
Director Adjarian	aye
President Goldman	aye

Engineering General Information Items

El Toro Water District Capital Project Status Report

Recycled Water Expansion Project

Mr. Cafferty stated that construction is underway at the Willows and 44 quick couplers have already been installed. He further stated that pipes are being installed between the Recycled Water meters and the point of connection of the existing irrigation system.

Mr. Cafferty stated that the retrofit work at the Willows Foundation and the GRF par three golf course is underway, and staff anticipates delivery of recycled water in early February. He further stated that staff is working on identifying sites for the second phase of the retrofit project.

President Goldman asked if staff would prepare a list of recycled customers which shows the status of retrofits. Mr. Cafferty replied yes, there are 78 parcels and staff could prepare a list by parcel numbers.

Director Adjarian asked if staff coordinated with the HOA Boards. Mr. Cafferty replied that he has spoken to the GRF Board and staff has generated a construction notice similar to the previous larger construction project, which has been distributed to the Willows Foundation and will also be distributed to each parcel owner. He further stated that staff will be speaking with PCM about installing signs and the locations of the signs.

Mr. Cafferty stated that the time and material approach on the recycled

water retrofits was necessary because there was no way to prepare a bid package with too many unknowns. He further stated that the Time and Material (T&M) approach also accelerates the project. Mr. Cafferty indicated that staff will present another T&M contract for approval next month for the next phase of retrofits.

Vice President Kahn asked if staff is comfortable with what the contractor is charging. Mr. Cafferty replied yes, we are paying them prevailing wage. Mr. Hill added that we are providing adequate oversight that shows we are only paying for what needs to be done. Mr. Hill further stated that most or all of the retrofits may be completed by T&M contracts.

Huntington Beach Poseidon Desalination Project

Mr. Hill stated that included in the Board package is an update and a staff report from OCWD, as well as a legal counsel memo regarding the statutory capability of OCWD to actually purchase, store and sell desalinated water.

Director Vergara stated that according to their legal counsel they cannot sell any water outside their service area.

Geographical Information System (GIS)

President Goldman stated that this item will be moved to the end of today's Finance meeting being last on today's agenda. The Board and staff concurred.

Engineering Items Discussed at Various Conferences and Meetings

Comments Regarding Non-Agenda Engineering Committee Items

There were no comments.

Close Engineering Committee Meeting

At approximately 8:56 o'clock a.m. the Engineering meeting was closed, and the Board took a short recess.

FINANCE/INSURANCE COMMITTEE

At approximately 9:03 o'clock a.m. President Goldman called the Finance Committee meeting to order. Also at this time, Ms. Laursen and Ms. Cimorell joined the meeting.

Insurance Update Report

Quarterly Insurance Update Report

Director Vergara asked if there was anything special in the report that staff would like to highlight. Ms. Cimorell stated that there were no changes to benefits, but the next quarter could increase. She further stated that there were no new workers comp claims.

At approximately 9:05 o'clock a.m. Ms. Laursen and Ms. Cimorell left the meeting.

Treasurer Action Items

Financial Package – Authorization to Approve Bills for Consideration dated January 20, 2015 and Receive and File Financial Statements as of December 31, 2014

Mr. Grandy stated that since we have new Board members, staff will quickly review each page of the Treasurers report to understand why the information is included each month.

Ms. Shahbakhti stated that pages 2 & 3, Balance Sheet, is provided each month.

Ms. Shahbakhti stated that page 4, Cash & Investments is a summary of our investments.

Ms. Shahbakhti stated that page 5, Reserve Analysis shows Restricted Reserves and Board Designated Reserves.

Ms. Shahbakhti stated that page 6 shows Change in Reserves, starting with net income. Vice President Kahn stated that the District passes through the MET increase each year, and 34% is being held in Reserves, and he asked if staff would consider decreasing the amount of Reserves. Mr. Grandy replied that Cash Reserves are reviewed each year with the Board, and also during the Budget Process, and will review use of funds at that time.

Vice President Kahn stated that because we did not need an election due to himself and Director Adjarian running unopposed, there are funds that were budgeted for the election that are still unused.

Mr. Grandy stated that staff uses rate stabilization when determining the budget and revenues. He further stated that if there is a significant change in the operation of ETWD's business, staff will reset rates to cover our costs.

Ms. Shahbakhti stated that page 7 is the Cash Sheet, which has several components consisting of all the checks the District has written for the month that are over \$20,000. She further stated that the second part is payroll, 401(k), and ADP and bank fees, the third part is employee reimbursement, and the last part is any disbursement made to the Directors.

Ms. Shahbakhti stated that page 8 is the 401(k) Plan Summary and Market Value showing average return.

Ms. Shahbakhti stated that page 9 is Receivables and Payables Ageing.

Ms. Shahbakhti stated that page 10 is the detailed Income Statement.

Director Monin asked why we were over budget for December. Ms. Shahbakhti replied that some of the reason is timing, or expenses could be lower for the month. Director Monin asked why there is such a difference in the budget and December income. Mr. Cafferty explained that SMWD and MNWD own capacity in the R-6 Reservoir so they participate at different levels in ETWD's expenses.

Ms. Shahbakhti stated that Page 11 is an Analysis of Revenue & Expenses, comparing budget to actual.

Ms. Shahbakhti stated that page 12 is Revenues from Water & Waste Water Sales and shows Where the Money Comes From.

Ms. Shahbakhti stated that page 13 is a Revenue Comparison for the month, by category comparing actuals to the budget.

Ms. Shahbakhti stated that page 14 is a non-rate Revenue Analysis for the month.

Ms. Shahbakhti stated that page 15 shows Where the Money Goes, and Expenses for the year ending June 30, 2014.

Ms. Shahbakhti stated that pages 16 & 17 are an Expense Comparison for the month.

Ms. Shahbakhti stated that page 18 is a Cost Analysis of Equipment and Projects.

Ms. Shahbakhti stated that page 19 is a Baker WTP Project Analysis.

President Goldman asked for a Motion to approve paying the bills.

Motion: Director Adjarian made a Motion, seconded by Director Vergara and unanimously carried across the Board to place this item on the Consent Calendar for Thursday's Board meeting to pay the bills.

President Goldman asked for a Roll Call Vote.

Roll Call Vote:

Vice President Kahn	aye
Director Vergara	aye
Director Monin	aye
Director Adjarian	aye
President Goldman	aye

Water Budget Based Tiered Conservation Rate Structure & Usage Activity and Mandatory Cutback Preparation

Mr. Grandy stated that the Tiers are tracking as expected and our customers are approximately 92% within the allotted budgets. He further stated that as it pertains to preparing for mandatory cutbacks, we continue to work with our billing vendors and public relations group to prepare for potential allocations.

Mr. Hill stated that the MWDOC Managers meeting will be updating possible allocations from MET. He further stated that if ETWD exceeds its budget, the penalty could be an additional \$1480 per acre foot.

Comments Regarding Non-Agenda FIC Items

There were no comments.

Close Finance and Insurance Committee Meeting

At approximately 9:33 o'clock a.m. the Finance meeting was closed.

Attorney Report

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

Mr. Granito reported that the litigation challenging the City of San Juan Capistrano's rate structure is scheduled for Oral Argument at the Court of Appeals on January 21, 2015.

Mr. Granito further reported that he and Mr. Hill plan on attending the scheduled hearing.

Geographical Information System (GIS)

At approximately 9:44 o'clock a.m. Mr. Miazga joined the meeting. Mr. Miazga provided a status report and demonstration of the GIS system.

Adjournment

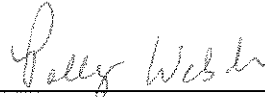
There being no further business to come before the Board, the following motion was duly made and passed.

Motion: Director Vergara made a motion, seconded by Director Monin and unanimously carried that today's meeting be adjourned at 10:03 o'clock a.m. to Tuesday, February 24, 2015 at 7:30 o'clock a.m. at the District's Administrative Offices at 24251 Los Alisos Blvd, Lake Forest, CA. 92630.

Roll Call:

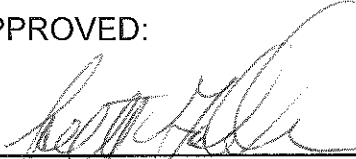
Director Vergara:	aye
Vice President Kahn:	aye
President Goldman:	aye
Director Monin:	aye
Director Adjarian:	aye

Respectfully submitted,

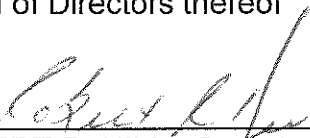


POLLY WELSCH
Recording Secretary

APPROVED:



M. SCOTT GOLDMAN, 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