

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

August 25, 2015

Director Vergara called the Meeting of the Engineering Committee and Finance/Insurance Committee to order at 7:30 o'clock a.m. on August 25, 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, JUDY CIMORELL, Human Resources Manager, POLLY WELSCH, Recording Secretary, ROBERT ADAMS, HIGHMARK Representative, CAROL MOORE, Customer, and KATHRYN FRESHLEY, 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
Vice President Kahn	aye
President Goldman:	aye
Director Monin	aye
Director Adjarian	aye

PLAN ADMINISTRATOR MEETING

At approximately 7:31 o'clock a.m. Director Vergara called the Plan Administrator meeting of the El Toro Water District's Retirement Savings Plan and Trust Agreement to order.

The minutes are attached hereto and made a part of these minutes.

Close Plan Administrator Meeting

At approximately 7:47 o'clock a.m. the Plan Administrator meeting was closed and regular session resumed. Also at this time, Mr. Adams and Ms. Cimorell left the meeting.

Regular Session

Engineering Action Items

MNWD Recycled Water Master Plan

Mr. Cafferty stated that staff is discussing with MNWD how to get recycled water through their system to supply irrigation demand on the East side of the freeway.

Mr. Cafferty stated that MNWD is working on their Recycled Water Master Plan, and this project is part of their Plan. He further stated that we would need a pipeline and possibly a pump station to bring water through the Gate 14 area to MNWD.

Vice President Kahn asked if we expand on the West side of the freeway, does it mean less water we can trade with MNWD. Mr. Cafferty stated that we have a lot of water available in the off-peak months.

Mr. Cafferty stated that this project is in early stages of analysis, with the priority being Phase II. He further stated that MNWD has recycled water in the Los Alisos area, which we would connect a pipe to.

Vice President Kahn asked if ETWD has a chance to get some of the grant money available. Mr. Cafferty replied yes, MNWD is including ETWD in the planning grant proposal.

Mr. Cafferty stated that MNWD received 2 proposals, one from AKM and one from HDR. He further stated that they chose AKM which was approximately \$40,000 lower.

President Goldman asked what is the timeframe for this project. Mr. Cafferty replied they are anticipating it taking approximately a year.

President Goldman asked if IRWD is involved. Mr. Cafferty stated that he talked to IRWD staff, and they need grant money and are not as aggressively

pursuing a seasonal storage project like SMWD is. He further stated that MNWD's project better suits ETWD.

Director Vergara asked when the project is done, will there be an even exchange of water with MNWD. Mr. Cafferty replied that was the District's conceptual intent.

Director Monin stated that there is a chance this project could take a while to do. Mr. Cafferty replied yes it could take 3-4 years.

Vice President Kahn asked if the Master Plan includes wheeling the water from La Paz down Muirlands to Los Alisos and those facilities on Los Alisos, or is it strictly to MNWD. Mr. Cafferty replied that the approach would be a trade process so we don't incur costs of buying water from MNWD.

Vice President Kahn suggested asking if the Master Plan includes any pipelines to get the water to where we need it. Mr. Cafferty replied that a distribution system may need to be included, which we would pay for.

Vice President Kahn asked if it is the District's intent to make water available as it comes down Muirlands to Los Alisos, to some of the HOA's. Mr. Cafferty replied that the goal of the Recycled Water project is to provide water to all of the dedicated irrigation areas, including the HOA's.

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

Engineering General Information Items

El Toro Water District Capital Project Status Report

Recycled Water Expansion Project

On-Site Conversions

Mr. Cafferty stated that 110 meters are on-line, and a second crew has been added through the end of the project.

Mr. Cafferty stated that we have submitted multiple rebate applications and that the MET rebate program committed over \$600,000 of rebates.

Poseidon HB Ocean Desal Project

Mr. Hill stated that further joint meetings will be held between OCWD and Poseidon where they have agreed to a non-binding term sheet. He further stated that they are in the process of evaluating where they would deliver water and how they would get it there.

Mr. Hill stated a pricing structure was agreed upon. He further stated that there will be a surcharge on top of the MET price of 20% which decreases by 5% each 10 year period.

Baker Water Treatment Plant Project

Mr. Cafferty stated that there may be a significant Change Order coming as the contractor is way behind schedule. He further stated that the contractor is filing a claim for delay and extended overhead.

Recycled Water Expansion Project – Phase II

Mr. Cafferty stated that staff brought in a consultant to research recycled water funding programs.

Mr. Cafferty stated that the most promising funding source is the State Water Resources Control Board programs, one is a Small Community Wastewater Program for disadvantaged communities, but we are not eligible for this program. He further stated that another program uses Prop 1 funding which is 35% grant and a SRF loan for the balance.

Mr. Cafferty stated that there is still a 1% interest loan available and paperwork must be completed by December. He further stated that another component is the LRP program which has changed with different options and terms.

Mr. Cafferty stated that the LRP is based on the cost of water. He further stated that he asked the State if we could do a 15 year loan, and was told it may be possible.

Mr. Cafferty stated that within the next few months we should have construction level plans and CEQA on the entire system. He further stated that total yield could be 268 acre feet with 66 meters, and 28,000 feet of pipe, with a total project cost estimate of \$11.6 million.

Mr. Cafferty stated that \$1.5 million of this cost is for retrofits. He further stated that staff does not anticipate MET rebates for the retrofits.

Mr. Cafferty stated that we are projecting a \$6.6 million SRF loan at 1% interest for 15 years. He further stated that projected O&M costs generate

\$31,000 which creates a unit cost of \$1,883, of which \$475 comes from the MET rebate.

Mr. Cafferty stated that the revenue we generate from the 268 acre feet relative to the cost the first year, will go up each year because it is tied to our purchased water. He further stated that by the end of the third year we will be creating revenue.

At approximately 8:54 o'clock a.m. Ms. Freshley left the meeting.

Mr. Cafferty stated that staff plans to submit the application to the State Water Resources Control Board, as well as submit an application to MET for the LRF program.

Laguna Beach

Mr. Cafferty stated that Laguna Beach asked ETWD if it would be possible to serve them recycled water. He further stated that currently they have zero recycled water.

Mr. Cafferty stated that it would serve approximately 100 acre feet, and pipeline would need to go down El Toro Road. He further stated that they would pay the cost of the pipeline and design.

Mr. Cafferty stated that the cost of the recycled water would need to be determined.

Vice President Kahn asked if the cloth media filters would need to be changed periodically, creating a cost for ETWD. Mr. Cafferty stated that the filters maintenance costs shouldn't be significantly exacerbated.

Director Monin asked for an explanation of the contract that defines what

happens if they don't use 100 acre feet of water. Mr. Cafferty replied that they will pay for the design of the system to be used at full capacity, so there is no down side to us.

President Goldman stated that he feels we should consider charging a surcharge on top of our actual incremental cost for the water. Mr. Hill stated that currently we do not have a Capital Facility Fee for recycled water. Mr. Cafferty stated that the cost does not include labor and support costs, but staff anticipates including these.

Director Vergara asked where the city's waste goes. Mr. Cafferty replied that it goes to the Coastal Treatment Plant where South Coast recycles some of it.

President Goldman stated that we may need to consider seasonal storage and the impact on our system and the cost of selling recycled water. Mr. Cafferty stated that an alternative to seasonal storage is a potable water supplement used on max day conditions. He further stated that this would create additional cost.

Laguna Hills Mall

Mr. Cafferty stated that some of the existing mall will remain. He further stated that approximately 1,000 residential units will be built.

Director Monin asked if the 4 story complex currently being built at Oakbrook Village is dual plumbed. Mr. Cafferty replied no.

Mr. Cafferty stated that we had RBF review the project and determine if we can meet the water and sewer hydraulic needs, and the conclusion was that our District can support the demand. Mr. Cafferty emphasized the RBF analysis

focused on infrastructure capacity and hydraulics, not on supply.

President Goldman asked if staff was contacted by the developer. Mr. Cafferty replied that staff received a letter from Psomas who is the engineer for the developer and they were suggesting an increase of 200,000 gallons per day of wastewater.

Mr. Cafferty stated that RBF is reviewing the square footage of the project and determined it to be around 50,000 gallons per day. He further stated that as far as supply is concerned, it will require a water supply assessment (WSA), which the developer would like to start right away.

Mr. Cafferty stated that the request for the WSA needs to come from the City of Laguna Hills. He further stated that the developer will pay for the water supply assessment.

Vice President Kahn asked how many units are currently being built on the south end of the mall. Mr. Cafferty replied approximately 260 one and two bedroom units.

Mr. Cafferty stated that the District plans to supply recycled water to the dedicated irrigation areas of the mall. He further stated that the feasible way to do this would be to run a new pipe from the Plant.

Mr. Cafferty stated that total project cost is \$12 million. He further stated that the developer would pay for the cost of the pipeline from the plant, and the remaining costs would be ETWD's.

President Goldman stated that he understands that it will become an open mall by removing the roof, therefore enabling more landscape areas.

Mr. Cafferty stated that the next step will be discussion with the developer about what their costs are going to be for water and wastewater.

Mr. Cafferty stated that staff will be applying for grant money and an SRF loan.

Director Monin asked if we can have each unit individually metered. Mr. Hill stated that there is legislation that has not yet passed, to impose on a retail water agency that as a condition of service, we require the developer to sub-meter. He further stated that currently there is no mandate and there is no District Rules and Regulations regarding metering.

President Goldman asked if we would master meter each building. Mr. Hill replied yes. He further stated that staff will schedule a meeting with the developer to see how they plan to meter the units.

Mr. Cafferty stated that based on the design of Phase I and Phase II, staff contemplates that during a max day demand condition, we will be able to serve them without any problem. He further stated that the addition of Phase II East, we will rely on a small amount of potable water supplement to meet max day demands.

Mr. Cafferty stated that we have the ability to put potable water into the Recycled Water storage tank.

Mr. Hill stated that today's discussion is to inform the Board of staff's intention and current action on these topics.

Vice President Kahn asked if anything is being planned to be built above the existing buildings at the mall. Mr. Cafferty replied no.

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 9:57 o'clock a.m. the Engineering meeting was closed. Also at this time, the Board took a short recess.

FINANCE/INSURANCE COMMITTEE

At approximately 10:03 o'clock a.m. Director Vergara called the Finance Committee meeting to order.

Treasurer Action Items

Quarterly Audit

Mr. Grandy stated that the Auditors performed a quarterly audit and reported no findings or exceptions to our internal control process.

Director Monin asked if he is correct in understanding that the Auditors review our computer system data. Mr. Grandy replied that the Auditors will bring in experts and audit anything we ask for. He further stated that they review our financial transactions and financial statements in accordance with generally accepted auditing principles, and that they represent what took place.

Mr. Grandy stated that the Auditors also check for fraudulent activity and breeches in internal control.

Director Monin asked if staff could find out what Infra Guard services would cost. Mr. Grandy replied yes, staff could review what areas might give

rise to fraudulent activities.

Vice President Kahn asked why the Auditors only review 3 receipts in 3 days. Ms. Shahbakhti replied that the Auditors review 3 receipts in the billing department, but review all credit card transactions. Vice President Kahn asked how many days period do they review. Mr. Grandy replied that the Auditors review 3 months' worth of transactions, but they will sample as many materials as staff requests.

Financial Package – Authorization to Approve Bills for Consideration dated August 25, 2015 and Receive and File Financial Statements as of July 31, 2015

Ms. Shahbakhti stated that we just closed the first month of the fiscal year. She further stated that there is one item, billing system conversion, which carried over from last year because it was on hold for a while.

Ms. Shahbakhti stated that we just completed the new billing system and are going on line soon. She further stated that the customer will be able to view their bill on line, their payment history and usage. Ms. Shahbakhti stated that the current \$3.95 convenience fee which Paymentus charges will be lowered.

Ms. Shahbakhti stated that the District has received the \$1.7 million SRF funds which are reflected on page 4, Cash & Investments.

Ms. Shahbakhti stated that on page 8, 401(K) Plan Summary, once a year affected staff are moved to the next investment pool upon reaching ages 40, 50, or 60. She further stated that in June the total of the balance portfolio was incorrectly reported by Prudential, and has now been corrected by Prudential.

Vice President Kahn asked how the incident occurred. Mr. Grandy replied that the incident took place June 22nd and was corrected July 2nd, when their internal auditing discovered the error.

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

Capital Facility Fee Reserve Reconciliation in Accordance with SB1760

(Government Code Section 66013)

Ms. Shahbakhti stated that a detailed report is prepared when we receive the developers money and at the end of the fiscal year we adjust and reverse funds. She further stated that this year is zero because the District did not receive any developers money.

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
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Vice President Kahn	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 in June the District did not make it's 24% cutback, but in July we made 29%, so actual overall cutbacks netted 26% for the first two months of the mandatory reduction. He further stated that included in the package is the actual report that is sent to the State.

Mr. Hill stated that Production Reads are done weekly, and as of August 24th we are doing better than anticipated. He further stated that the District received a letter from the State indicating we missed the target in June.

Vice President Kahn asked why the Demo Garden was put on hold. Mr. Hill replied that the District received one estimate last year which was over \$600,000, so staff will re-evaluate another concept with the architect. He further replied that the turf removal rebates are on hold until October and we will re-visit it at that time. Director Vergara stated that staff should apply soon because they expect the funding to run out due to numerous applications.

Comments Regarding Non-Agenda FIC Items

There were no comments.

Close Finance and Insurance Committee Meeting

At approximately 10:19 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, therefore Regular Session continued.

Adjournment

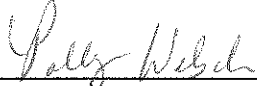
There being no further business to come before the Board, the following motion was duly made and passed.

Motion: Director Monin made a motion, seconded by Director Adjarian and unanimously carried that today's meeting be adjourned at 10:20 o'clock a.m. to Tuesday, September 22, 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:

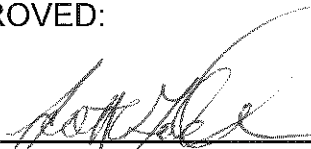
Director Vergara:	aye
Vice President Kahn	aye
President Goldman	aye
Director Monin:	aye
Director Adjarian:	aye

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

MINUTES OF THE PLAN ADMINISTRATOR
MEETING OF THE
EL TORO WATER DISTRICT
RETIREMENT PLAN AND TRUST AGREEMENT

August 25, 2015

Director Vergara called the meeting of the Plan Administrator of the El Toro Water District's Retirement Plan and Trust Agreement to order at 7:31 o'clock a.m. on August 25, 2015.

The following persons as the Governing Board of the El Toro Water District serving as Plan Administrators were present: M. SCOTT GOLDMAN, WILLIAM H. KAHN, FRED ADJARIAN, MARK MONIN, and JOSE F. VERGARA.

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, JUDY CIMORELL, Human Resources Manager, GILBERT J. GRANITO, General Counsel, POLLY WELSCH, Recording Secretary, BOB ADAMS, HIGHMARK Representative, CAROL MOORE, Customer, and KATHRYN FRESHLEY, Customer.

Quarterly Review of Pension Plan Performance

Mr. Grandy introduced Bob Adams of HIGHMARK, which reports quarterly on the District's 401(k) Plan.

Mr. Adams stated that the Feds are not likely to raise interest rates in September, but there is a small chance they could in December. He further stated that HighMark has been handling the District's funds for 9 ½ years.

Mr. Adams stated that the rates of return have outperformed both benchmarks for all time periods except for one year of the two benchmarks. He further stated that the chart on page 1 shows Equities and Bonds comparing the 2nd quarter returns with year-to-date returns.

Mr. Adams stated that page 21 shows Mutual funds. He further stated that PIMCO Low Duration is no longer in the portfolio. Director Monin asked if HighMark will consider getting back into the PIMCO Low Duration fund. Mr. Adams replied no.

Director Monin asked if the expense ratio is reviewed. Mr. Adams stated that they review expense ratio, performance, portfolio manager tenure, and true to styles factors.

Director Monin asked what the Peer Group is. Mr. Adams replied it is the Morningstar defined funds.

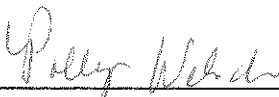
Director Monin stated that in Short Term Bonds there were a number of categories below the indexes. He further stated that on page 25, the Absolute Strategies had a high fee, while all but the Commodity had negative returns. Mr. Adams replied that 15-18% of the total pool is down.

Director Monin asked on page 21 if all the numbers are net of fees. Mr. Adams replied yes.

ADJOURNMENT


Director Vergara asked if there were any questions, comments or business to come before the Board (Plan Administrator). There being none, the meeting adjourned at approximately 7:47 o'clock a.m.

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