

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

October 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 October 20, 2015.

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

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

Director JOSE F. VERGARA was absent.

Also present were ROBERT R. HILL, General Manager/Secretary, DENNIS P. CAFFERTY, Assistant General Manager/District Engineer, NEELY SHAHBAKHTI, Finance Manager/Controller, GILBERT J. GRANITO, General Counsel, JUDY CIMORELL, Human Resources Manager, NANCY LAURSEN, Accountant/Insurance Administrator, POLLY WELSCH, Recording Secretary, and KATHRYN FRESHLEY, Customer (arrived at 7:37 am).

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.

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 Kahn	aye
President Goldman	aye
Director Monin	aye
Director Adjarian	aye

Engineering Committee

Engineering Action Items

ETWD Recycled Water Expansion Project – Phase II – Resolution No. 15-10-1

Mr. Cafferty stated that there are three Resolutions in the Board package today, all associated with the Recycled Water Expansion Project, Phase II. He further stated that Resolution No. 15-10-1 is for the General Manager to negotiate and execute a Financial Assistance Application and Agreement with the State Water Resources Control Board for the purpose of obtaining State Revolving Fund Financing for the ETWD Recycled Water Expansion Project – Phase II.

President Goldman asked for a Motion.

Motion: Vice President Kahn made a Motion, seconded by Director Monin, and unanimously carried across the Board to adopt Resolution No. 15-10-1 for the General Manager to negotiate and execute a Financial Assistance Application and Agreement with the State Water Resources Control Board for the

purpose of obtaining State Revolving Fund Financing for the ETWD Recycled Water Expansion Project – Phase II.

President Goldman asked for a Roll Call Vote.

Roll Call Vote:

Director Kahn	aye
President Goldman	aye
Director Monin	aye
Director Adjarian	aye

ETWD Recycled Water Expansion Project – Phase II – Resolution No. 15-10-2

Mr. Cafferty stated that Resolution No. 15-10-2 dedicates a revenue source for repayment of any and all State Revolving Fund Financing on the ETWD Recycled Water Expansion Project – Phase II.

President Goldman asked for a Motion.

Motion: Director Monin made a Motion, seconded by Director Adjarian, and unanimously carried across the Board to adopt Resolution No. 15-10-2 dedicates a revenue source for repayment of any and all State Revolving Fund Financing on the ETWD Recycled Water Expansion Project – Phase II

President Goldman asked for a Roll Call Vote.

Roll Call Vote:

Director Kahn	aye
President Goldman	aye
Director Monin	aye
Director Adjarian	aye

ETWD Recycled Water Expansion Project – Phase II – Resolution No. 15-10-3

Mr. Cafferty stated that Resolution No. 15-10-3 declares the official intent to be reimbursed for certain capital expenditures from the proceeds of indebtedness for the ETWD Recycled Water Expansion Project – Phase II.

President Goldman asked for a Motion.

Motion: Director Monin made a Motion, seconded by Director Kahn, and unanimously carried across the Board to adopt Resolution No. 15-10-3 which declares the official intent to be reimbursed for certain capital expenditures from the proceeds of indebtedness for the ETWD Recycled Water Expansion Project – Phase II.

President Goldman asked for a Roll Call Vote.

Roll Call Vote:

Director Kahn	aye
President Goldman	aye
Director Monin	aye
Director Adjarian	aye

Engineering General Information Items

El Toro Water District Capital Project Status Report

R-1 & R-2 Reservoir Management System

Mr. Cafferty stated that the project is moving along well, and the contractor is working at the site. He further stated that the project is expected to be complete in early 2016.

On-Site Conversions

Mr. Cafferty stated that to date 153 meters have been converted to recycled water representing over 670 acre feet per year of recycled water demand.

Oso Lift Station Improvement Project

Vice President Kahn asked what the “alternatives” are. Mr. Cafferty replied that the contractor was to look at the station pump configuration, and evaluating the existing system and recommendations to accomplish different objectives.

Director Adjarian asked where the Oso Lift Station is located. Mr. Cafferty replied that the Oso Lift Station is located at the very south end of our service area.

Phase II Recycled Water Distribution System Expansion Project

Mr. Cafferty stated that we are at 90% level design drawings on the expansion of both the West Side and East Side Systems. He further stated that he has completed reviewing the draft Mitigated Negative Declaration document.

Mr. Cafferty stated that staff is working on the SRF Grant/Loan application. He further stated that the funding application is broken into several packages. Mr. Cafferty stated that the General Information package will be submitted soon.

President Goldman asked if once the design is done we will wait then to hear from the State. Mr. Cafferty replied yes.

Vice President Kahn asked if RBF is working towards 90% design, why do they only go for 90%. Mr. Cafferty replied that 90% is very standard progress submittal prior to completion at 100%.

Poseidon HB Ocean Desal Project

Mr. Hill stated that OCWD was looking for Letters of Intent and they received 3; one from ETWD for 1.0 mgd, one from MNWD for 5.0 mgd, and one from SMWD for 4.5 mgd.

Vice President Kahn asked if it is Poseidon's intent to use the sea water for the sea barrier. Mr. Hill replied that it is possible they may use part of desal water for the sea barrier, which is being evaluated.

Mr. Hill stated that an item on the MWDOC Board agenda is a Secondary Assignment of MWDOC's surplus water from their Met shortage allocation. He further stated that the MWDOC Board is offering to any member agency a secondary assignment of currently unused water from MET's allocation for Storage purposes only.

He further stated that staff will need to respond to MWDOC today on their proposition to assign a portion of the surplus water to OCWD.

The Board concurred for Mr. Hill to inform MWDOC that ETWD is good with their decision, and that ETWD has no interest in the water.

MNWD Recycled Water Master Plan

Mr. Cafferty stated that MNWD has prepared an Agreement that they would like ETWD to execute that satisfies the terms of our involvement. He further stated that ETWD's Legal Counsel has approved the Agreement.

President Goldman asked Mr. Cafferty to add this item to his Capital Projects report as an update to the Board.

Engineering Items Discussed at Various Conferences and Meetings

There were no comments.

Comments Regarding Non-Agenda Engineering Committee Items

Director Monin asked if staff has been communicating with the Developers at the Laguna Hills Mall. Mr. Cafferty replied yes, staff has issued a Contract to do the Water Supply Assessment and a Contract for a Hydraulic Analysis.

President Goldman asked if we provide the Water Supply Assessment and the Developer pays for it. Mr. Cafferty replied yes.

Mr. Cafferty stated that Tetra Tech will be assessing the cost of providing Recycled Water to the project.

Director Monin asked if there has been any discussion on dual plumbing. Mr. Cafferty replied no.

Mr. Hill stated that the District's Legal Counsel will be working on a preliminary development Agreement, which will be brought to the Board.

Close Engineering Committee Meeting

At approximately 8:05 o'clock a.m. the Engineering meeting was closed.

FINANCE/INSURANCE COMMITTEE

At approximately 8:05 o'clock a.m. Director Monin called the Finance Committee meeting to order.

Insurance Information Item

Quarterly Insurance Report

Ms. Cimorell stated that there were no new claims for Workers Compensation.

Vice President Kahn asked why the Liability costs have increased. Ms. Laursen stated that the increase is based on payroll and claims from the previous year. She further stated that since ETWD is part of the ACWA/JPIA insurance pool, we have to pay a portion of the premium.

Vice President Kahn asked if staff could keep track of the increased costs and who is responsible for the increase in costs, and determine whether or not it is beneficial for the District to be in the pool. Director Adjarian stated that during the ACWA Conferences, JPIA discusses the Risk Management Liability.

Ms. Cimorell stated that Anthem Blue Cross went to ACWA JPIA and awarded them funds to give to the Districts who agree to participate in a Wellness and Nutrition Program. She further stated that she put a package together and ETWD is now participating in the program and was awarded \$1,000 in the form of a grant.

Mr. Hill stated that an Employee meeting was held where the Wellness Program and Open Enrollment were discussed. He also discussed the District's Reorganization and Succession Planning.

Ms. Cimorell stated that the Board is due for Sexual Harassment training, which can be done on-line, or in a class. She further stated that she will offer some dates/times for a training class at ETWD.

Mr. Hill stated that the Sexual Harassment training is a requirement for the District of Distinction award, and the District Transparency Certification renewal. He further stated that the District recently was awarded the District Transparency Certification. Mr. Hill and the Board thanked staff for their hard work in obtaining

the renewed certification.

At approximately 8:16 o'clock a.m., Ms. Cimorell and Ms. Laursen left the meeting.

Financial Action Items

Financial Package – Authorization to Approve Bills for Consideration dated October 20, 2015 and Receive and File Financial Statements as of September 30, 2015

Ms. Shahbakhti stated that we just closed the first quarter of the year, and the Auditors will be coming on Monday for the 1st quarter audit.

Ms. Shahbakhti stated that on page 7, Cash Sheet, the change has been made to “over \$50,000” checks. She further stated that on page 8, 401(k) Plan Summary reflects changes in the market affecting the Plan.

Ms. Shahbakhti stated that on page 10, Income Statement, the effect of Commodity Charges has risen due to Tier 3 & 4 water usage and the \$2 penalty.

Ms. Shahbakhti stated that page 19 is an update on the Baker project.

Director Adjarian asked what the two income sources from Santa Margarita and Moulton Niguel are from. Ms. Shahbakhti replied that the income sources from SMWD and MNWD are from their share of the R-6 Reservoir.

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.

President Goldman asked for a Roll Call Vote.

Roll Call Vote:

Director Kahn	aye
President Goldman	aye
Director Monin	aye
Director Adjarian	aye

Financial Information Items

Tiered Water Usage and Revenue Tracking

President Goldman asked if the Tier 3 & 4 is what we budgeted.

Mr. Hill replied that it jumped up in September due to the decreased Drought Factor and the hot weather.

Mr. Cafferty stated that the budget in Restricted Revenue had \$860,000, and \$100,000 is for Conservation.

President Goldman asked if we were below budget in Tier 3 & 4 until September. Ms. Shahbakhti replied that is correct.

Mr. Hill stated that Customer Service is being inundated with phone calls asking for explanations why the bills increased. He further stated that Customer Service explains the bills and possible ways to reduce indoor consumption, and the customers seem to understand.

President Goldman asked what the difference in between the green and blue lines in the charts. Mr. Cafferty replied that the blue line is consumption and the green line is the ET Factor.

President Goldman stated that we should see a drop in consumption in October if the weather cools off.

Comments Regarding Non-Agenda FIC Items

There were no comments.

Close Finance and Insurance Committee Meeting

At approximately 8:35 o'clock a.m. the Finance meeting was closed.

Attorney Report

Mr. Granito reported that there is a need for a Closed Session at today's meeting.

Closed Session

At approximately 8:35 o'clock a.m. Director Monin called for a Closed Session as set forth in today's agenda. At this time, Ms. Welsch, Ms. Shahbakhti, and Ms. Freshley left the meeting.

Open/Regular Session

At approximately 8:44 o'clock a.m. Regular Session resumed. Also at this time, Ms. Welsch returned to the meeting.

Report on Closed Session

Mr. Granito reported that at approximately 8:35 o'clock a.m. the Board adjourned to Closed Session pursuant to Government Code Section 54956.9(a) to consult with Legal Counsel regarding the pending litigation as reflected in today's agenda, and that during the Closed Session General Counsel led a discussion and gave a status report on the pending litigation matter set forth in today's agenda. No further reportable action was taken.

Adjournment

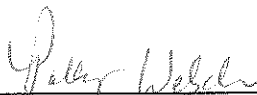
There being no further business to come before the Board, the following motion was duly made and passed.

Motion: Director Adjarian made a motion, seconded by Director Kahn and unanimously carried that today's meeting be adjourned at 8:44 o'clock a.m. to Monday, November 23, 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:

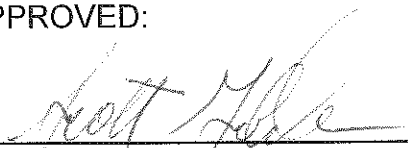
Director Kahn:	aye
President Goldman	aye
Director Monin:	aye
Director Adjarian:	aye

Respectfully submitted,

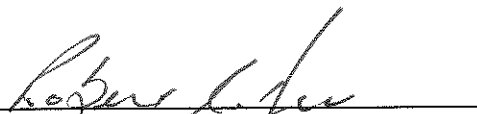


POLLY WELSCH
Recording Secretary

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