

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

December 15, 2015

Chairman Vergara called the Meeting of the Engineering Committee and Finance/Insurance Committee to order at 7:30 o'clock a.m. on December 15, 2015.

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

Present at today's meeting were Committee Members, WILLIAM H. KAHN, JOSE F. VERGARA, FRED ADJARIAN, and MARK MONIN.

Committee Member M. SCOTT GOLDMAN 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, POLLY WELSCH, Recording Secretary, CAROL MOORE, Customer, and KATHRYN FRESHLEY, Customer.

Oral Communication/Public Comment

There were no comments.

Items Received too Late to be Agendized

Chairman Vergara 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.

Engineering Committee

Engineering Action Items

There were no action items.

Engineering General Information Items

El Toro Water District Capital Project Status Report

Recycled Water Expansion Project Retrofit Conversions

Mr. Cafferty stated that we now have a signed Agreement by Saddleback Valley Unified School District and are discussing a rebate application. He further stated that we are over 80% complete on this project.

Mr. Cafferty stated that the District received a check for \$16,000 which brings the rebate total to date to a little over \$400,000.

Chairman Vergara asked if staff has asked MWD if the rebate program will be continuing. Mr. Cafferty replied that it is staff's understanding that the program is nearly out of funds, but he will be checking with them.

Mr. Cafferty stated that the Phase II project schedule is driven by the funding application for a 1% SRF loan. He further stated that ETWD's project has been submitted.

Mr. Cafferty stated that the projects are first come, first serve with the first projects that meet the deadline getting the 1% SRF loan funding until the SWRCB budget is exhausted.

Director Monin asked if the State has announced that the funding has already been allocated to certain projects before the deadline. Mr. Cafferty replied that he has not seen anything official, just verbal conversation that the amount of requests are higher than what was budgeted. He further stated that the State is considering increasing the funding.

Mr. Cafferty stated that we submitted our project on time, but the funding is already exhausted. He further stated that the standard SRF loan program is still available at 1.8%-1.9% interest rate.

Director Monin asked if there is a chance some of the projects were not submitted properly and could be disqualified. Mr. Cafferty replied that there is always a chance of that happening.

Mr. Cafferty stated that the MET Local Resources Plan will be submitted soon.

#### Baker Pump Station

Mr. Cafferty stated that the CEQA requirements include an initial study designed to determine whether there are any significant environmental impacts. He further stated that if it is determined that there are environmental impacts, but they can be mitigated, it produces a Mitigated Negative Declaration.

Mr. Cafferty stated that RBF's Environmental Group has done a study and concluded that a Mitigated Negative Declaration is appropriate for the project. However, the final determination is made by the Board.

Mr. Cafferty stated that once a Mitigated Negative Declaration is concluded to be appropriate a Notice of Intent is publicly filed that provides notice

that this project exists and that we intend to adopt a Mitigated Negative Declaration. The Notice of Intent provides 30 days of public comment before we can adopt the Mitigated Negative Declaration (MND).

Mr. Cafferty stated that once responses are done, the Board adopts the MND and we file a Notice of Determination that finalizes the CEQA process.

Mr. Cafferty stated that staff anticipates the Baker project to be on line in September.

Director Adjarian asked what environmental issues were found. Mr. Cafferty stated that aesthetics, noise, work hours, and bird nesting issues were discussed.

Mr. Cafferty stated that he anticipates construction to begin in March and take 6 months to complete.

Mr. Cafferty stated that he met with the Carefree HOA Board President and walked the site and looked at the pump station. He further stated that he also spoke to the Property Manager on the issue of noise.

Vice President Kahn asked if a sound wall barrier would be built around the pump station. Mr. Cafferty stated that a new Pump Station building will be built with a sound baffle system inside to accommodate any potential noise issue.

Mr. Cafferty stated that the street location is El Toro Road and Second Street, and the street surface is above the existing pump station. He further stated that we will need to acquire some easements to access the pump station. Mr. Cafferty stated that the existing easement does not extend to the street. He further stated that the HOA did not want a driveway, but were agreeable to

concrete tracks.

Mr. Cafferty stated that the HOA requested that we install exterior lights around the pump station, and install some landscape around the building. Director Adjarian asked if the landscape will be “ocean friendly”? Mr. Cafferty replied that the landscape will be aesthetically pleasing with low irrigation plants.

Vice President Kahn asked what is “ocean friendly”. Director Adjarian explained that these plants absorb more water and therefore create less runoff into the ocean.

Mr. Cafferty stated that he will attend the Carefree HOA Board meeting to provide a presentation on this project and answer any questions they may have.

Mr. Cafferty stated that staff will create a “Construction Alert” to give to the residents alerting them of the project.

Mr. Cafferty stated that interconnections need to be made within our system to connect the Baker Pump Station to the R-6 Reservoir transmission system. He further stated that we may need assistance of submittal review from the Engineer, and geotechnical assistance.

Mr. Cafferty stated that this project is approximately \$200,000 over budget because we are building a new pump station rather than rehabilitating the existing facility. He further stated that the District received a check from the Oakbrook Capital projects fees which go into Restricted Reserves until it is allocated to a project.

Vice President Kahn asked if the existing pump station could handle the amount of flow that staff is anticipating. Mr. Cafferty replied no, which is part of

the reason we need to build a new pump station.

#### Baker Water Treatment Plant Project Update

Mr. Cafferty stated that the monthly project update is not in the Board package this month, as IRWD has not yet produced their monthly report.

Mr. Cafferty stated that a Capital Facility Charge component was added to the water bill some time ago, specifically to generate revenue to fund the Baker project. Mr. Cafferty stated that the \$500,000 will be used to repay debt service on the loan. He stated that staff is considering whether to use the currently accumulated \$2.2 million to pay down the loan principal.

Mr. Cafferty stated that we are currently paying 4.5% interest to IRWD for the Baker project loan while the District's reserve funds in LAIF are earning only 0.357% interest. Mr. Cafferty stated that paying down the loan would save as much as \$70,000 in interest but would mean reducing current Restricted Reserves.

Mr. Cafferty stated that there is a requirement that we maintain in Reserves a minimum of 6 months of Operating Expenses. He further stated that Board mandated Reserves are \$8.5 million. Mr. Cafferty stated that this week we are paying \$1.6 million on the first installment of the SRF loan, and in March another \$1.7 million will be paid off from the Treatment Plant SRF loan.

Vice President Kahn asked what the difference is between paying off the IRWD loan and paying down the SRF loan. Mr. Cafferty replied that the SRF loan is a lower interest rate of 1.7% and the IRWD loan is 4.5% interest.

Mr. Cafferty stated that if we decide to pay off the \$2.2 million IRWD loan,

we have to give IRWD a 15-day notice.

Director Monin asked if we are allowed to refinance the loan at a lower interest rate. Mr. Hill replied that staff has not evaluated this option. Director Monin asked if staff could consider this option.

Chairman Vergara asked staff to evaluate this option and bring this item back to the Board. Mr. Hill stated that staff could bring this item back to the Board at the January 12<sup>th</sup> Special Board meeting. He further stated that staff's recommendation is to pay down the loan. Mr. Hill stated that there is no pre-payment penalty on the IRWD loan.

Director Monin asked if staff has ever done a stress test on our Reserves and looking at what if scenarios in emergency situations. Ms. Shahbakhti replied that in the case of a natural disaster, FEMA will offer assistance.

Mr. Hill stated that staff will bring this item back to the Board with more information and options.

Director Adjarian asked for clarification of the photos on the first page of the Capital Projects report. Mr. Cafferty replied that the top two pictures are construction of the R-1 Reservoir Management System building itself, the middle picture on the bottom is the R-1 Reservoir and the conduit running up the side of it that carries the chemical tubing to bring the sodium hypochloride and ammonia. He further stated that the picture on the bottom left is a utility vault outside the Reservoir, and the bottom right picture is more building construction.

#### Engineering Items Discussed at Various Conferences and Meetings

There were no comments.

Comments Regarding Non-Agenda Engineering Committee Items

Close Engineering Committee Meeting

At approximately 8:34 o'clock a.m. the Engineering meeting was closed, and the Finance/Insurance Committee meeting was called to order.

FINANCE/INSURANCE COMMITTEE

Financial Action Items

Financial Package – Authorization to Approve Bills for Consideration dated December 15, 2015 and Receive and File Financial Statements as of November 30, 2015

Ms. Shahbakhti stated that we have closed the 5<sup>th</sup> month of the fiscal year and there is nothing extraordinary to report.

Ms. Shahbakhti stated that on page 5, Reserve Analysis, the top graph shows how much of our funds are Restricted Reserves, Board Designated Reserves, and Capital Cash Flow. She further stated that on the bottom of the page are detailed charts of these funds.

Ms. Shahbakhti stated that the bottom two lines are newly added and will be calculated on a monthly basis. She further stated that according to California Government Code Section 53646, all government agencies are required to have 6 months operating expenses on their books.

Ms. Shahbakhti stated that page 10, Income Statement, we are in line with the budget.



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.

ETWD's Quarterly Report by the Auditors

Ms. Shahbakhti stated that the Auditors performed a quarterly audit of the District's financials, and there were no findings. Mr. Hill stated that staff's recommendation is to receive and file the Auditors report with no exceptions.

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.

Resolution No. 15-12-1 Establishing the Board of Directors of ETWD's Regular Meeting, Place and time for Calendar Year 2016

Mr. Hill stated that staff's recommendation is to adopt Resolution No. 15-12-1 which establishes the Board's regular meeting, place and time for calendar year 2016.

Vice President Kahn stated that on the Agenda Review meetings, the March 17<sup>th</sup> date should be corrected to March 15<sup>th</sup>. The Board Secretary will make the correction.

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.

Financial Information Items

Tiered Water Usage and Revenue Tracking

Ms. Shahbakhti stated that the Tiered Rate year to date is 89% efficient, for November 84% efficient. She further stated that special classes of usage charts are included.

Comments Regarding Non-Agenda FIC Items

There were no comments.

Close Finance and Insurance Committee Meeting

At approximately 8:46 o'clock a.m. the Finance meeting was closed.

Attorney Report

Mr. Granito reported that he does not need a Closed Session as agendized on today's agenda; therefore Regular Session continued.

Regular Session

Adjournment

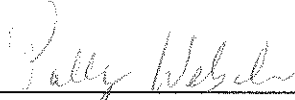
There being no further business to come before the Board, the following motion was duly made and passed.

Motion: Director Adjarian made a motion, seconded by Director Monin and unanimously carried that today's meeting be adjourned at 8:47 o'clock a.m. to Tuesday, January 26, 2016 at 7:30 o'clock a.m. at the District's Administrative Offices at 24251 Los Alisos Blvd, Lake Forest, CA. 92630.

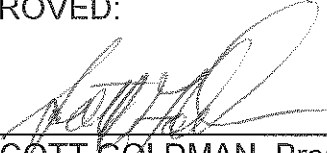
Roll Call:


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