

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

December 20, 2011

Chairman Goldman called the Meeting of the Engineering Committee and Finance/Insurance Committee to order at 7:30 o'clock a.m. on December 20, 2011.

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

Present at today's meeting were Committee Members TED F. MARTIN, M. SCOTT GOLDMAN, JOHN S. DUDLEY, and JERARD B. WERNER.

Director WILLIAM H. KAHN was absent.

Also present were ROBERT R. HILL, General Manager/Assistant Secretary, DENNIS P. CAFFERTY, Director of Operations and Engineering, MICHAEL P. GRANDY, Chief Financial Officer/Assistant Treasurer, GILBERT J. GRANITO, General Counsel, POLLY WELSCH, Recording Secretary, NEELY SHAHBAKHTI, Accounting Manager/Auditor, SHERRI SEITZ, Administrative Assistant (joined the WUE section of the meeting only), MICHAEL W. KING, Customer Service Manager (joined the WUE section of the meeting only), and CAROL MOORE, Customer.

ORAL COMMUNICATIONS - PUBLIC COMMENTS

Chairman Goldman stated that at this time members of the public may address the Committee or they may reserve this opportunity with regards to an

item on the agenda or until said item is discussed by the Committee later in the meeting.

There were no comments.

#### ITEMS RECEIVED TOO LATE TO BE AGENDIZED

There were no additional items.

#### 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 MEETING

#### ENGINEERING ACTION ITEMS

#### Freeway Lift Station Generator Replacement

Director Werner asked what type of equipment the generator includes. Mr. Cafferty stated that the package contains an acoustical enclosure, and the generator itself which connects to the existing transfer switch which ties into the existing pump station.

Vice President Goldman asked how many hours per year we are allowed to run the generator. Mr. Cafferty replied 20 hours per year per AQMD requirements.

Vice President Goldman asked if Caterpillar will meet the permit requirements for the generator. Mr. Cafferty stated that the Caterpillar generator meets current AQMD Tier III requirements. If AQMD implements a future Tier IV requirement the engine can be retrofitted.

Mr. Cafferty stated that the motion on the table today is for the approval of the purchase and installation of the generator as well as for the Board to make a finding that the project is exempt from California Environmental quality Act requirements based on Class 1 and Class 2 Categorical Exemptions as defined in the State Guidelines.

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.

### ENGINEERING GENERAL INFORMATION ITEMS

#### ETWD Capital Project Status Report

#### Northline Lift Station Improvement Project

Mr. Cafferty stated that staff is working with the contractor to develop a start-up and testing plan. He further stated that start up is anticipated for early to mid January and projected completion date is February 23<sup>rd</sup>.

#### GIS

Mr. Cafferty stated that staff is working on an RFP for data conversion and technical assistance as well as strategic planning of the subsequent phases of the project.

#### Recycled Water

Mr. Cafferty stated that the project is making progress. He further stated that staff is meeting with CH2MHill to discuss the treatment technologies, disinfection technologies, storage options, flow and demand requirements, pump station design and electrical and site issues. Mr. Cafferty stated that the

preliminary design effort is scheduled to be complete in January.

Mr. Cafferty stated that CH2MHill had identified cloth media disc filters as the most cost effective tertiary treatment technology. Mr. Cafferty further stated that six manufacturers of disc filters were identified by CH2MHill. Of the six the Aqua-Aerobic system has 22 operating facilities meeting Title 22 requirements in the state of California as well as many as 250 operating plants in the United States. The other manufacturers have only 10-20 operating facilities in the country and only one in California. Mr. Cafferty indicated staff's preference was the "Outside-in" technology. Staff visited the SMWD Chiquita Plant to view the Aqua-Aerobic system in operation.

Mr. Cafferty stated that SMWD has been using Aqua-Aerobics disc filters for the past 5-10 years.

Mr. Cafferty stated that staff was proposing the possibility of negotiating a sole source contract with Aqua-Aerobics based on their experience and system design. He further stated that anticipated cost could be between \$700,000 and \$800,000.

Vice President Goldman stated that the manufacturers operate under the same general design criteria and hydraulics. He stated that the project design could be completed with the Aqua-Aerobic product as the basis of the design but the filters could be competitively bid. He further stated that redesign cost may need to be considered as part of the bid process in the event a different filter was selected. Mr. Cafferty indicated he would revisit the filter selection and design process with CH2MHill.

Mr. Hill stated that there is some potential for project reprogramming of the Prop 50 grant funds which may make available money from the City of San Juan for ETWD and San Clemente. He further stated that he is meeting with staff from the City of San Clemente to strategize on how to lobby for support of the grant funds.

#### Baker Water Treatment Plant Project

Mr. Cafferty stated that staff is evaluating the cost of bringing water into our system and making a comparison of costs and more information should be available next month.

#### Camp Pendleton/SDCWA Ocean Desalination Project

Mr. Hill stated that we have formally requested to be on the environmental document distribution list.

#### Poseidon Huntington Beach Ocean Desal Project

Mr. Hill stated that the schedule continues to slip. He further stated that the State Regional Water Quality Control Board hearing is scheduled for January 2012, and the Coastal Development hearing is tentatively scheduled for May/June 2012.

Mr. Hill stated that ETWD had previously executed a non-binding letter of intent and MOU for the project. The MOU has expired, but the working group agreed to move forward and Poseidon has agreed to honor the terms of the MOU. The water purchase agreement negotiations are scheduled to start up in July 2012 and execution is slated for March 2013.

### Poseidon Carlsbad Ocean Desal Project

Mr. Hill stated that Poseidon expects to enter into final negotiations over a water purchase agreement with the Authority in Feb/March 2012 with execution in March/April 2012. He further stated that the proposed Water Purchase Agreement as drafted allows the option for the local agencies to purchase the water directly from Poseidon under the same terms and conditions afforded the Authority.

Director Werner asked how long the pipeline will be. Mr. Hill stated that they will be using a portion of existing pipeline, and the total pipeline will probably be 12-15 miles.

Director Dudley asked if Poseidon is asking for up front money. Mr. Hill stated that no up front money is required.

### Comments Regarding Non-Agenda Engineering Committee Items

There were no comments.

### Close Engineering Committee Meeting

At approximately 8:13 o'clock a.m. the Engineering meeting was closed and the Board took a short recess. Also at this time, Ms. Moore left the meeting.

### Personnel Committee Meeting

At approximately 8:20 o'clock a.m. Vice Chairman Werner called the Personnel Committee meeting to order.

### Approval of Employment Agreements for the General Manager and Assistant

#### General Manager

Mr. Hill stated that the Ad-Hoc Committee has discussed the employment

agreements for the General Manager and Assistant General Manager with him.

Mr. Granito stated that the Ad-Hoc Committee has reviewed and revised the agreements accordingly and has recommended putting this matter on the Consent Calendar for this Thursday's Board meeting.

There being no further comments or questions, the Personnel Committee approved the placement of this item on the Consent Calendar for this Thursday's regular scheduled meeting of the Board of Directors.

#### Adjournment

At approximately 8:23 o'clock a.m. Vice Chairman Werner closed the Personnel Committee meeting.

#### FINANCE/INSURANCE COMMITTEE MEETING

At approximately 8:23 o'clock a.m. President Martin opened the Finance/Insurance Committee meeting.

#### TREASURER ACTION ITEMS

Financial Package – Authorization to Approve Bills for Consideration dated December 20, 2011 and Receive and File Financial Statements as of November 30, 2011

Ms. Shahbakhti stated that month to date and year to date were good. She further stated that on page 5, 401(k) Plan still fluctuates.

Ms. Shahbakhti stated that on page 6, tiered rate fund is almost \$800,000 year to date, which includes the current and prior years amounts.

Ms. Shahbakhti stated that on page 10, Income Statement, the net income was \$238,000 and year to date was \$1.1 million. President Martin stated that

the District should be receiving another refund from JPIA.

There being no further comments or questions, the Finance Committee approved placement of this item on the Consent Calendar for this Thursday's regular scheduled meeting of the Board of Directors.

#### ETWD Annual Audit Report

Director Werner stated that the pay as you go retiree medical costs continue to reflect as an increasing liability on the books.

Mr. Grandy stated that a draft audit report is included in the Board package, along with the annual letter which explains the lack of issues throughout the audit, the appropriations limitation report, and there are no management letter items.

Mr. Grandy stated that once the audit report is approved for Receive and File by the Board, staff will complete it's application for the District of Distinction award.

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.

#### Association Membership Renewals

##### ISDOC Membership Renewal

Mr. Hill stated that ISDOC is requesting a vote by mail to approve the \$200 renewal dues, and a majority of 13 out of 25 must approve before the renewal fees can be passed.

Mr. Hill stated that MWDOC has received 13 ballots approving the \$200 annual renewal dues, which facilitates our membership in OCCOG who is a member of SCAG. He further stated that included in the package is a write up of what OCCOG provides its members.

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.

#### Water Education Foundation Membership

Mr. Hill stated that ETWD used to be member and elected not to participate in downturned economic times. He further stated that the District is regularly asked to renew, but the membership is not a budgeted item.

Director Werner asked what time frame the membership is for. Mr. Hill stated it is calendar year membership. He further suggested that the Board defer a decision until the next budget review process.

The Board concurred to defer renewing membership in the Water Education Foundation Membership until the next budget review process.

#### Expanded Water Use Efficiency Customer Activity Program

Mr. Grandy stated that core water use efficiency includes newsletter, press releases, and news events. He further stated that a portion of the Tier 3 and 4 revenue will be used to fund activities, as budgeted.

Mr. Grandy stated that we are anticipating enhancing our rebates, undertaking a water audit program for dedicated landscapers, and a residential water use program for single family homes. He further stated that the rebate

program is targeted and designed to supplement those currently approved by MET.

Mr. Grandy stated that the expanded rebate program will continue to be administered by MWDOC, who will offer the enhanced rebates, without any additional charge.

Director Werner asked how we handled the rebate program in the past. Mr. Grandy stated that it was administered by MWDOC. He further stated that we budgeted for different programs, and have capped the rebate program at \$40,000.

Vice President Goldman asked if neighboring Districts are offering similar rebate programs. Mr. Grandy stated that MNWD has a \$750,000 program.

Director Werner asked if we would discontinue our supplement when MET's rebates run out. Mr. Grandy stated that we would continue until our funding is depleted. Mr. Grandy stated that the program will begin January 1, 2012.

President Martin stated that Leisure World residents are not able to participate in the rebate program. Mr. Grandy stated that the District has been approached by Third Mutual for assistance in residential toilet rebates in their community. He further stated that in the event we would want to offer individual homeowner rebates it would be possible under this program, but in order to do this, there is an additional charge to us to pay for the contractor.

As it pertains to the landscape audit program, Mr. Grandy stated that working with the contractor Aquaficient, they developed a program which

includes identifying faulty sprinkler heads, testing the control system, and they would write a report showing how the customer could get out of Tier 3 & 4.

Director Werner asked how much customers in Tier 3 & 4 have attempted to reduce consumption. Mr. King replied that we have not completed that analysis.

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.

#### Attorney Report

Prior to going into Closed Session, Mr. Granito stated that the record should reflect with regard to item 1 of today's Closed Session agenda, that the District has received a claim from Pascal & Ludwig Constructors, the contractor on the District's Northline Lift Station Improvement Project requesting that the District issue a change order for extra work and material, based on allegations of changed sub surface soil conditions. This claim was previously rejected by the Board in Closed Session. Given these facts of circumstances, there is significant exposure to litigation against the District. As such, the Brown Act allows the Board to confer with Legal Counsel on this matter in Closed Session pursuant to subdivision (b) of Government Code Section 54956.9.

Mr. Granito stated that item 2 of today's Closed Session agenda will not be discussed in today's Closed Session.

#### CLOSED SESSION

At approximately 9:05 o'clock a.m. the Board went into Closed Session. Also at this time, Ms. Seitz, Mr. King, and Ms. Welsch left the meeting.

#### Regular Session

At approximately 9:22 o'clock a.m. Regular session resumed, and Ms. Welsch returned to the meeting.

#### REPORT ON CLOSED SESSION

Mr. Granito reported that during the Closed Session on item 1 of today's Closed Session agenda, the Board conferred with Legal Counsel and staff on the request made by Pascal & Ludwig Constructors for extra work on the Northline Lift Station Improvement Project. No further reportable action was taken.

Mr. Granito reported that item 2 of today's Closed Session agenda was not discussed in today's Closed Session.

#### ACWA HBA – Board of Director Election

Mr. Hill stated that one Board of Directors position is open for ACWA HBA. He further stated that staff is suggesting that we vote for Joan Finnegan. The Board concurred to authorize the General Manager to vote on behalf of the District for Joan Finnegan.

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.

#### TREASURER INFORMATION ITEMS

##### Baker Water Treatment Plant Project – IRWD Finance Option

Mr. Grandy stated that staff is communicating with IRWD and also

pursuing a line of credit with our bank.

Mr. Granito stated that discussions are continuing with IRWD's attorney. However, a meeting of the minds has yet to take place.

Mr. Granito stated that as a result, other options are being looked into which could include a large scale independent financing option such as COP's which could include the District's Recycling Water project.

Vice President Goldman asked what type of interest rate we are anticipating. Mr. Grandy replied 2 ½ - 3 ½%.

Mr. Grandy stated that options include grants, SRF loans, and conventional or COP loans. He further stated that we have \$8 million in the Baker Water Treatment project and \$5 million in the Recycled Water project, so \$13-\$15 million in conventional loans.

Vice President Goldman asked where we are with the finance procedure. Mr. Grandy stated that money is available now, but we are talking about 18 months before we need to borrow the money. He further stated that meetings are on-going with COP representatives.

Director Werner asked if we could have more than one lender in the jumbo loan. Mr. Grandy stated that lenders may want to break up the risk due to the size of the loan.

#### Water Budget Based Tiered Conservation Rate Structure and Usage Activity Report

There were no comments.

#### Comments Regarding Non-Agenda FIC Items

There were no comments.

#### Close Finance and Insurance Committee Meeting

At approximately 9:29 o'clock a.m. the Finance and Insurance Committee meeting was closed.

#### ETWD PFC Meeting

At approximately 9:29 o'clock a.m. President Martin opened the El Toro Water District (ETWD) Public Facilities "Corporation" (PFC) Meeting.

#### Approve Minutes of December 14, 2010 Annual Meeting of the PFC

President Martin asked for approval of the December 14, 2010 annual meeting of the PFC. The Board approved the minutes.

#### Articles of Incorporation of the ETWD PFC

President Martin asked if staff has any comments to the Articles of Incorporation of the ETWD PFC. Mr. Grandy stated that staff has no comments.

#### Review of the By-laws of ETWD PFC

President Martin asked if staff has any comments to the Bylaws of the ETWD PFC. Mr. Grandy stated that staff has no comments and is not recommending any amendments to said By-laws at this time.

#### Appointment of Officers of the ETWD PFC

President Martin asked if the Board will reappoint the current Directors and Officers of the ETWD PFC. The Board concurred to reappoint the current Directors and Officers of the ETWD PFC.

#### Close PFC Meeting

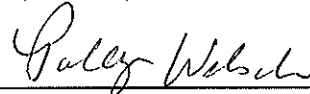
At approximately 9:29 o'clock a.m. the PFC meeting was closed.

Adjournment

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

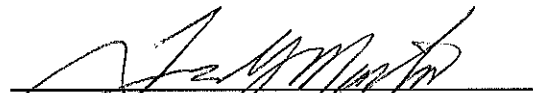
Motion: Director Werner made a motion, seconded by Director Dudley and unanimously carried that today's meeting be adjourned at 9:30 o'clock a.m. to January 24, 2012 at 7:30 o'clock a.m. at the District's Administrative Offices at 24251 Los Alisos Blvd, Lake Forest, CA. 92630.

Respectfully submitted,



POLLY WELSCH  
Recording Secretary

APPROVED:



TED F. MARTIN, President  
of the El Toro Water District  
Engineering Committee



MICHAEL P. GRANDY, Secretary  
of the El Toro Water District and the  
Board of Committee Members thereof