MINUTES OF THE REGULAR MEETING
OF THE
BOARD OF DIRECTORS
OF THE
EL TORO WATER DISTRICT
March 26, 2015

President Goldman called the meeting of the Board of Directors of the
ELTORO WATER DISTRICT to order at 7:30 o'clock a.m. on March 26, 2015 at
the El Toro Water District Administrative Offices, 24251 Los Alisos Boulevard,
Lake Forest, California.

President Goldman led in the Pledge of Allegiance to the flag.

Directors M. SCOTT GOLDMAN, WILLIAM H. KAHN, FRED ADJARIAN,
MARK MONIN, and JOSE F. VERGARA were present.

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, MARK GINGRAS,
Employee, ROMAN KOCIBAN, Employee, KATHRYN FRESHLEY, Customer,
TOMOYA SHIMURA, OC Register, and CECIL FRASER, Swan Pools (arrived at
7:48 am).

Oral Communications - Public Comments

President Goldman 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**

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

**Presentation of Awards, Recognitions and Introductions**

**Service Awards**

There were no acknowledgements.

**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.

**New Employee Introduction**

Mr. Hill introduced and welcomed on behalf of the Board, Roman Kociban, Maintenance Worker #1, who joined the District on September 15, 2014.

Mr. Hill introduced and welcomed on behalf of the Board, Mark Gingras, Compliance Program Coordinator, who joined the District on February 24, 2015.

At approximately 7:37 o’clock a.m., Mr. Kociban and Mr. Gingras left the meeting.

**ETWD Water Conservation and Water Supply Shortage Ordinance**
Mr. Hill stated that this is the time and place set for the Public Hearing on Resolution No. 15-3-1 which replaces in its entirety the District’s Water Conservation and Water Supply Shortage Ordinance, effective April 1, 2015.

President Goldman asked Mr. Hill if the notice of this hearing has been given. Mr. Hill replied yes, General Counsel provided the notice of this hearing via legal publication in the Orange County Register on March 11 and March 18, 2015.

President Goldman asked Mr. Hill and Mr. Granito to describe/comment on the proposed amendments which have been incorporated into the restated Ordinance.

Mr. Hill stated that the Ordinance was first adopted in 2009 and updated in 2010. He further stated that it was modeled after a MET/MWDOC template that included on-going Permanent Mandatory Conservation Measures and progressively more stringent conservation measures in response to water supply shortages by our wholesaler.

Mr. Hill stated that in 2010 the Ordinance was amended to include reference to the District’s Water Budget Based Tiered Conservation Rate Structure. He further stated that the Rate structure includes an indoor and outdoor Drought Factor (DF) which applies to residential and dedicated irrigation customers.

Mr. Hill stated that the Drought Factor is the District’s primary mechanism for establishing a pricing signal to encourage additional conservation by residential and dedicated irrigation customers during significant drought.
conditions and wholesale water supplier cut backs, and is Normally set a 1. He further stated that the current Ordinance identified the DF as the mechanism for sending a price signal, but did not provide adequate guidance, nor did it address the means by which the District would encourage additional conservation by commercial customers.

Mr. Hill stated that Ordinance 2015-1 provides specific guidance to staff and the Board with regards to use of the DF and a drought penalty assessment to commercial customers in response to specific declared water supply shortages by Met/MWDOC. He further stated that increased customer bills as a result of an adjustment to the DF and/or assessment of a drought penalty to commercial customers will equate to an Administrative fine or penalty (Penalty).

Mr. Hill stated that he would like to ask General Counsel to comment on the propriety of the Administrative Penalty.

Mr. Granito reported that Resolution 15-3-1 summarizes the history and evolution of the District’s Conservation Ordinance since 2009.

Mr. Granito reported that this amendment provides detailed guidelines for implementation of the Drought Factor.

Mr. Hill stated that additionally, Ordinance 2015-1 amends or adds:

- Monthly Bill examples of the impact to residential and commercial customers who do not modify their usage patterns (added Appendix ‘C’)
- Deletes the outdoor irrigation restriction on number of days per week exemption for weather based irrigation controllers during a declared Level 1 and 2 water shortage (Level 3 prohibits ‘all’ outdoor irrigation)
• Shifts the prohibition on filling pools and spas from a Level 2 to a Level 3 which aligns with the prohibition on any outdoor irrigation
  ▪ Under a Level 2 you can now fill a pool or spa if the customer has not done so in the last 24 months and adheres to Best Practices as outlined in Appendix ‘D’
• Section XI - Declaration and Process (Noticing)
  ▪ Clarifies that Declaration of Level 1, 2 or 3 Water Shortage, imposition of a DF and a drought penalty assessment to commercial customers will be conducted in conformance with the Public Hearing, Publication and Notice Provisions of Water Code Section 375
• Incorporates expanded prohibitions associated with the State’s March 17, 2015 Emergency Drought Regulations
  ▪ Restaurants not to serve water unless requested
  ▪ Hotels option not to have sheets and towels laundered daily
  ▪ No irrigation when raining and within 48 hours of measurable precipitation
• Effective March 31st
• Compliance within 45 days (Mid May 2015)

Mr. Hill stated that the action today does not establish an adjustment to the DF or the assessment of a Commercial Drought Penalty charge. What it does do is prepare us to react to any level of water supply cut back by MET/MWDOC, and once we know what the MET/MWDOC cut back is we will be noticing a public hearing in conformance with Water Code Section 375 guidelines to consider public input regarding implementation of appropriate sections of the Ordinance.

Mr. Hill stated that today’s Recommended Action is subject to public input during the public hearing, to consider adopting Resolution No. 15-3-1 which resolution adopts Water Conservation and Water Supply Shortage Ordinance 2015-1.
Public Hearing Regarding Adoption of Water Conservation and Water Supply Shortage Ordinance 2015-1

Open Public Hearing

President Goldman stated that if there is nothing further from staff or Legal Counsel, he declares the Public Hearing open. He further stated that if there is anyone wishing to speak, please identify yourself and limit your comments to 3 minutes.

Public Comment

Ms. Freshley commented that she is concerned what impact the case in San Juan Capistrano will have on the District’s Tiered Rate Structure.

Mr. Granito reported that the subject of today’s Ordinance is not before the Court.

Close Public Hearing

President Goldman stated that hearing no additional public comment, he declares the Public Hearing closed at 7:53 o’clock a.m., and regular session resumes.

Regular Session

Resolution No. 15-3-1 Adopting Water Conservation and Water Supply Shortage Ordinance 2015-1

President Goldman asked if there were any questions or comments by members of the Board. Hearing none, he entertained a Motion for the adoption of Resolution No. 15-3-1.
Motion: Director Vergara made a Motion, seconded by Vice President Kahn, and unanimously carried across the Board to adopt Resolution No. 15-3-1 which Resolution adopts Water Conservation and Water Supply Shortage Ordinance 2015-1, effective April 1, 2015.

Roll Call Vote:

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

Consent Calendar

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

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

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

Approval of Items Removed from Today’s Consent Calendar

There were no items.

Director Reports for Meetings Attended

Director Adjarian stated that he attended SOCWA meetings, OCWA Luncheon, LAFCO, and took a tour of the R-6 Reservoir, Recycled Water
facilities, and the Tertiary Plant. He also attended the retirement ceremony for Don Calkins, Assistant General Manager with the Anaheim Water Services department.

Director Monin stated that he attended the OCWA luncheon, OC Watershed meeting where they are looking for a new President and possibly extending the term. He further stated that he attended WACO, the ISDOC Executive Committee meeting where they are making changes to election process, and he attended the MWDOC Admin/Finance meeting, and the Laguna Woods City Council meeting. He also stated that he attended the tour of the District’s facilities with Mr. Cafferty and Director Adjarian, and he visited the Cadiz project.

Vice President Kahn stated that he attended the MWDOC Planning and Operations meeting, the MWDOC/MET Directors meeting, WACO, the MWDOC Admin/Finance meeting, and the MWDOC Board meeting.

Director Vergara stated that he attended Budget meetings, and the WACO Planning meeting.

President Goldman stated that he attended the WateReuse conference.

General Manager Action Items

Adoption of Resolution No. 15-3-2 Supporting the Nomination of Jo MacKenzie to the California Special Districts Association Board of Directors, Region 6, Seat A

Mr. Hill stated that Vista Irrigation District requested that we adopt a concurring nomination for Jo MacKenzie.
Director Monin asked about her background. Mr. Hill stated that her resume is included in the Board package.

President Goldman asked for a Motion.

**Motion:** Director Adjarian made a Motion, seconded by Vice President Kahn, and unanimously carried across the Board to adopt Resolution 15-3-2 supporting the nomination of Jo MacKenzie to the CSDA Board of Directors, Region 6, Seat A.

**Roll Call Vote:**

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

**Open Forum**

Mr. Hill announced that in today's audience is Tomoya Shamira, a reporter for the OC Register.

**ETWD Waste Discharge Pretreatment and Source Control Program Ordinance 2010-2**

Mr. Hill stated that SOCWA member agencies operate their individual Water Discharge Pretreatment and Source Control Programs under the umbrella of SOCWA's Pretreatment Program and SOCWA's National Pollutant Discharge Elimination System (NPDES) Permit. He further stated that the State Water Resources Control Board (SWRCB) periodically performs audits in conformance with NPDES requirements, and the report requires that SOCWA and its member agencies amend or replace their Ordinances no later than May 31, 2015.
Mr. Hill stated that SOCWA is the National Pollution Discharge Elimination System Permittee and as such, is the lead agency responsible for implementation of the provisions contained in the Ordinance. He further stated that ETWD administers and enforces the provisions under SOCWA's oversight.

Mr. Hill stated that there was one substantive revision which added Section 814 – Notification of the Discharge of Hazardous Waste. He further stated that Section 814 does not change any existing discharge prohibitions in the Ordinance related to hazardous waste.

Mr. Hill stated that amendments and/or to replace the Ordinance requires a Public Hearing, so today's recommended action is to authorize the General Manager and General Counsel to publish applicable notices for a Public Hearing to be conducted on April 23, 2015 to consider public input on staff's proposal to replace existing Ordinance 2010-2 with Ordinance 2015-2.

Director Monin asked how much effluent water we send to the ocean. Mr. Cafferty replied that the number will be minimized with the Recycled Water program.

President Goldman asked for a Motion.

Motion: Vice President Kahn made a Motion, seconded by Director Monin, and unanimously carried across the Board, to authorize the General Manager and General Counsel to publish applicable notices for a Public Hearing to be conducted on April 23, 2015 to consider public input on staff's proposal to replace existing Ordinance 2010-2 with Ordinance 2015-2.

Roll Call Vote:
Director Vergara: aye
Vice President Kahn: aye
President Goldman: aye
Director Monin: aye
Director Adjarian: aye

General Managers Information Items

General Manager’s Monthly Report

Mr. Hill stated that Director Monin had mentioned that he met Scott Voights, City of Lake Forest, who would like to get together with our organization. He further stated that staff could conduct a tour of ETWD’s facilities, if he is interested.

President Goldman stated that normally the Board members who live in the city of Lake Forest would attend the meeting. Director Monin will work on setting up a meeting with Scott Voights.

Legislative Reports

There were no comments.

Public Education and Outreach/Water Conservation Report

Mr. Hill stated that the retrofit project is on-going. He further stated that the invitations to the Dedication ceremony were mailed out.

Mr. Hill stated that staff is working on the Dedication ceremony, and the drought communication outreach. He further stated that AlertOC will be conducting a test on Tuesday at 3:00 pm and will include a drought message. WEROC will be leading the drill and ETWD will participate with the county hotline number being listed in the message.

SOCWA Reports

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President Goldman attended the SOCWA Board meeting, where they discussed the County bridge.

Mr. Cafferty stated that he attended the SOCWA Engineering meeting where they discussed the co-generation project with opening bids coming in higher than expected. Director Monin asked for clarification on the co-generation. Mr. Cafferty replied that they are used to generate power, therefore avoiding buying power from SCE, and the engines now have to be upgraded, replaced, or shut off no later than January 1, 2016 due to new AQMD regulations.

Mr. Cafferty stated that ETWD's budget next fiscal year for PC-17 is $1.6 million, which includes our share of the extra cost.

Vice President Kahn asked what is the projected cost if they go back to the grid at least until new science is developed. Mr. Cafferty replied that there is no determination of when the new science would be developed.

Mr. Hill stated that the other person in the audience was from Swan Pools, and he spoke with him.

**MWDOC**

Vice President Kahn stated that on the OC Reliability Study, they were proposing further analysis added to the Study for seismic activity in the north and south. He further stated that the study should be out in the Fall.

Vice President Kahn stated that they had a program on the results of the SmarTimer program, and he is suggesting that we get a copy of the presentation.
to show at an upcoming CAG meeting. Mr. Hill replied that we could ask Joe Berg from MWDOC to come and give a presentation on the rebate program.

Vice President Kahn stated that he attended the MWDOC/MET Directors meeting, and Santa Barbara has taken their desal plant out of decommission and is reviewing it. He further stated that this year normally average 12.9 inches of rain, and we are running 7 percent above average in the Sierra, with 30.7" of precipitation which is 86% of normal.

Vice President Kahn stated that the MET declaration is due in April. He further stated that Districts should prepare for a Level 4 to a Level 2.

Vice President Kahn stated that they had a study on Creative Materials Survey. Mr. Hill will check with Sherri Seitz to see if she is aware of the survey.

Vice President Kahn stated that he attended the MWDOC Admin/Finance meeting where they discussed the issue of the MWDOC Administrative Code. He further stated that they decided to table this item until April or possibly May.

Mr. Hill stated that he attended the South County meeting where OCWD and MWDOC Representatives attended. He further stated that they discussed the Term Sheet to be brought back to the OCWD Board on April 30th, with an evaluation to take into consideration where it goes.

Mr. Hill stated that Poseidon is responsible for all aspects of the plant facility inclusive of regulatory and intake modifications today and in the future. He further stated that OCWD takes responsibility at the property line for the distribution system, with a 50 year term.
Mr. Hill stated that the project is not viable without MET's LRP and pursuing $475 an acre feet for 15 years, with a Reliability Premium adjusted every 10 years for the 50 year period. He further stated that MET's rate is +20%, then the next 10 years would be MET rate plus 15%, then MET rate plus 10%, MET rate plus 5%, and then only the MET rate.

Mr. Hill stated that the letter addressing redlines to the MWDOC Administrative Code goes out April 1st, and it will be circulated to South County Agencies post delivery. He further stated that the 4 points include:

- MWDOC Core/Choice Services – Move funds between programs
- Tier 2 Contingency Fund – Board discretion in its use
  - Payment of Tier 2 Costs
  - Cash Flow Management
  - Rate Stabilization
  - Other
- MET Representative Designation, "Geographical Area", silent on South and North
- MWDOC selling water outside their service area
- Rate Study – appropriate for discussion under the budget review
  - South sub-group to meet with MWDOC on draft Budget and Rate Study

Vice President Kahn asked if South Counties will be expected to abandon the Settlement Agreement in place of the MWDOC Admin Code. Mr. Hill stated that the close of the letter will be to leave the door open to future negotiations.
At approximately 9:00 o’clock a.m. Director Vergara left the meeting.

Vice President Kahn stated that MWDOC discussed their budget. Mr. Hill stated that the sub-Committee will be meeting to discuss the MWDOC budget.

President Goldman stated that they said that the Rate Study and Fixed Meter Charges may not be supportable through the Rate Study.

Vice President Kahn stated that he attended the MWDOC Board meeting and they are working on the first draft of the budget. He further stated that the Board approved support to the San Diego Gas and Electric for substation upgrades serving south Orange County.

Vice President Kahn stated that they are considering changing allocation policy for conservation hardening, and giving credit to those who have complied. Mr. Hill stated that there are three factors that influence how much water you get, one being how much effort you have put into conservation hardening; another factor is your dependency on MET, and the percentage of growth.

**LAFCO**

Director Adjarian stated that he attended the LAFCO meeting, where they discussed their 2014/15 Work Plan and what they accomplished. He further stated that at the April LAFCO meeting they expect to have a draft 2015/16 Work Plan.

Director Adjarian stated that Kathryn Freshley was sworn in as the LAFCO Public Member at Large.

**SOCWMA**

Director Monin stated that they discussed voting on new Committees.
ISDOC Meetings

There were no comments.

WACO Meetings

There were no comments.

City Coordination Efforts

There were no meetings.

Committee and General Information

Dates to Remember

There were no comments.

Carry-Over Pending Matters

There were no carry over 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, therefore Regular Session continued.

Action Item

Mr. Granito reported that the Board will need to take action with regard to Item #3 of today's Closed Session agenda (claim filed by the City of Lake Forest on 2/25/15 and 2/27/15, duplicate) regarding the Peter Cuthbert vs. DayTripper Tours.

President Goldman asked for a Motion.
**Motion:** Director Vergara made a Motion to deny the claim by the City of Lake Forest, seconded by Vice President Kahn, and unanimously carried across the Board.

President Goldman asked for a Roll Call Vote.

**Roll Call Vote:**

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

**Adjournment**

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

**Motion:** Director Adjarian moved, seconded by Director Monin and unanimously carried that today’s meeting be hereby adjourned at 9:19 o’clock a.m. to Thursday, April 23, 2015 at 7:30 o’clock a.m. at the District’s Administrative Offices, 24251 Los Alisos Blvd., Lake Forest, California.

**Roll Call Vote:**

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

Respectfully submitted,

[Signature]

POLLY WELSCH
Recording Secretary

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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

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