

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

FEBRUARY 15, 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 February 15, 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

Also present and participating were:

STAFF MEMBERS, LEGAL COUNSEL

ROBERT C. GUMERMAN	General Manager
DAVID D. CAIN	Director of Finance/Treasurer
CHARLES J. ROY	Director of Customer Service
MATT COLLINGS	Director of Engineering & Operations
PAT GIANNONE	Bowie, Arneson, Wiles & Giannone
LESLIE GRAY	MNWD
RAY MCDOWELL	MNWD
PHIL LAWLER	MNWD
JANE NGUYEN	MNWD
MARK MOUNTFORD	MNWD
RONIN GOODALL	MNWD
LARRY BALLEW	MNWD
ROBYN EPPSTEIN	MNWD
FRANI BAILEY	MNWD

PUBLIC MEMBERS

ROGER OLSEN	Resident
GEORGE LOSTRECO	Resident
DR. ANWYL	Shepherd of the Hills Church
MARLON FENTON	Shepherd of the Hills Church

Absent were:

LARRY MCKENNEY
BRIAN PROBOLSKY

President
Vice President

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

ACTION ITEMS

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

- **Chairman Froelich asked that staff agendize the Upper Chiquita Reservoir at an appropriate time to discuss the damage done due to the storm, the cost factors, and responsibility for the damage.**

Item No. 1 - Approval of Minutes

Chairman Froelich noted that the minutes of the January 18, 2011 Engineering Board meeting were previously forwarded to the Directors. He reported that he would entertain a motion to approve the minutes.

THEREAFTER, UPON A MOTION DULY MADE BY DIRECTOR KURTZ AND SECONDED BY DIRECTOR COLTON THE MINUTES OF THE JANUARY 18, 2011 ENGINEERING AND OPERATIONS BOARD MEETING WERE UNANIMOUSLY APPROVED AS PRESENTED.

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.

PRESENTATION ITEMS

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

Chairman Froelich reported that he received two requests for public comments on this agenda item. He invited Mr. Roger Olsen to address the Board. Mr. Olsen asked if the proposed Water Budget Based Rate Structure (WBBRS) would take into consideration the variables in water use from month to month. Dr. Gumerman and Mr. Charles Roy explained the WBBRS methodology to Mr. Olsen and answered his questions and Mr. Roy offered to meet with Mr.

Olsen and explain the WBBRS to him in greater detail. Mr. George Lostreco commented that he has been practicing water conservation since the District notified its customers that it was necessary to conserve more water and expressed concern that the new rate structure would penalize him for using less water last year if his circumstances change and he uses more water in the future. Chairman Froelich explained to Mr. Lostreco that he would not be penalized for his conservation efforts or a change in home occupancy, and if there is a change in his home occupancy the District has a procedure to address that. Mr. Roy explained that each customer's lot receives a customized budget, and past usage is not taken into consideration.

DISCUSSION ITEMS

Item No. 4 – Monthly Construction Progress Report

Mr. Collings directed the Board's attention to the Monthly Construction Progress Report and offered to answer any questions the Board members might have. He reported that the recycled water projects are continuing, specifically in the area of Mission Viejo, where the recycled water main is being expanded to draw more recycled water out of Upper Oso Reservoir. Mr. Collings reported that he added the San Joaquin Lift Station Wet Well Refurbishment project to the report and the Notice to Proceed is pending execution of the contract the Board awarded last month. He reported he would continue to update the Board as progress on this project continues.

Item No. 5 – Budget vs. Cost-to-Date

Mr. Collings noted that the updated budget totals for Fund 7, Fund 12, and Fund 14 have been reduced based upon what the Board approved last month pursuant to the mid-year capital budget appropriations. He reported that the total Fund 7 budget decreased by approximately \$2.5 million and the total Fund 12 budget decreased by \$3.5 million based on the current project workflow.

a. Capital Project Workflow Summary

Mr. Collings explained how staff uses the Capital Project Workflow Summary and how the approval process goes when a project is added to the report. He answered the Board's

questions regarding the report. A discussion ensued and Director Fiore commented that it might be useful to rename Column No. 5 “Approved Project <over>/under.”

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

Mr. Collings reviewed the Monthly Summary Report and reported that invoices were paid last month on the Upper Chiquita Reservoir and the Baker Pipeline projects. He reported that Santa Margarita Water District anticipates that the Upper Chiquita Reservoir will be online around June. He reported that he has not received any budget adjustments for damage caused at the site by the heavy rains; however, SMWD is still evaluating the impacts of the storm. Chairman Froelich suggested that staff agendaize the Upper Chiquita Reservoir at an appropriate time to discuss the damage done due to the storm, the cost factors, and responsibility for the damage. Dr. Gumerman commented that perhaps Mr. Dan Ferons could attend the meeting next month and update the Board on this matter.

Director Lizotte asked if it would be possible to footnote the changes from the original MNWD cost of \$37 million to the current line item of \$49 million and Mr. Collings reported that he would footnote the changes. Director Lizotte asked how many extra days of water reliability the additional \$8 million bought the District. Mr. Collings reported that it was approximately 6 days; from 17 days to 23 days. Chairman Froelich commented that at some point it might be good to have a discussion regarding the reliability issue. Mr. Collings commented this would be timely, as he is working on a policy to discuss local water resources, i.e., the San Juan Basin Authority and desalination projects and how the Board feels the District should participate in them. He suggested tying the two topics together and giving the Board an update on the Water Reliability Projects as well as discussing the local supply policy and where the Board feels the District needs to be with regard to local water resources.

Item No. 7 – Upper Salada Oxygen Generation System Replacement – Design-Build Contract Award

Chairman Froelich reported that Dr. Anwyl and Mr. Marlon Fenton from Shepherd of the Hills Church in Laguna Niguel would like to address the Board on this matter. Dr. Gumerman

offered to recap the prior discussion on this issue prior to Dr. Anwyl and Mr. Fenton addressing the Board.

Dr. Gumerman reported that the District installed an oxygen generation system at the Upper Salada Lift Station and, subsequently, an oxygen generation system using different technology for the on-site oxygen generation system at the Lower Salada Lift Station. He explained that approximately six months after the installation of the oxygen generation system at Upper Salada Lift Station, the District began experiencing problems with the equipment. A different technology was used for the oxygen generation system at Lower Salada Lift Station which was much more effective and staff intended to include the cost for rehabbing the Upper Salada Lift Station with the new technology in next year's budget. Dr. Gumerman reported staff would like to accelerate the rehabbing of Upper Salada Lift Station because the District has experienced many issues with the equipment.

Chairman Froelich commented that the Board has visited both lift stations and is very aware of the problems the District is having at Upper Salada Lift Station, and it is a high priority for the Board to find a resolution to the problem. He invited Dr. Anwyl and Mr. Fenton to address the Board.

Dr. Anwyl reported that the Church was supposed to sign a contract with the bank to repurchase the property on which the Church now stands, which had been sold to a developer who went bankrupt. He explained that when he advised the bank and the investors about the odor problems the deal fell apart. Dr. Anwyl expressed his appreciation that the District is responding quickly to remedy the problem and encouraged the Board to complete the project this year.

Mr. Fenton expressed the Church's concern with regard to the hydrogen sulfide odors and other noxious gas odors. He reported that the Church hired a consultant to measure the amount of hydrogen sulfide gas and although the levels are within acceptable limits there are still noxious gas odors coming from the sewer system that could be a hindrance to the Church's efforts to secure financing for its senior housing project. Chairman Froelich thanked Dr. Anwyl and Mr. Fenton for their comments.

Mr. Collings commented that staff is aware of the hydrogen sulfide levels within the District's system and feels it is necessary to mitigate them, not only for the odors, but because they are bad for the longevity of the District's infrastructure. He reported that staff is embarking on projects to mitigate the high hydrogen sulfide levels and his hope is to demonstrate that once the systems at the Upper and Lower Salada Lift Stations are fully operational there will be a dramatic decrease in hydrogen sulfide levels that will translate into a reduction in potential odors. Further discussion ensued and Director Fiore asked if there is a way to monitor the amount of gas emitted from the manholes. Mr. Collings reported that Brad Bruington and the Collection Crew are monitoring the manholes at various locations to measure the hydrogen sulfide gas emitted from the manholes and will continue to do so.

Mr. Collings explained that the idea is to step through the projects to document the improvement in hydrogen sulfide levels over the course of the implementation of the projects. He described the oxygen generation systems installed at Upper and Lower Salada Lift Stations, the difference between the two systems, the problems encountered with the system at Upper Salada, and why the system at Lower Salada is more efficient and effective. Mr. Collings explained that he delayed bringing this project to the Board to allow staff to evaluate the system at the Lower Salada Lift Station to make sure the crew was comfortable operating and maintaining it. He commented that staff did not want to replace the system at the Upper Salada Lift Station right away and then find out that there were issues down the line. Mr. Collings reported that the crew has operated the new system at the Lower Salada Lift Station very successfully and feels comfortable that it is a much simpler, straightforward, less maintenance-intensive system that will be more reliable for the long term.

Mr. Collings outlined the problems with the oxygen generation system at Upper Salada Lift Station and reported that it has been necessary to replace some of the sieves that separate oxygen and nitrogen molecules as well as the compressor. He reported that for those reasons and because staff has been comfortable with the new oxygen generation system at Lower Salada Lift Station staff would like to execute a design-build contract with S.S. Mechanical to initiate the

replacement of the oxygen generation system at Upper Salada Lift Station with the vacuum PCI system being used at Lower Salada Lift Station as quickly as possible.

Mr. Collings reported that he included a staff report in the agenda package outlining the issues that went into his decision and the design-build proposal costs received from S.S. Mechanical. He reported staff anticipated including this project in next year's budget; however, because the District has had such good success with the system at Lower Salada and is concerned about what the hydrogen sulfide is doing to the District's infrastructure, and because of the additional odor complaints, staff believes it would be worthwhile to expedite this project.

Mr. Collings reported that S.S. Mechanical can obtain the oxygen generation system, and based on its schedule the equipment could potentially be online at Lower Salada Lift Station by the end of the summer if the contract is executed quickly. He reported that allowing staff to execute the design-build sole source contract with S.S. Mechanical will help expedite the schedule. Mr. Collings reported that S.S. Mechanical built the other two oxygen generation systems, TetraTech designed them, and staff feels this team has the best knowledge of what is required and that it is in the District's best interests to use this team to get the system functional quickly. He recommended that the Board award the design-build contract to S.S. Mechanical in an amount of \$277,643, approve the project budget to be appropriated from the Unanticipated Project Line Item, and authorize a project expense of \$310,000. Mr. Collings answered the Board's questions with regard to the design-build contract.

Chairman Froelich thanked Dr. Anwyl and Mr. Fenton and assured them that resolving this problem is a high priority of the Board. He suggested that this item be agendized for periodic updates.

Item No. 8 – Sewer Manhole Lining Project, Contract 2009.036 – Construction Contract Award

Mr. Collings reported that this project stems from the same problem. He explained that staff had been sealing manholes along Crown Valley Parkway, and there are 16 that are severely deteriorated and in need of rehabilitation and/or replacement, some of which can no longer be accessed appropriately. Mr. Collings reported that staff prepared contract documents and went out to bid for the project. The District received two prices; one from Sancon Engineering in the

amount of \$89,397, and one from SoCal Pacific Corporation in the amount of \$138,685. Staff recommends awarding the contract to Sancon Engineering for \$89,397 and requests a project expense approval of \$106,000. He reported that \$125,000 is budgeted for this project for this fiscal year. Director Lizotte asked what exactly would be done to the manholes and Mr. Ray McDowell explained what the contractor would do.

INFORMATION ITEMS

Item No. 9 – 2011 Metropolitan Water District Diemer Plant Shutdown

Mr. Collings reported that MET is planning to shut down the Diemer Treatment Plant, the AMP, and the Lower Feeder. He reported that the Diemer shutdown, scheduled to begin on February 27, 2011 through March 5, 2011, will most directly impact the District. He commented that his staff report and today's discussion is to make the Board aware of how the District is preparing to meet its service requirements during the shutdown in order to maintain its supplies.

Mr. Collings reviewed a slide depicting a six-year average demand of the volume required to sustain the District for the seven days at approximately 142 million gallons. He outlined the various sources of supply that are being proposed for the shutdown and reported that the total guaranteed flow is 27.6 cfs and the total non-guaranteed flow is 39.8 cfs. Mr. Collings reported that staff is preparing to mobilize the Customer Service staff to isolate potable irrigation water meters during the proposed shutdown if demand trends and weather projections indicate higher demands than average over the proposed shutdown period.

Item No. 10 – Plant 3A Effluent Transmission Main Tour

Dr. Gumerman reported that he would like to schedule the Board's tour of the Plant 3A Effluent Transmission Main for some time in March. He suggested that the Board delay making a decision since Directors McKenney and Probolsky were not present and Chairman Froelich suggested that the Board select two dates and have Ms. Gray contact Directors McKenney and Probolsky to see if they are available. Dr. Gumerman suggested that the tour be held on either Friday, March 18, 2011 or Monday, March 21, 2011 and the Board concurred.

ADJOURNMENT

There was no further business to come before the Engineering and Operations Board and the meeting was adjourned at 10:30 a.m.

Respectfully submitted,

Frani Bailey
Recording Secretary