

**MINUTES OF THE
ENGINEERING AND OPERATIONS
BOARD OF DIRECTORS
OF THE
MOULTON NIGUEL WATER DISTRICT**

APRIL 18, 2011

A regular meeting of the Engineering and Operations Board of the Moulton Niguel Water District (MNWD) was held at the District office, 27500 La Paz Road, Laguna Niguel, California, at 9:00 a.m. on April 18, 2011. The following Directors of the District were present:

DIRECTORS

DON FROELICH	Chairman
SCOTT COLTON	Director
RICHARD S. FIORE	Director
GARY R. KURTZ	Director
LARRY R. LIZOTTE	Director
LARRY MCKENNEY	President
BRIAN PROBOLSKY	Vice President

Also present and participating were:

STAFF MEMBERS, LEGAL COUNSEL

ROBERT C. GUMERMAN	General Manager
DAVID D. CAIN	Director of Finance/Treasurer
MATT COLLINGS	Director of Engineering & Operations
CHARLES J. ROY	Director of Customer Service
PAT GIANNONE	Bowie, Arneson, Wiles & Giannone
LESLIE GRAY	Board Secretary
NANCY DESAI	MNWD
RAY MCDOWELL	MNWD
EVA PLAJZER	MNWD
ROBYN EPPSTEIN	MNWD
FRANI BAILEY	MNWD

Absent was:

There were no absences.

Chairman Don Froelich presided at the meeting and Frani Bailey recorded the minutes thereof.

ACTION ITEMS

Response to SWRCB regarding Proposed Waste Discharge Requirements for Sanitary Sewer Systems

- **Chairman Froelich asked that this item be agendized as an informational item for the May Engineering & Operations Board meeting.**

Item No. 1 - Approval of Minutes

Chairman Froelich noted that the minutes of the March 14, 2011 Engineering Board meeting were previously forwarded to those Directors present at the meeting. He reported that he would entertain a motion to approve the minutes. President McKenney noted that in the first sentence of the last paragraph on Page 3 the word "issues" should be "engines."

THEREAFTER, UPON A MOTION DULY MADE BY DIRECTOR KURTZ AND SECONDED BY DIRECTOR MCKENNEY THE MINUTES OF THE MARCH 14, 2011 ENGINEERING AND OPERATIONS BOARD MEETING WERE UNANIMOUSLY APPROVED AS CORRECTED.

Item No. 2 - Public Comments

Chairman Froelich asked if there were any public comments. Hearing none, he closed the Public Comments portion of the meeting.

DISCUSSION ITEMS

Item No. 3 – Discussion of Proposed Water Budget Based Rate Structure

Dr. Gumerman reported that the Board asked staff to include on the agenda for the Engineering, Finance, and Board meetings this month a discussion of the WBBRS in case any customers wanted to discuss it. Director Probolsky recommended that the Board members carefully review the language regarding the conservation fund because the resolution is not consistent with the attachment. He reported that he would not support the conservation policy if it contains language directing or suggesting that the fund is intended for rebates and that the language is much softer in the resolution than it is in the procedures. Director Probolsky commented that his understanding was that the rate structure was supposed to be self-regulating, in that it would be as close to revenue neutral as possible.

Director Fiore asked Mr. Roy if he received any communications from the customers since the last Board meeting. Mr. Roy reported that only one customer contacted the District and the phone calls have diminished. Director Lizotte suggested that Mr. Roy contact El Toro Water District with regard to rebating funds from its conservation fund to its customers. Further discussion ensued regarding rebates and the water conservation fund.

Chairman Froelich commented that the draft Variance Procedure includes a provision for customers who request a variance and are not satisfied with the outcome to appeal to the Board. He commented that the resolution pertaining to the variance procedure states that the decisions of the appeal board are final; however, it does not indicate who the appeal board is. Dr. Gumerman reported that staff would revise the language to make it clearer. Director Probolsky noted that there is nothing in the resolution limiting the number of applications a customer can submit.

Item No. 4 – Monthly Construction Progress Report

A. Upper Salada Oxygen Generation System, Contract 2010.010

Mr. Matt Collings reported that one of the items he would like to highlight on the Monthly Construction Progress Report is the Upper Salada Lift Station Oxygen Generation System. He reported that the engineer, the contractor, and the District are finalizing the shop drawings for the oxygen generation system and as soon as they are completed the equipment will be ordered. Mr. Collings reported the project is on schedule to have the oxygen generation system online by the fall of 2011. He reported that staff is working extremely hard to maintain the existing system at the Upper Salada Lift Station; however, there are difficulties and the system has been offline frequently. Mr. Collings reported that staff is investigating additional methods, such as potential chemical additions, that could be used during the summer until the new system is operational.

President McKenney asked if the District is incurring overtime for the interim methods being used to try to keep the system online during the summer and Mr. Collings reported that there has been some overtime and some additional O&M related costs to continuously repair the compressor on the oxygen system over the past couple of weeks. He reported that additionally, other staff members are looking at different options such as Biomagic, and are investigating

using it at one of the other lift stations to test its effectiveness. He reported that staff is working with EC02 to find out if the Biomagic would have any adverse impacts on its system if the District uses it as a stopgap measure until the new oxygen system is installed.

President McKenney commented that he assumes that at some point staff could determine how much the District has spent on maintaining the current system until it is replaced and Mr. Collings reported that he is tracking staff time spent on this so he can report all of the costs expended to resolve the odor issues. Further discussion ensued.

Item No. 5 – Budget vs. Cost-to-Date

Mr. Collings reported that the end of the fiscal year is approaching and he will be updating the report to reflect the progress of the overall projects and any completions he anticipates for the fiscal year. He noted that the Geodatabase Redevelopment Project in Fund 7 is ongoing, and the intent is to redevelop the District's database for the GIS system to more consistent standards and to bring it up to an asset management level database design. Mr. Collings reported that staff is reviewing a draft design and the ERP/IT Workshop next month will involve asset management. He reported that in May he plans to bring to the Board a discussion of developments regarding asset management and R&R replacement programs, a key component of which is the geodatabase redevelopment.

Item No. 6 – Water Supply Reliability Projects Status – Monthly Summary Report

Mr. Collings reported that a small invoice was paid to Santa Margarita Water District on the Upper Chiquita Reservoir Project and he processed large invoices for Upper Chiquita and the Baker Water Treatment Plant that will be reflected on the report next month. He reported that he will also be incorporating some updated schedules in next month's report.

Mr. Collings reported that he and Mr. Dan Ferons met with the Department of Public Health last week regarding an updated funding agreement for the Proposition 50 funds. He commented that it appears that the Department of Public Health will spend the money and there is a good chance that some of the Proposition 50 funds will be received for the Upper Chiquita Reservoir Project. Mr. Collings reported that Mr. Ferons is doing an excellent job working with the contractor to resolve the claims submitted as a result of the damage done to the Upper

Chiquita Reservoir site by the heavy rains. He reported that he asked Mr. Ferons for an updated report on the costs and might have the information for the Board next month.

Item No. 7 – Sheep Hills Reservoir Recoating, Contract 2008.013 – Construction Contract Reimbursement

Mr. Collings reported that included in the Board agenda was a staff report for the construction contract to recoat the interior and exterior of the Sheep Hills Reservoir. He reported that the reservoir is located on Westwing off Aliso Creek Road, and serves the District's 650-zone in Aliso Viejo. He reported that the 3.3 MG potable water reservoir was constructed in 1990. Mr. Collings reported that every ten years the District will drain a reservoir to visually inspect the interior coating, and typically recoat the interior every 20 years. He reported that the inspection of the Sheep Hills Reservoir indicated that it was time to recoat the interior as well as the exterior to protect the steel shell of the reservoir from corrosion.

Mr. Collings reported that staff prepared a contract with the assistance of its consultant, Harper & Associates, to recoat the interior and exterior of the reservoir. He reported that on April 7, 2011 the District received six bids ranging from \$385,800 to \$876,063 and staff was very pleased with the bids. He reported that the bid request was prepared with an additive for dehumidification; however, staff is not recommending that it be included in the contract, which is a first for the District. Mr. Collings explained that typically the reservoirs are recoated in January through March because it is necessary to keep them as full as possible in the summer months. He explained that because the Upper Chiquita Reservoir is coming online, the District can take the Sheep Hills Reservoir offline during the summer, which eliminates the need to dehumidify the tank while the coating is being applied, resulting in a savings of approximately \$100,000.

Director Probolsky commented that the price for recoating the last reservoir that the Board toured was approximately \$285,000 and asked why the price is higher for the Sheep Hills Reservoir. Mr. Collings reported that the Rancho Reservoir the Board toured is smaller than the Sheep Hills Reservoir and additional modifications will be done at Sheep Hills Reservoir that will impact the cost, such as installing a new system for taking samples from the tank, as well as certain structural modifications.

Director Kurtz asked who does the inspection and Mr. Collings reported that the District uses a consultant who specializes in inspecting reservoirs, because staff does not have the expertise to do it. Further discussion ensued regarding the inspection of the reservoir. Director Fiore asked if Harper & Associates prepares the terms and conditions of the contract or if Legal Counsel does. Mr. Collings reported that Ms. Giannone prepares the terms and conditions using standard forms Legal Counsel prepared for the front-end contracts. He explained that Harper & Associates assists the District with the special provisions and technical specifications of the contract. Ms. Giannone commented that the terms and conditions are the standard ones drafted by Legal Counsel, and her office revised the insurance provisions several years ago to make them more in sync with the contracting process.

Mr. Collings reported that this project would be brought before the Board at the Board meeting on April 21, 2011 with staff's recommendation to award the contract to Advanced Industrial Services, lowest responsive and responsible bidder, for an amount of \$385,000 and increase the project expense authorization from \$10,000 to \$480,000.

Item No. 8 – Plant 3A ETM Refurbishment, Contract 2010.084 – Design-Build Contract Award

Mr. Collings reported that in December he made a presentation to the Board on the failure of approximately 40 feet of the Plant 3A Effluent Transmission Main (ETM) on the west bank of the creek on December 22, 2010. He reported that to make the line operational staff hired two firms, Bebek and Charles King, to construct a bypass line approximately 250 feet long through the homeowners' association property and back out to the south end of the ETM. Mr. Collings reported that this provided a functional bypass line; however, it is above ground and there are liability concerns such as the possibility of the line being hit, temperatures making it expand and contract, and the HOA's concerns about leaving the pipeline in place on its property.

Mr. Collings reported that staff has investigated the options for restoring the pipeline to its original location. He explained that the County is still proposing to install sheet piling along the creek up to Del Obispo to where the previous phase ended. As part of the contract, the District and Santa Margarita Water District are negotiating an agreement to have the ETM removed and replaced with an upsized 30-inch PVC line. Mr. Collings reported that the question

is whether the District wants to put the ETM back in place now or wait for the County to replace it and leave the bypass line in place. He explained that the concern about leaving the bypass line in place until the County installs the sheet piling and relocates the pipeline is that the County does not plan to start construction until the fall of 2011, and it would probably be late spring or summer of 2012 before the new pipeline is installed. Staff's concern is having an exposed pipeline carrying secondary treated effluent next to the HOA residences for 12 to 18 months. Additionally, the District is paying \$2,400 per month to rent the bypass pipeline.

Mr. Collings reported that in order to evaluate the District's alternatives staff requested proposals from three contractors to reconstruct the ETM. Design-build proposals were requested to give the contractors flexibility in how to propose replacing the pipeline given the various approaches that could be utilized. He reported that on March 9, 2011 the District received three proposals from Kennedy Pipeline, Bebek Company, and Paulus Engineering ranging from \$46,000 to \$93,000. The proposals were evaluated based on the scope of work and the pricing structure proposed, and staff felt that Kennedy Pipeline's proposal to replace the entire pipeline between the two connection points of the temporary pipeline provided the District with the best product given the level of effort and anticipated project cost. He reported that the other options included spot repairing the 40 feet of pipeline and fixing joint-to-joint what may or may not have failed.

Director Fiore asked if Mr. Collings is proposing a budget of \$100,000 to \$164,000 and Mr. Collings explained that in December under the emergency authorization to the General Manager, which staff reported to the Board, an authorization and budget of \$100,000 was established. He reported that approximately \$62,500 of the \$100,000 has been spent to date for the time spent by Bebek, Charles King, and staff to construct the bypass pipeline. Director Fiore commented that given the fact that it is costing \$2,400 per month to rent the bypass pipeline, the cost of the project seems quite reasonable, particularly since the bypass line is on the HOA's property.

Mr. Collings reported that many of the items in the Total Anticipated Project Cost are still in place even if the ETM is not reconstructed, and the District would have to execute a revised

agreement with the HOA. Director Fiore asked if the County's project to install sheet piling will affect the pipeline the District installs now and Mr. Collings reported that the 20-inch pipeline will be replaced with a larger pipeline because it is uncertain that the ETM can be protected in place due to the method of installing the sheet piling. He reported that the District would pay for the new pipeline under the County's contract, which is currently being negotiated.

President McKenney asked how sure staff is that the County will move on its project and Mr. Collings reported that the County is confident that it will award a contract at the beginning of the next fiscal year and move the project forward. He commented that staff feels that installing the new pipeline is the best solution and it does not make sense to wait for the County to begin its project. Chairman Froelich asked if Kennedy would restore the HOA property as part of its contract and Mr. Collings reported it is not included in the contract and staff will work with the HOA to determine which items are the District's responsibility and which are the County's. He commented that the District will make the HOA whole as soon as possible after the pipeline is installed. Further discussion ensued. Mr. Collings reported that SMWD is a 50% owner of the pipeline and is responsible for 50% of the costs. He reported that staff was able to secure 95% of the funding through the California Emergency Management Agency for the temporary and permanent repairs, so potentially it will cost the District approximately \$5,000 to install the new pipeline. Mr. Collings reported that Kennedy is ready to begin construction as soon as the contract is approved and the Notice to Proceed is issued and staff hopes to have the project completed by the end of the fiscal year.

Mr. Collings reported that this project would be brought before the Board on Thursday with a recommendation to award the design-build contract to Kennedy Pipeline, Inc., for an amount not-to-exceed \$59,750 and increase the FY 2010-2011 budget for Contract 2010.084 and project expense authorization from \$100,000 to \$164,000.

Item No. 9 – Crown Valley Parkway Valve Replacement, Contract 2010.019 – Construction Contract Award

Mr. Collings reported that during the preparation of the Long Range Plan two years ago and subsequently the Capital Improvement Budget, staff added a budget item for \$350,000 a year

for valve replacements from Fund 7, Replacement and Refurbishment. He explained that staff began experiencing several issues associated with valves that were no longer operational and caused problems during isolations of line breaks or other operational or construction functions. Mr. Collings reported that the District did one project last year to replace valves in the Alicia Parkway/Crown Valley Parkway/Niguel Road triangle, and the Crown Valley Parkway Valve Replacement project would be the second major project in the program to replace valves.

Mr. Collings explained that the project extends along Crown Valley Parkway from Niguel Road to the I-5 Freeway. He explained that in the early 1960's one of the first pipelines constructed was a 16-inch transmission main that provided an interconnection between the I.D. 1 Master Meter Takeout adjacent to the El Niguel Country Club and the Eastern Transmission Main Takeout near Crown Valley Parkway, and interconnected with the Crown Valley reservoirs built in the 1960's. Mr. Collings reported that the 50-year old pipeline is in good condition and the pipeline issues in this area have been joint or appurtenance related. He explained that in the few instances when there has been a problem with the pipeline staff has had difficulty isolating the line, expending many man hours to isolate and recharge the pipeline and taking out various services in communities and businesses in the vicinity. Mr. Collings reported that when the pipeline was installed there was minimal consideration of future developments and the pipeline was not constructed with an appropriate number of valves, air/vac valves, or blow-offs to allow for appropriate operation and maintenance of the pipeline.

Mr. Collings reported that given the complexities experienced with the pipeline and the program to replace older or failed valves, staff prepared a contract to replace 15 failed valves, install six new valves, and install several air/vac valves and blow-off valves to help charge and drain the pipeline. He reported that on April 12, 2011 the District received six bids ranging from \$544,850 to \$836,888, which staff thought was very good pricing. Mr. Collings reported that staff feels this project is important to continue with the valve replacements that are necessary and will ask the Board on Thursday to award the contract to Paulus Engineering, lowest responsive and responsible bidder, for an amount of \$544,850 and increase the project expense authorization

from \$7,500 to \$660,000. A discussion ensued and Mr. Collings answered the Board members' questions regarding the scope and cost of the project.

INFORMATION ITEMS

Item No. 10 – 2010 Urban Water Management Plan Update – Status Review

Mr. Collings reported that Ms. Eva Plajzer is working with the District's consultant to update the District's Urban Water Management Plan (UWMP). He reported that staff has been reviewing the final draft and will send comments to the consultant this week. Mr. Collings reported that staff anticipates having the final draft available for review on May 4, 2011, the first Public Notice will be mailed in early May, the second Public Notice will be mailed on May 12, 2011, and a Public Hearing will be held at the Board meeting on May 19, 2011 for the Board to adopt the Urban Water Management Plan Update. He reported that as soon as the final draft is ready he will distribute copies to the Board members for their review, discussion and comment, and the matter will be agendaized for the May 16, 2011 Engineering & Operations Board meeting and the Public Hearing at the Board meeting on May 19, 2011.

President McKenney commented that he understands the District informed the cities that it would be updating the UWMP and would be happy to discuss it with them and has not received any comments from any of the cities. Mr. Collings reported that the cities are well aware of the process and staff also provided them with a 60-day public notice which they received in March, and he has not heard anything from them. President McKenney asked if staff intends to provide the cities with a draft of the UWMP prior to sending them the final draft on May 4, 2011 and Mr. Collings reported that staff could provide the cities with a draft as soon as the District finalizes its comments and incorporates them into the report. President McKenney asked that Mr. Collings do this and he reported that he would.

Item No. 11 – Response to State Water Resources Control Board (SWRCB) Regarding Proposed Waste Discharge Requirements for Sanitary Sewer Systems

Mr. Collings reported that staff is preparing a response letter to the SWRCB regarding the SSO WDR adopted by the SWRCB in 2006 and modified in 2008. He reported that in response to the SSO WDR in March 2009 the Board adopted its Sewer System Management Plan (SSMP)

that basically outlines the District's legal authority associated with the sanitary sewer system, the operation plan, and certain other components that were added, such as the FOG Program, the Emergency Spill Response Plan, and Hydraulic Analysis and Capacity Confirmations, some of which were just completed in March 2009.

Mr. Collings reported that the District and many other agencies are concerned that the programs are just being implemented and the SWRCB is considering changing them again without allowing the programs to prove whether or not they are successful in reducing sewer spills. He reported that the SWRCB issued a proposed rule on March 24, 2011 and released for public comment the draft WDR for sanitary sewer systems that would replace the one adopted in 2006, to which the District must respond by April 29, 2011. Mr. Collings reported that it appears that the new order does not address sewer spills as much as the previous order did and the concern is that the SWRCB is attempting to increase the District's liability for spill response and responsibility over private sewer collection systems over which the District does not have authority. He reported that there are issues regarding the District being required to seek coverage under the NPDES Permit if a spill reaches the waters of the United States. Mr. Collings reported that he wanted to make the Board aware that staff is working on this and is aware of the issues.

Director Lizotte asked what the District's responsibility is when a private sewer system experiences a spill and the sewage spills out into the street, into the storm drain, and into the ocean. Mr. Collings reported that the District reports the spill as a private sewer system spill and Dr. Gumerman explained that the District has no liability for the spill but tries to respond and assist. Further discussion ensued regarding the SWRCB's WDR and Mr. Collings discussed the comments he would include in the District's response to the SWRCB.

Ms. Giannone commented that the question regarding responsibility for private sewers has been discussed for the last ten years and has been pretty active on the SWRCB's radar, which appears to be a big motivation for the proposed new WDR. She commented that the SWRCB is looking at this as a follow-up to what it required by 2009 with some emphasis on private sewers, and as a way to get more revenue by tying it into an NPDES-type system. Chairman Froelich

asked that this matter be included as an informational item on the agenda for the May Engineering and Operations Board meeting.

Item No. 12 – Tour of Plant 3A Effluent Transmission Main

Ms. Leslie Gray reported that the Board's tour of the Plant 3A Effluent Transmission Main has been scheduled for Friday, June 10, 2011. Dr. Gumerman reported that those going on the tour would meet in the Board Room at 9:00 a.m. Mr. Collings described the locations along the ETM that the Board members would tour and what the Directors would see at each site. He commented some of the areas are difficult to access; therefore, it would be prudent for staff to drive the Board members in the District vehicles. Chairman Froelich suggested that the Santa Margarita Water District Board of Directors be invited on the tour and Mr. Collings reported he would talk to SMWD's staff and see if the Board would be interested in going on the tour. President McKenney asked if it would be necessary to offer a capable van for members of the public that want to go on the tour if the terrain is such that staff will drive the Directors in District vehicles and Ms. Giannone reported that it would.

ADJOURNMENT

There was no further business to come before the Engineering and Operations Board and the meeting was adjourned at 10:25 a.m.

Respectfully submitted,

Frani Bailey
Recording Secretary