

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

June 23, 2015

Director Vergara called the Meeting of the Engineering Committee and Finance/Insurance Committee to order at 7:30 o'clock a.m. on June 23, 2015

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

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

Committee Member WILLIAM H. KAHN was absent.

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, SHERRI SEITZ, Public Relations/Emergency Preparedness Administrator (arrived at 8:30 a.m.), POLLY WELSCH, Recording Secretary, and CAROL MOORE, Customer.

Oral Communication/Public Comment

There were no comments.

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
President Goldman:	aye
Director Monin	aye
Director Adjarian	aye

Engineering Action Items

R-1/R-2 Reservoir Management System

Mr. Cafferty stated that the proposed project will install a Reservoir Management System complete with a mixing and chloramine chemical injection system at the R-1 and R-2 Reservoirs.

Mr. Cafferty stated that this system will help maintain chlorine residuals and minimize the development of nitrites in these tanks as well as the downstream storage facilities and water distribution system.

Mr. Cafferty stated that bids ranged from \$548,188 to \$668,800 and are summarized on the bid analysis worksheet included in the Board package. He further stated that staff has met with Schuler Constructors who remain committed to the project and are comfortable with their bid.

Director Monin asked if there are any key components causing the rise in the cost of construction. Mr. Cafferty replied that he is unsure of a specific reason for the increase in construction costs, but has noted an increasing cost trend at other agencies as well.

Mr. Cafferty stated that staff and Schuler are evaluating options to reduce cost including reducing the building masonry block from 12 inches to 8 inches.

Director Vergara stated that he is most comfortable with the 12 inch walls. Mr. Cafferty replied that the 8 inch block walls are standard.

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
President Goldman	aye
Director Monin	aye
Director Adjarian	aye

Recycled Water Retrofit Change Order

Mr. Cafferty stated that construction of the Recycled Water Distribution System and Tertiary Treatment Plant is complete and in service. He further stated that the steady progress has been made and the contract balance is nearly exhausted. Mr. Cafferty stated that staff is proposing to extend the Trautwein contract to authorize continued construction of retrofits for the third quarter of 2015.

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
President Goldman	aye
Director Monin	aye
Director Adjarian	aye

Engineering General Information Items

El Toro Water District Capital Project Status Report

Recycled Water Expansion Project

Mr. Cafferty stated that staff and the City of Laguna Hills have agreed on the language for the City of Laguna Hills agreement. He further stated that staff has submitted documentation to support the first request for payment of the approved rebates in the amount of approximately \$250,000. Mr. Cafferty stated that to date 14 rebate applications amounting to approximately \$418,062 have been approved.

President Goldman asked Mr. Cafferty to add to his report an update on Phase 3.

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Mr. Cafferty stated that there is a splitter which part of the sewer goes to ETWD and part goes to IRWD. He further stated that IRWD has asked to divert all the flow to the IRWD Los Alisos plant on a temporary basis to augment Recycled Water supply this summer.

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 8:03 o'clock a.m. the Engineering meeting was closed.

FINANCE/INSURANCE COMMITTEE

At approximately 8:03 o'clock a.m. Director Vergara called the Finance Committee meeting to order.

Treasurer Action Items

Financial Package – Authorization to Approve Bills for Consideration dated June 23, 2015 and Receive and File Financial Statements as of May 31, 2015

Ms. Shahbakhti stated that we just closed the next to last month of the fiscal year, and the quarter end Audit will be in August and the annual Audit in September.

Ms. Shahbakhti stated that on page 10, Income Statement, the variances of \$280,000 are explained on page 14.

Director Monin asked with ETWD using less potable water, will it affect our spending costs. Mr. Hill replied that he is monitoring Production Reads each week and will report on Thursday to the Board.

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
President Goldman	aye
Director Monin	aye

Director Adjarian                      aye

ETWD's 2015/16 Budget – Resolution No. 15-6-2

Mr. Grandy stated that the budget has not changed from previous reviews. He further stated that the SOCWA budget was \$920,000 while the ETWD portion of the SOCWA approved budget at \$868,000.

Mr. Hill stated that by slipping one month before approving the 2015/16 rate increase the budget will have a small impact on the budgeted revenues and reserves.

Director Monin asked how far out has staff investigated to see at what point costs become affected. Mr. Grandy stated that we would absorb additional costs if we did not sell any water at all.

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.

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Roll Call Vote:

Director Vergara	aye
President Goldman	aye
Director Monin	aye
Director Adjarian	aye

South Orange County Wastewater Authority (SOCWA) 2015/16 Budget Approval

Mr. Grandy stated that SOCWA did pass their budget and \$868,000 is ETWD's share.

President Goldman asked what percentage of the Operating Budget. Mr.

Hill replied that SOCWA's Operating Budget went down approximately \$600,000.

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
President Goldman	aye
Director Monin	aye
Director Adjarian	aye

South Coast Water District Joint Regional Water Supply System (JRWSS) Fiscal Year Budget 2015/16

Mr. Hill stated that there is a pipeline that runs to San Onofre and the State Park to deliver water, and ETWD owns 2 cfs capacity in the pipeline in Regions 1 & 2. He further stated that ETWD's share of the operating costs is \$4,010.

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Mr. Cafferty stated that the 2 cfs could be used by ETWD in an emergency.

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
President Goldman	aye

Director Monin            aye  
Director Adjarian        aye

Annual Agreements Exceeding \$20,000 – for Fiscal Year 2015/16

Mr. Grandy stated that contracts over \$20,000 requires Board approval. He further stated that these expenditures are included in the Board package.

Mr. Gandy stated that the janitorial and landscape items were bid in 2014 and their prices are the same as last year.

President Goldman suggested that next year we consider increasing the General Manager's authority to \$50,000, with those higher than \$50,000 requiring Board approval. Mr. Grandy replied that staff will review the Purchasing Policy for consideration to amend the GM's authority.

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.

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Roll Call Vote:

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Director Vergara        aye  
President Goldman      aye  
Director Monin          aye  
Director Adjarian       aye

Southern California Alliance of Publicly Owned Treatment Works (SCAP)

Membership Renewal

Mr. Hill stated that SCAP stays abreast of changing regulatory guidelines and economic liability associated with consistent regulations. He further stated



that the dues have not increased from last year.

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
President Goldman	aye
Director Monin	aye
Director Adjarian	aye

ETWD's Engagement Letter by the Auditors

Mr. Grandy stated that because of staffing changes at the previous Auditing Firm, the Board elected to change Auditors going with the staff of the past Auditors who were previously reviewing the District's financials, who are now with the PUN Group. He further stated that included in the Board package is a standard Engagement Letter from the Auditors, and a responsibility letter addressed to the Board.

Director Monin asked if there is a time limit to remain with the same Audit Firm. Mr. Grandy replied yes, there is a 5-year term with the PUN Group being with ETWD for an additional 3 years.

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
President Goldman	aye
Director Monin	aye
Director Adjarian	aye

Treasurer Information Items

State Emergency Drought Regulations/Monthly Reporting/Customer Outreach & Water Usage/Sales

Mr. Hill stated that the State Emergency Drought Regulations/Monthly Reporting will be discussed each month. He further stated that Customer Outreach Activities and Effectiveness will also be included in the Thursday Board package.

President Goldman asked staff to add a 2013/14 Recycled Water Sales column to the chart to compare with the 2014/15 sales. Mr. Hill replied that staff will add a 2013/14 Recycled Water Sales column to the SWRCB Emergency Drought Regulations chart.

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Mr. Hill stated that included in the Board package is the actual Water Sales report that he submits to the State each month. He further stated that staff will also be tracking Commercial use.

Customer Outreach Activities and Effectiveness.

Ms. Seitz provided an update on the education and outreach ETWD is developing or has completed per state regulations. She further stated that staff will visit all sit down restaurants beginning in July to provide water conservation posters and signage to serve water only upon request.

Ms. Seitz stated that the District has 3 car washes in its service area that use recycled water. She further stated that staff encourages customers to use a car wash that uses recycled water instead of washing vehicles at home.

Ms. Seitz stated that staff is running consumption reports of the HOA's comparing 2013 to June 2014 and February 2015 and will determine what type of outreach is needed.

Ms. Seitz stated that staff has prepared a Drought Log, which tracks water waste complaints and follow up by staff.

Mr. Hill stated that the Prop 218 Notices, water quality reports, and postcards concerning conservation were mailed to customers.

Ms. Seitz stated that staff met with Spatial Wave representatives to review their computerized Drought Response Infraction extension to Field Maplet for tracking state reduction compliance. She further stated that staff attended Community Events.

Director Monin stated that he staffed a booth at the City of Laguna Woods shredding event to discuss the drought impact with attendees.

Ms. Seitz stated that a Press Release was distributed regarding the action the Board took on June 9, 2015. She further stated that she will be working with Thomas Communications Group to create a water conservation video for Laguna Woods Village.

Mr. Hill stated that MET's rebate program was re-funded and is now exhausted.

#### Comments Regarding Non-Agenda FIC Items

Director Vergara stated that he is impressed with the District's new website. He further stated that he visited the Green Thumb Nursery and there was water running on the concrete. Mr. Hill stated that staff will follow up with the nursery.

Close Finance and Insurance Committee Meeting

At approximately 8:58 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 regular session continued.

Mr. Granito provided a brief update on pending litigation.

Mr. Granito reported on the San Juan litigation and the potential depublishing of the Case.

Adjournment

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

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Motion: Director Monin made a motion, seconded by Director Adjarian

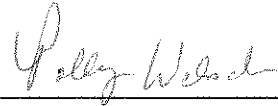
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and unanimously carried that today's meeting be adjourned at 9:03 o'clock a.m. to Tuesday, July 21, 2015 at 7:30 o'clock a.m. at the District's Administrative Offices at 24251 Los Alisos Blvd, Lake Forest, CA. 92630.

Roll Call:

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

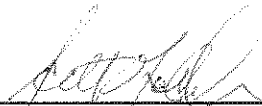
Respectfully submitted,



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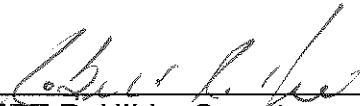
POLLY WELSCH  
Recording Secretary

APPROVED:



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M. SCOTT GOLDMAN, President  
of the El Toro Water District and the  
Board of Directors thereof



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ROBERT R. HILL, Secretary  
of the El Toro Water District and the  
Board of Directors thereof