

MINUTES OF THE SPECIAL BOARD MEETING
OF THE
BOARD OF DIRECTORS
OF THE
EL TORO WATER DISTRICT
May 11, 2022

President Freshley called the meeting of the Board of Directors of the ELTORO WATER DISTRICT to order at 1:30 p.m. on February 14, 2022.

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

Committee Members KATHRYN FRESHLEY (via zoom), KAY HAVENS (via zoom), MIKE GASKINS, JOSE VERGARA, and MARK MONIN participated.

Also present were DENNIS P. CAFFERTY, General Manager, JUDY CIMORELL, Human Resources Manager, SCOTT HOPKINS, Operations Superintendent, JASON HAYDEN, CFO, HANNAH FORD, Engineering Manager, and GILBERT J. GRANITO, General Counsel.

POLLY WELSCH, Recording Secretary, was absent.

Oral Communications/Public Comments

There were no comments.

Items Received Too Late to be Agendized

President Freshley asked if there were any items received too late to be agendized. Mr. Cafferty replied no.

Action Item

Transmittal of Election Information Special District

Mr. Cafferty stated that each election year we are required to provide information to the Registrar of Voters office identifying which seats are up for election, as well as whether or not the District will pay for the Candidate's Statements, and the number of words the District authorizes for said Statements (200 or 400). He further stated that in the past the District has declined paying for Candidates Statements, and limited the Statements to 200 words.

Mr. Cafferty stated that the form is due on May 20, 2022 to the Registrar of Voters office.

Director Gaskins stated that the 2 Board members up for re-election are himself and President Freshley, and he feels that the District should not pay for the Candidate's Statements. President Freshley concurred with Director Gaskins statement.

President Freshley asked for a Motion.

Motion: Director Gaskins made a Motion that the District shall not pay for Candidates Statements. There was no second and this Motion failed.

President Freshley stated that since the individual Candidate is paying for the Statement themselves, they should be able to choose whether they want their Statement to be 200 or 400 words, and not be restricted to only 200 words.

Mr. Cafferty stated that if there is no opposition to the incumbents running for the seats, there is no cost to the District. He further stated that the Motion

could state that on the assumption that there is no additional cost associated with choosing 400 words, we would go with that decision.

President Freshley asked for a Motion.

Motion: Director Monin made a Motion, seconded by Vice President Havens and unanimously carried across the Board that the District will not pay for Candidates Statements, and the number of words that the District will authorize will be 400 on the assumption that there is no cost to the District, and as such staff will verify with the Registrar of Voters office if there is no additional cost for authorizing 400 words, and if there is additional cost, then the District shall only authorize 200 words.

Director Vergara stated that most of the Voters will read the first paragraph of a Candidates Statement and no matter how many words are in their Statement, they will overlook the rest.

Mr. Cafferty stated that he will check with the Registrar of Voters office to see if a District allows the Candidate to use 400 words and they choose to use only 200, will they still have to pay for 400 words because that is what the District authorized.

President Freshley asked for an amended Motion.

Motion: Vice President Havens made a Motion, seconded by Director Monin that the District will not pay for Candidates Statements, and authorizes on the assumption that a) there is no cost to the District, and b) that it preserves flexibility for the Candidate to only pay for 200 words if that is what they choose

to submit. Furthermore, if either a) or b) is untrue, then the limit the District will authorize will be 200 words.

Roll Call Vote:

Director Vergara	aye
Director Monin	aye
Director Gaskins	aye
Vice President Havens	aye
President Freshley	aye

Information Item

SOCWA Update

President Freshley stated that there is a lot of discussion to eliminate SOCWA, which impacts ETWD in multiple ways, including alleviating current contract commitments for solids handling.

Mr. Cafferty stated that there are three high level issues with SOCWA. He further stated that one is the San Juan Capistrano withdrawal and specific requirements with the JPA Agreement that if an agency is going to withdraw they need to provide a 120-day notice, and San Juan wants to be out at the end of this fiscal year while stating that adequate notice was given.

Mr. Cafferty stated that in the 2022/23 fiscal year the General Fund is about \$425,000 of which the District's share is \$39,000. He further stated that the allocation is no longer divided by 10; there is a formula based on the total number of project committees at SOCWA, the total number of participating agencies in the project committees, and how many project committees we are in.

Mr. Cafferty stated that, under the current formula, ETWD is in 3 project committees out of 37 which is 8.1% of the actual cost and is \$34,000, and when

San Juan is no longer participating it goes to \$38,500. He further stated that SMWD has committed to pay the difference at least for the upcoming fiscal year.

Director Monin asked upon leaving the JPA Agreement early, are there unfunded liability for retirement and other things that San Juan owes. President Freshley replied that it was part of what SMWD absorbed.

Director Monin asked if we should have waited for the SOCWA Board meeting tomorrow to see what gets settled there before we make decisions today. Mr. Cafferty replied that the intent of today's meeting is to have discussion today so that President Freshley would have the benefit of the Board's input when she attends the SOCWA meeting tomorrow.

Director Monin stated that he doesn't feel that just because San Juan and IRWD are leaving SOCWA should mean that it's the end of SOCWA.

President Freshley stated that several of the PC projects are about to expire.

Vice President Havens stated that she doesn't feel it's fair for us to pay San Juan's fees two years down the road. Mr. Cafferty replied that the General Fund consists of costs necessary for SOCWA to exist and has nothing to do with any project that San Juan may have been involved in.

Director Vergara concurred with Vice President Havens concerns and feels SMWD should pay more by absorbing San Juan's share of SOCWA costs. Mr. Cafferty replied that it will be discussed by SOCWA's Board during their budget process.

Mr. Cafferty stated that there were issues with the JPA Agreement, unfunded liabilities, and how they are handled by SOCWA.

Mr. Cafferty stated that discussion was held on an Alternative Delivery Service Model which consists of individual agencies potentially operating the facilities by contract with each other. He further stated that out of that discussion came a Task Force of 4-member agencies, SMWD, MNWD, SCWD, and ETWD.

Mr. Cafferty stated that SMWD and MNWD became more proactive about the concept of dismantling SOCWA and providing the services differently. He further stated that SCWD and ETWD have had discussions but are more ambivalent about it.

Mr. Cafferty stated that at the March 11th All-Hands Meeting, attendees included a Board member from each agency, the General Manager from each agency, an Attorney from each agency, and some agencies had additional staff.

Mr. Cafferty stated that discussion was originally supposed to be on the JPA Agreement issue, but it turned into a discussion about the San Juan and IRWD withdrawal from SOCWA.

Mr. Cafferty shared what SMWD and MNWD presented at the meeting. He further stated that the grant agreements that drove the JPA Agreement have changed, many agencies are pursuing water reuse projects, and there are advantages and disadvantages of maintaining SOCWA.

Mr. Cafferty stated that all of the Regional Plant influent comes from the MNWD service area. He further stated that SMWD is interested in water reuse at the Latham plan and would propose that SOCWA continue to perform in some

form without operating facilities in order to maintain the permitting function for the regulatory and lab work they perform.

Mr. Cafferty stated that SCWD want to make sure the opportunity to enhance overall capital and management is reviewed. He further stated that they are interested in the recycled water opportunities at Latham and the Coastal Plant.

Mr. Cafferty stated that there are two outfalls; the Aliso Creek Ocean Outfall, which is where we discharge our wastewater effluent, and the San Juan Creek Ocean Outfall. He further stated that the Effluent Transmission Main is where the flows from our plant, IRWD's plant, as well as MNWD's plant downstream of the Regional Treatment Plant.

Mr. Cafferty stated that what is being proposed is a regulatory team that includes laboratory and regulatory compliance. He further stated that the Alternative Delivery Service Model envisions the SOCWA facilities to be operated by individual agencies.

Mr. Cafferty stated that the Alternative Delivery Service Model proposes that SOCWA would remain as a service-based agency to handle some of the permitting; regarding the unfunded liabilities and OPEB, there would be a portion that would remain with SOCWA and the rest to the operating agencies, paid for through contractual relationships. He further stated that the MNWD/SMWD presentation suggests this would save costs and simplify governance issues.

Mr. Cafferty stated that cost savings would be in the Administrative and General Fund. He further stated that the proposed alternative would absorb all

current SOCWA staff members with the exception of the General Manager, the Director of Operations, and the Director of Finance.

Mr. Cafferty stated that the savings to ETWD would be approximately \$81,000 as our share of SOCWA's O&M costs is approximately 4.5% based on our participation at the Regional Plant, the Effluent Transmission Main, and the Aliso Creek Ocean Outfall. Director Vergara asked what savings would be for SCWD. Mr. Cafferty replied approximately \$350,000.

Mr. Cafferty stated that SOCWA will be reviewing the three proposals they received and consider awarding a contract for interviewing member agencies about the future of SOCWA, and the Task Force recommended not awarding to one contractor and narrowed it down to two proposals. He further stated that ETWD's share of cost would be a few thousand dollars.

Mr. Cafferty stated that the Consultant would go out to each agency and gather feedback, opinions, and concerns, and then bring back the information to a SOCWA Board meeting for further discussion.

Director Monin asked if ETWD wanted to exit the Baker Plant project, are we tied into certain costs and lock-in provisions that we would be responsible for. Mr. Cafferty replied that we own some capacity in the project and are responsible to maintain that capacity.

Director Monin asked what happens if IRWD and San Juan are later told they are responsible for certain liabilities by departing SOCWA, would they still need to pay or would the remaining agencies be responsible for the liabilities. Mr. Cafferty replied that discussion will be had during the Closed Session

regarding IRWD. He further stated that San Juan's responsibilities would become SMWD's responsibility.

Mr. Cafferty stated that we would have to make a decision about entering into a contract with MNWD to continue to operate solids handling facilities on our behalf at the Regional Treatment Plant.

Director Monin stated that TCWD may be considering withdrawing from SOCWA, and what benefit would it be for them to exit. Mr. Cafferty replied that TCWD is different because they do not own capacity in any SOCWA facility, and they are only a member of SOCWA because they participate in the SOCWA Recycled Water permit for Region 9.

Director Monin asked how often does a split in the JPA Agreement happen, and are there any models out there from previous splits. Mr. Cafferty replied that he has no specific knowledge of any.

Director Monin asked if there are any issues with Lisa Ohlund being the Consultant. Mr. Cafferty replied that this will be part of the SOCWA Board meeting discussion.

Director Monin asked if there is a buyout for the General Manager and the other two management positions. Mr. Cafferty replied that there has been no discussion on this topic yet.

Vice President Havens stated that the restructuring could be costly to the remaining agencies.

Director Monin asked what happens with our sludge hauler. Mr. Cafferty replied that what they are proposing will not change our operation, but we would have the option to do something differently.

Director Monin asked what will be done with direct potable reuse (DPR). Mr. Cafferty replied that direct potable has a different set of regulatory requirements that are currently being developed; there are some benefits to owning the wastewater treatment plant in a DPR scheme.

Vice President Havens asked if we have the rights to our waste water. Mr. Granito commented that generally speaking, if you have declared an intent to recapture/reuse the waste water and established a degree of control of said discharges, then ownership would be retained by the discharger.

President Freshley asked for an update on DPR and solids handling. Ms. Ford replied that DPR regulations are under development by the Division of Drinking water with plans for a final set in 2023; neighboring agencies such as MNWD are planning DPR projects and influencing the shape of these regulations by commenting on the draft versions. Many utilities are pursuing DPR in California. Corresponding challenges include lack of adequate wastewater for all Districts' drinking water supply and more complicated ocean outfall permitting with more concentrated waste streams.

Ms. Ford stated that designing a new solids handling facility will negatively impact water quality; high-ammonia centrate returns can be more challenging to treat in potable reuse schemes. She further stated that either DPR or solids

handling at the WRP will require more operators and higher capital costs. Likely only one of the options could fit at the WRP site.

Break

At approximately 4:55 p.m. the Board took a short recess.

Attorney Report

Closed Session

At approximately 5:00 p.m. the Board went into Closed Session for the two matters in today's agenda.

Regular Session

Report on Closed Session

At approximately 5:25 p.m. the Board returned to Regular Session.

Mr. Granito reported that the Board did go into Closed Session to discuss both items as reflected on today's Closed Session agenda.

Mr. Granito reported that during the discussion on item #1 the Board proceeded to consult with the District's negotiator, Mr. Cafferty with respect to the terms and conditions pertaining to the potential acquisition of capacity interest in the wastewater transmission pipes and facilities (appurtenant to real property) from IRWD which property is located within the service area of SOCWA. No further reportable action was taken.

Mr. Granito reported that during the second phase of the Closed Session item #2 concerned a matter of potential litigation. No reportable action was taken.

Adjournment

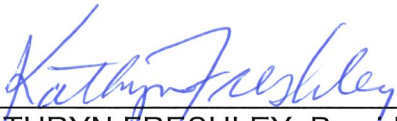
There being no further business to come before the Board, the meeting was adjourned at 5:30 p.m.

Respectfully submitted,



POLLY WELSCH
Recording Secretary

APPROVED:



KATHRYN FRESHLEY, President of
the El Toro Water District and the
Board of Directors thereof



DENNIS P. CAFFERTY, Secretary
of the El Toro Water District and
the Board of Directors thereof