

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

April 21, 2015

Director Vergara called the Meeting of the Engineering Committee and Finance/Insurance Committee to order at 7:30 o'clock a.m. on April 21, 2015

Director Vergara 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, and NANCY LAURSEN, Accountant/Insurance Administrator (arrived at 7:45 a.m).

Oral Communication/Public Comment

There was no public.

Items Received too Late to be Agendized

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

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.

Director Vergara 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

Engineering Action Items

There were no action items.

Engineering General Information Items

EI Toro Water District Capital Project Status Report

Recycled Water Expansion Project

Retrofit Implementation

Mr. Cafferty stated that on the retrofit tracking log he added a column on costs. He further stated that several sites are complete and receiving recycled water.

Mr. Cafferty stated that the schedule indicates the retrofit project will be complete by June 2016. He further stated that rebate applications have been submitted for each completed site, and rebate applications amounting to \$238,641 have been approved.

Director Adjarian asked if the inspections are being done. Mr. Cafferty replied yes.

Baker Pump Station

Mr. Cafferty stated that he met with the President of the HOA Board where the pump station is located to initiate discussions regarding access agreements, construction requirements, and final site conditions. He further stated that he discussed the potential noise issue, and color coordination.

GIS

Vice President Kahn asked when the next step will take place on the GIS. Mr. Cafferty replied that staff continues to evaluate alternatives for the implementation of a GIS based computerized maintenance management system (CMMS).

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 7:43 o'clock a.m. the Engineering meeting was closed.

FINANCE/INSURANCE COMMITTEE

At approximately 7:43 o'clock a.m. Director Vergara called the Finance Committee meeting to order.

Insurance Update Report

Quarterly Insurance Update Report

Mr. Grandy stated that we are $\frac{3}{4}$ of the way through the fiscal year, and are coming in under budget on insurance costs. He further stated that JPIA is

handling a couple of outstanding liability claims.

Director Monin asked if staff is working to keep costs down. Ms. Cimorell stated that JPIA initiated a consortium for medical and dental costs. She further stated that Vision did not change, Dental went down, and Medical went up and down.

At approximately 7:45 o'clock a.m. Ms. Cimorell left the meeting.

Treasurer Action Items

Financial Package – Authorization to Approve Bills for Consideration dated April 21, 2015 and Receive and File Financial Statements as of March 31, 2015

President Goldman asked on page 10, is this a year to date budget, or annual. Ms. Shahbakhti replied it is year to date.

Director Monin asked on page 8, 401(k) Plan, under Market Value Summary, due to the current market going up and down, it seems we should have grown some. Mr. Grandy replied that we have had some withdrawals.

Director Monin asked on page 11, Revenue & Expenses, January through March were negative and since April has been flat line. Ms. Shahbakhti replied that January through February expenses were higher. She further stated that on page 10, Income Statement, the year to date number is \$781,000 compared to \$194,000 budgeted year to date.

Director Monin stated that on page 13, Revenue Comparison, actual and budgeted, are they seasonal. Ms. Shahbakhti replied yes.

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.

Director Vergara 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

Resolution No. 15-4-1 Annual Review of the District's Travel and Expense

Reimbursement Policy

Mr. Grandy stated that the only amendment to this policy was the allowance for the Directors to attend conferences, which has been increased from \$3,500 to \$4,000, due to the anticipation of the District joining CASA.

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.

Director Vergara 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

Resolution No. 15-4-2 Annual Review of the District's Cash Reserve Policy

Statement

Mr. Grandy stated that staff changed the way various reserves are calculated as follows: Rate Stabilization Reserve of 10-15%, Operating Reserves of 5-10%, and Working Capital of 7.5% - 10% of operating expenses .

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.

Director Vergara 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's Draft 2015/16 Budget

Mr. Hill stated that the final draft budget is not yet available, so this item will be carried over to Thursday's meeting.

Mr. Granito provided an update to the Board on the San Juan litigation and the potential implications to ETWD.

Mr. Grandy stated that the state mandated penalties are real costs, and if customers don't comply, the District still has to meet the new restrictions.

Mr. Grandy stated that on pages 4 & 5 of the Prop 218 Notice, there are various drought factors associated with various required reduction demands. He further stated that if we have to cut back 5%, we will have a 95% drought factor.

Mr. Grandy stated that Prop 218 mirrors the District's Ordinance and tells us what could happen. He further stated that staff plans to mail the Prop 218 Notices on May 4th or 5th to customers.

Mr. Hill stated that the dates could slip.

Director Adjarian asked if Tiers 1 through 3 would change. Mr. Grandy replied no, because they have additional mandatory restrictions.

Director Monin asked why the District is in a rush to take action. Mr. Grandy stated that there are deadlines to adopt our budget and Prop 218 Notice in order to adopt our rate increase.

Mr. Hill stated that this item is being carried over to Thursday's meeting.

Director Vergara asked how much this will affect Reserves. Mr. Grandy replied that the delay in adopting the rate increases could impact Reserves approximately \$80,000 a month.

Mr. Grandy stated that the Board could proceed with the Prop 218 Notice and adopting the Budget. President Goldman suggested de-coupling the Budget from this item, and not adjust the Drought Factor at this time.

Mr. Hill stated that the Board will be adopting the Budget and a rate increase effective July 1, 2015, and not adjusting the Drought Factor at this time. He further stated that this item will be carried over to Thursday's meeting for potential action from the Board.

Treasurer Information Items

ETWD's Quarterly Reports by the Auditors

Mr. Grandy stated that the Auditors report is in the package, and the

Auditors had no findings.

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

Mr. Hill stated that in comparing current month water usage to 2014 month, total consumption for ETWD in January was 73% of what it was in 2014, and February was 74%. He further stated that the percentages were higher in March.

Director Monin asked why the percentages were higher. Mr. Hill replied it is due to the weather.

Director Kahn asked if there is any new grant money we can pursue. Mr. Grandy replied that we are currently pursuing grant money for the Recycled Water Plant. He further stated that if there were grant money for automated meter reading, we would pursue that.

Mr. Hill stated that staff has had discussions with the HOA Boards and the Cities regarding outreach efforts and conservation.

Director Kahn asked Mr. Cafferty if staff has reviewed the possibility of using recycled water on this side of the freeway. Mr. Cafferty replied that he met with MNWD and they are doing a Recycled Water Master Plan and there is the potential of doing a project together.

Director Kahn asked if staff has a preliminary plan to discuss when to get the golf courses, dog parks, and schools on the Recycled Water program. Mr. Cafferty replied that staff is aware of where the demand is and plans to have discussions with these customers.

Comments Regarding Non-Agenda FIC Items

There were no comments.

Close Finance and Insurance Committee Meeting

At approximately 9:01 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.

Regular Session

Adjournment

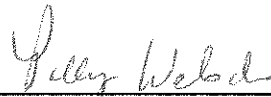
There being no further business to come before the Board, the following motion was duly made and passed.

Motion: Director Vergara made a motion, seconded by Director Monin and unanimously carried that today's meeting be adjourned at 9:04 o'clock a.m. to Tuesday, May 26, 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:

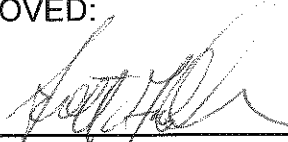
Director Vergara:	aye
Vice President Kahn:	aye
President Goldman:	aye
Director Monin:	aye
Director Adjarian:	aye

Respectfully submitted,

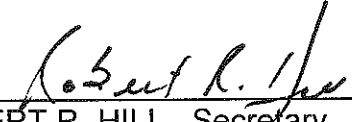


POLLY WELSCH
Recording Secretary

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