

MINUTES OF THE SPECIAL MEETING
OF THE
BOARD OF DIRECTORS
OF THE
EL TORO WATER DISTRICT
May 11, 2016

President Goldman called the meeting of the Board of Directors of the ELTORO WATER DISTRICT to order at 7:30 o'clock a.m. on May 11, 2016 at the El Toro Water District Administrative Offices, 24251 Los Alisos Boulevard, Lake Forest, California.

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

Directors M. SCOTT GOLDMAN, WILLIAM H. KAHN, JOSE F. VERGARA, MARK MONIN, and FRED ADJARIAN were present.

Also present were ROBERT R. HILL, General Manager/Assistant Secretary, DENNIS P. CAFFERTY, Assistant General Manager/District Engineer, NEELY SHAHBAKHTI, Finance Manager/Controller, GILBERT J. GRANITO, General Counsel, and POLLY WELSCH, Recording Secretary.

Oral Communications - Public Comments

President Goldman stated that at this time members of the public may address the Board or they may reserve this opportunity with regards to an item on the agenda, until the Board discusses said item later in today's meeting.

There was no public, and there were no comments.

Baker Pump Station Transmission Pipeline

Mr. Cafferty reminded the Board of the previously discussed hydraulic issues at the Baker Pump Station. Mr. Cafferty indicated that staff has concluded the most appropriate solution is the Baker Pump Station Transmission Pipeline.

Director Monin asked what the length of the pipeline is. Mr. Cafferty replied that it is approximately 4,700 feet. He further stated that because the length of the pipeline is less than a mile and if the pipe alignment stays in right-of-way we can qualify for a CEQA exemption.

Mr. Cafferty stated that if the pipe alignment goes through Cherry Park, we will be required to provide CEQA most likely in the form of a Negative Declaration or Mitigated Negative Declaration.

Vice President Kahn asked if we are comfortable with the integrity and operability of the existing IRWD pipeline that connects to the pump station. Mr. Cafferty replied that we are replacing the short run of pipe from IRWD's distribution system at El Toro Road to the new pump station. He further stated that as part of this project, we were required to provide a surge analysis, which has been done and provided to IRWD, and they have reviewed and approved.

Mr. Cafferty stated that a constant 5 cfs flow rate will be passing through the system.

Director Monin asked where the pumps are located. Mr. Cafferty replied that the two new pumps will be located inside the pump station building.

Director Monin asked what size pumps are being used. Mr. Cafferty replied that the current design is 75 horsepower but will likely be downsized due the lower pressure requirements of the new transmission pipeline.

President Goldman asked if they will be variable speed pumps, or constant. Mr. Cafferty replied that they will be constant pumps as the variable speed pumps may be too noisy.

Director Monin asked what the benefits are by using variable speed pumps. Mr. Cafferty replied that they can provide operational control when flow rates vary in order to maintain minimum pressure levels. He further stated that for this project flow rates will be constant 24 hours per day and minimal variations in pressures will occur. As such, variable speed pumps are not recommended.

Mr. Cafferty stated that a pipeline alignment alternatives evaluation will provide underground utility location information to determine which alignment is the most cost effective and schedule expedient. He further stated that we are ready to go out for bid to construct the pump station.

Director Monin asked how many construction bids were sent out. Mr. Cafferty replied that we will invite 5 or 6 contractors that we have successfully worked with in the past. He further stated that negotiations with the HOA are yet to be completed.

Mr. Cafferty stated that the design scope included an in depth acoustical evaluation which resulted in specific acoustical design elements to maintain pump station noise levels below ambient noise levels.

Vice President Kahn asked if there will be any added maintenance for this area. Mr. Cafferty replied that there will be routine maintenance for the pump station and possibly minor costs for the landscaping.

Mr. Cafferty stated that the projected total project cost is \$3.2 million which includes design and construction as well as construction contingency, construction management services, and an allocation of \$50,000 for SCE related costs.

Director Monin asked if we have experienced a failure in the Met system. Mr. Cafferty replied yes, there was a failure of the Allen-McCullough pipeline in December 1998 which lasted for up to 11-12 days. He further stated that we met curtailed demands from the R-6 Reservoir.

Mr. Cafferty stated that the planned shutdowns for maintenance generally happen in January when there is less demand.

Mr. Hill added that the goal is to be able to withstand a 60-day Diemer Outage.

Director Monin asked what our total asset assessed value is. Mr. Cafferty replied that the District's total asset value is approximately \$100 million.

Director Monin stated that participation in the Baker Project it is pretty big investment, which is approximately 20% of the District's assets.

President Goldman stated that it is more expensive than buying treated water from MET, but from a reliability standpoint, this is by far the cheapest reliability project for us. Director Vergara stated that he has concerns as to whether the consultant for the Baker project should have identified the necessity for this pipeline.

Mr. Cafferty stated that the consultant's scope of work did not require detailed hydraulic analysis of pressures within the receiving pressure zone. The scope was limited to conveying the 5 cfs from point A to point B.

President Goldman stated that details emerge as a project gets underway that are sometimes unforeseen, and this is one of those details. Vice President Kahn asked if the line size changes costs. President Goldman replied yes, but we don't really know this until we do a hydraulic analysis, which is not done in the initial review of building a pump station or interconnection to an existing pipeline. He further stated that it did not change our conclusion and as such we would have incurred the same cost.

Vice President Kahn stated that when a project is brought before the Board for approval at an anticipated cost, then after the Board approves, the project is brought back to the Board for additional costs, at what point does the Board stop approving the project. President Goldman stated that there are so many variables that staff must use their best judgement at the time of the initial project, and sometimes Change Orders come along after the project is underway, which is why we keep a contingency.

Mr. Cafferty stated that staff tries to be as conservative as possible to avoid having to return to the Board with Change Orders and increased costs.

Mr. Cafferty stated that the additional money needed for this project will be coming from the 2016/17 Capital Budget, restricted reserves dedicated for the Baker project, restricted reserves from the collected Water Capital Facility reserves, and \$860,000 from Capital Construction Reserves. He further stated

that there is also Tier 3 & 4 Restricted Reserve funds dedicated for water supply projects that could be allocated to the project depending on need and the demands for those funds from on-going and future recycled water projects.

Mr. Cafferty stated that with approval, staff will immediately authorize Tetra Tech to proceed with the alignment study. Construction award is proposed in October and anticipated completion in May 2017. He further stated that staff anticipates that the Baker Water Treatment Plant will be online in October 2016.

Mr. Cafferty stated that staff completed an interconnection with MNWD recently so for the period that Baker is online and the pump station is not yet complete, Baker will be putting water in the South County pipeline where MNWD can bring that water back up through their system to the R-6 Reservoir Transmission System.

Director Vergara recommended that the Board authorize the \$100K contract with Tetra Tech. The additional work and cost associated with system hydraulic issues, which were not identified by the design consultant Michael Baker, would have been required regardless of when the issues surfaced. Director Vergara stated that even with the additional cost the project will increase ETWD's water supply reliability. Director Vergara further stated that Staff has done an overall excellent job identifying the basis and justification for increases to Capital Projects.

President Goldman asked for a Motion.

Motion: Director Vergara made a Motion, seconded by Director Adjarian, to authorize the District's General Manager to enter into a contract with Tetra

Tech in the amount of \$100,000 for engineering design services for the Baker Pump Station Transmission Pipeline, and authorize the General Manager to fund the project costs from the District's Capital Reserves in accordance with the District's adopted Capital Reserve Policy.

Director Monin asked if staff is putting this project out to bid with only one firm. Mr. Cafferty replied that the engineering design contract for which staff is requesting approval was negotiated with one design firm, but several contractors will be invited to bid the construction of the pipeline.

President Goldman stated that we have a Motion and a second, and asked for a Roll Call Vote.

Roll Call Vote:

Director Vergara	aye
Vice President Kahn	aye
President Goldman	aye
Director Monin	abstaining due to lack of sufficient information on the cost
Director Adjarian	aye

President Goldman asked Director Monin what more information on costs would he like to see, as we don't have enough information until we do the design to know what the alignment is going to be and what the final cost estimate is going to be. Director Monin replied that he does not have enough information and as such he will be abstaining. President Goldman stated that the Motion passes, 4-0 with 1 abstention.

Phase II Recycled Water Distribution System Expansion Project Local Resources Program (LRP) Application

Mr. Hill stated that discussion on this item will be deferred to the regular May Board meeting, and no action will be taken at today's meeting. He further stated that a detailed staff report of the alternative funding options will be provided.

Request by Yorba Linda Water District (YLWD) for Amicus Support

Mr. Hill stated that the deadline to provide an amicus support letter for YLWD is May 18th. He further stated that staff anticipated having a proposed joint MNWD Amicus letter for the board to review and consider. He further stated that we had yet to receive it.

Vice President Kahn stated that ETWD's rate structure is different than YLWD and ETWD has not experienced the same revenue deficit associated with reduced drought related water sales. Mr. Hill stated that the litigation is not related to YLWD's rate structure per say, or their Proposition 218 compliance. The issue concerns the plaintiff's use of the Referendum process as opposed to the Initiative process which is actually referenced in Proposition 218.

After considerable discussion, the Board elected not to participate in the Amicus Support Process at this point in the litigation.

President Goldman asked for a Motion.

Motion: Vice President Kahn made a Motion, seconded by Director Adjarian, and unanimously carried across the Board to not submit a letter of Amicus Support with regard to pending litigation to force YLWD to honor a Referendum Petition targeting YLWD's water rates at this point in the litigation.

Roll Call Vote:

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

Director Comments/Non-agenda Items

Director Vergara stated that he spoke with some Directors from neighboring agencies, and they also agree not to take action on YLWD's request at this time.

Adjournment

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

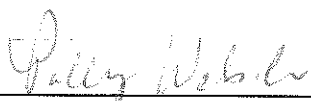
Motion: Director Vergara moved, seconded by Director Adjarian and unanimously carried across the Board that today's meeting be hereby adjourned at 8:45 o'clock a.m.

President Goldman called for a Roll Call vote.

Roll Call Vote

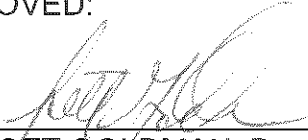
Director Monin	aye
Director Adjarian	aye
President Goldman	aye
Vice President Kahn	aye
Director Vergara	aye

Respectfully submitted,

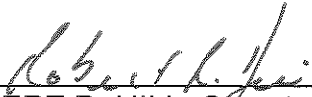


POLLY WELSCH
Recording Secretary

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