

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

JULY 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 July 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
RAY MCDOWELL	MNWD
EVA PLAJZER	MNWD
KELLY WINSOR	MNWD
FRANI BAILEY	Recording Secretary

Absent was:

There were no absences.

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

Item No. 1 - Approval of Minutes

Chairman Froelich noted that the minutes of the June 13, 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. Director Fiore noted that in the first sentence in the second paragraph on Page 2 which reads "...this is an informational item and a chance for the Board to ask questions, and it will be brought back before the Board for *consideration* of approval in June" the word "*of*" should also be highlighted. He noted that in the third paragraph on Page 4, the first sentence should be amended to read "Dr. Gumerman reported that *MNWD's* cost to participate..." Director Fiore reported that in the second paragraph on Page 5, the word "*it*" should be removed from the sentence that reads "Further discussion ensued regarding the two projects..."

THEREAFTER, UPON A MOTION DULY MADE BY DIRECTOR FIORE AND
SECONDED BY DIRECTOR COLTON THE MINUTES OF THE
JUNE 13, 2011 ENGINEERING AND OPERATIONS BOARD MEETING WERE
UNANIMOUSLY APPROVED AS AMENDED.

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 3 – Monthly Operational Status Reports

Mr. Collings reported that the Monthly Operational Status Report will be on the Consent Calendar on Thursday night. He reported that this report was previously in the Thursday agenda and the Board requested that it be moved to the Engineering & Operations agenda. Mr. Collings offered to answer any questions the Board members had on the report and President McKenney asked if there is anything unusual about the trend on meters. Mr. Collings reported he has not seen anything unusual in meter change and Mr. Charles Roy reported that the some accounts were reclassified as a result of the WBBRS verification.

Item 4 – Monthly Construction Progress Report

Mr. Collings reported that several contracts are in construction or pending issuance of Notices to Proceed. He reported that he is hopeful that the La Paz Road and Upper Oso Recycled Water Pipeline projects will be completed this month. Several others are awaiting final documents to issue the Notice to Proceed and there is quite a lot of activity happening on the construction front.

a. Upper Salada Oxygen Generation System, Contract 2010.110

Mr. Collings reported that the construction drawings for this project are being finalized and staff is doing a final review on some of the material submittals. He reported that the contractor has most of the equipment and is scheduled to begin construction on August 1, 2011. Mr. Collings reported that construction is scheduled to go through the end of September, at which time the system will be put online and tested. He reported that he anticipates having a fully functional system by the beginning of October.

Mr. Collings reported that the existing oxygen generation system will be taken offline for two weeks during the end of the construction when the PLC equipment is moved and some of the electrical connections are being made. He commented that staff has tried to minimize the amount of time the system will be offline.

Mr. Collings reported that leading up to the oxygen generation system being taken offline H2S testing for odors for both the Upper and Lower Salada Lift Station systems will be done at four different locations on three different occasions; once prior to the system being taken offline, while the system is offline, and when the system is put back online and the oxygen generation systems at both Upper and Lower Salada Lift Stations are fully functional. He reported that he will present the findings to the Board hopefully in October. Director Colton asked if there are chemicals that could be put into the system to mitigate the odors while the oxygenation system is down. Mr. Collings reported that staff has looked into the possibility of adding chemicals and is testing a product at one of the other sites that has been effective. He commented that staff's concern is that the use of the chemicals might affect the warranty on the existing equipment and

the construction itself; therefore, staff is not proposing to use any chemicals while the equipment is offline. Further discussion ensued.

Director Probolsky arrived at 9:10 a.m.

Item 5 – Capital Project Budget Summary

Mr. Collings reported that the report is still lengthy because it represents last year's capital improvement project budgets. He commented that several items on the report have been closed and some final billings will be processed this week to represent the year-end closure of several projects. Mr. Collings reported he hopes to bring back a report of the overall project summary of the progress made in the previous fiscal year in August, and next month the Board will see a much more condensed report of next year's fiscal year budget.

President McKenney asked if the District is still spending money on the Upper Chiquita Reservoir Project and Mr. Collings reported it is, and there is an item later in the agenda to discuss the status of the project budget, which might need to be adjusted. Dr. Gumerman reported that Santa Margarita Water District will begin filling the reservoir at 10:00 a.m. this morning.

Item 6 – Water Supply Reliability Projects Status Summary Report

Mr. Collings reported that the District paid an invoice for \$500,000 to SMWD on the Upper Chiquita Reservoir project. He reported there are no significant changes to the schedule or the overall budgets on the Water Supply Reliability Projects.

Item 7 – Plant 3A ETM Relocation, Contract 2009.039 – Phase 7 Agreement Approval

Director Probolsky reported that he is an employee of the County of Orange and receives a salary for that employment and will not participate in any decisions regarding this contract. Mr. Collings reported that the County is implementing several phases of a sheet pile installation project along San Juan Creek and Trabuco Creek. He commented that the District participated in an agreement with the County and SMWD for the Phase 2/3 project that extended along San Juan Creek heading south. Mr. Collings reported that the next phase of the County's project is Phase 7, which is scheduled to be awarded within the next couple of months. He reported the Phase 7 project would include sheet pile installation along Trabuco Creek, from Del Obispo to near the

confluence of San Juan Creek and Trabuco Creek, at the same location where the Phase 2/3 project ended.

Mr. Collings reported that the sheet pile installation will drive piles approximately 5'-6' away from the existing Plant 3A Effluent Transmission Main, and MNWD's, SMWD's, and the County's concern is the integrity of the pipeline after the piles are driven. He reported that as part of the Phase 2/3 project the District entered into an agreement with the County that included removal and replacement of the pipeline as part of the County's overall contract for the sheet pile installation. Mr. Collings reported that staff negotiated the same approach with the County for Phase 7, which is approximately 2,500 linear feet of removal of 20" ductile iron pipe and replacement with 30" PVC pipe. He reported this would likely occur sometime next spring; however, the District does not have a definitive schedule for when the project will reach this section.

Mr. Collings reported that the agreement has been reviewed by the County, the District's Legal Counsel, and the staffs of SMWD and MNWD, and he is recommending that the Board enter into the agreement and participate in the removal and reinstallation of the new Plant 3A effluent transmission main. A discussion ensued and Mr. Collings answered the Board's questions. Mr. Collings reported that the impact to the District based on the project estimate is \$220,000 for the 2,500 linear feet of pipeline. This is in addition to what the District is spending on the temporary bypass pipeline as part of the emergency project. He reported that staff anticipates that the District will receive funds from CalEMA to fund a majority of the work as part of the emergency replacement through the disaster declaration notice.

Mr. Collings reported that the benefit to doing the project is that the District will get an upsized pipeline, which will resolve capacity issues in this area, at a potentially good price. Further discussion ensued. He reported that the recommendation is to approve the Phase 7 agreement, authorize the Board President to execute the agreement, and increase the expense authorization from \$125,000 to \$380,000. Mr. Collings explained that the table in the staff report breaks down the costs, including additional costs for a change order on Phase 2/3 and some contingency. Director Fiore commented that something seems to be missing from the

indemnification language on Page 12 and Ms. Pat Giannone commented that the language is awkward but she is comfortable that substantively it does the job.

Item 8 – Baker Water Treatment Plant, Contract 2006.071 – Design Variance Approval

President McKenney reported that within the past 12 months he was a principal at RBF and received a salary; therefore, he would not participate in the discussion of this item, and would recuse himself during the discussion. President McKenney left the room.

Mr. Collings reported that RBF recently submitted its 90% design contract drawings for the Baker Water Treatment Plant as well as a request for Design Variance #4 for additional budget for the final design of the Baker Water Treatment Plant. He reported that the staff report indicates what Design Variance #4 was and also includes a copy of the RBF variance request. Mr. Collings reported that the total request for the variance is approximately \$710,000, and it is the fourth variance on the project. The previous variances were reviewed and approved by the Project Committee, as well as one brought to the Board in February 2010.

Mr. Collings reported that the substantive components of Variance Request #4 include several design modifications that needed to be incorporated as a result of changes directed by the Project Committee over the course of the project. RBF was of the opinion at the time that it could incorporate the changes within the existing budget and meet the project schedule and delivery goals, and it became evident through discussions with the Project Committee that the Committee was anticipating some level of a design variance, but did not know when. RBF realized at some point in time that it would be unable to meet the commitments without requesting additional budget based on the changes requested and submitted Design Variance #4.

Mr. Collings reported that almost \$300,000 of the \$710,000 is for several design changes that needed to be incorporated, and the other large item is a \$260,000 component for a new product water delivery point that the Project Committee requested that RBF add to the variance. He reported that the staffs of all the agencies have looked at the product delivery point, which was always intended to be the Allen-McColloch Pipeline (AMP); however, based on negotiations with Metropolitan Water District of Southern California and the requirements it is putting on the lease connection, the Project Committee discussed an opportunity to connect to the South County

Pipeline (SCP) in lieu of the AMP. Mr. Collings discussed the benefits to the District and SMWD of connecting to the SCP and reported that the Project Committee met on Thursday and recommended that RBF move forward with the design to the SCP pending approval of the design variance. A discussion ensued and Mr. Collings answered the Board's questions.

Mr. Collings reported that the recommended action is to increase the expense authorization for Contract 2006.071 from \$5,600,000 to \$5,810,000 and authorize staff to approve the design variance as negotiated by the Project Committee. He reported that he did not change the overall \$20 million project budget because there is so much variability when the work is bid that he felt it would be premature to increase the overall project budget by \$200,000. Mr. Collings reported that the intent is to go out to bid at the end of October or in early November, and it will probably be an eight-to-ten week bid period. He reported the Project Committee expects to receive construction bids in January and present them to the various Boards in January or February for review of the overall project, the overall anticipated expenses, unit cost of water, and reliability benefits so that the parties can make the final go-no-go decision on the project. Mr. Collings reported that if the Board authorizes the additional change the District's expected out-of-pocket cost when the go-no-go point is reached will be approximately \$2.1 million.

Dr. Gumerman asked Mr. Collings to address the fact that when a change of scope is given to a design engineer the recommended way to handle it is that there be a change of scope and a change of budget at that point, which is what Mr. Collings originally recommended to the Project Committee. He asked Mr. Collings to explain how the Project Committee works with the lead agency being IRWD. Mr. Collings explained the process the Project Committee goes through in reviewing a project and commented that IRWD's staff felt that RBF would need a variance; however, RBF's staff initially did not think so. Subsequently, RBF realized it would need a variance.

Mr. Collings commented that there is an element of time where, in his opinion, if a job is being re-scoped and the job is changing he would want a revised scope and fee. He explained that the Project Committee let RBF proceed without an increase in the design cost, because RBF felt it could keep its commitment, and in hindsight the Project Committee should have asked RBF to

re-scope the job. Mr. Collings reported that the Project Committee feels that RBF's request is valid; however, the timing should have been handled differently than it was. A discussion ensued and Mr. Collings answered the Board's questions. He commented that the Baker Water Treatment Plant project will add very good system reliability independent of MET's Diemer Plant to the District's overall water supply portfolio and is showing potentially positive cost projections. Mr. Collings reported that he is asking the Board to approve the variance request to take the project to the go-no-go decision when a healthy evaluation of the project, the benefits, and the cost would be beneficial after the construction bids have been opened and considered for awarding.

Mr. Collings reiterated that the recommended action is to increase the expense authorization for Contract 2006.071 from \$5,600,000 to \$5,810,000 and authorize staff to approve the design variance as negotiated by the Project Committee.

Item 9 – Recycled Water System Capacity Analysis, Contract 2009.098 – Design Variance Approval

President McKenney returned.

Mr. Collings reported that last month he reported that staff was working on a review of the recycled water system and its overall capacity from treatment to storage to distribution. Driven by the District's need to confirm the capabilities of the recycled water system as well as the request for recycled water from several neighboring agencies, primarily El Toro Water District, Laguna Beach Water District, and the City of San Juan Capistrano, staff felt that it was prudent to incorporate an analysis of the Santa Margarita Water District recycled water system as part of the draft report and analysis.

Mr. Collings reported that the District owns 1,000 acre-feet of seasonal storage at the Upper Oso Reservoir, and flow is conveyed to and from the reservoir via the SMWD distribution and transmission system, in which the District leases capacity. He reported that in order to get a true evaluation of the District's ability to access the District's seasonal storage capacity at Upper Oso Reservoir staff felt it was necessary to include a modeling analysis of SMWD's system

based on boundary conditions the District is assuming for MNWD's needs to get water in and out of SMWD's system for the Upper Oso Reservoir.

Mr. Collings reported that this required an additional Professional Services Agreement with HDR Engineering, which runs the SMWD model, to provide the analyses requested. It also requires a variance to TetraTech, who is preparing the capacity analysis to incorporate those results, look at the potential impacts, and revise the report accordingly. He reported that the recommendation is to increase the project budget and expense authorization for Contract 2009.098 from \$75,000 to \$100,000, approve the design variance to TetraTech for \$9,200, and authorize staff to execute a Professional Services Agreement with HDR Engineering for \$9,900. This will provide the final piece of the analysis and enable staff to present a final report on the overall system to the Board. A discussion ensued and Mr. Collings answered the Board members' questions.

Item 10 – Contract Services for Professional Engineering Support – Professional Services Agreement Approval

Mr. Collings reported that the staff report requests the Board to authorize staff to enter into a Professional Services Agreement to bring on a contract engineer. He explained that the purpose for doing so is to help staff execute the substantial Capital Improvement Projects Budget (CIP Budget) that the Board adopted and approved last month. Mr. Collings reported that staff feels the amount that is requested in the CIP Budget is warranted, that the funds are for substantial but necessary projects that need to be executed, and that in order to successfully execute them the assistance of a contract engineer would be of great benefit.

Mr. Collings reported that the contract engineer would assist with preparation of RFPs, RFQs, answer questions on invitations to bid, provide requests for clarifications, assist with some of the project management level components of executing the project, and work with Ms. Plajzer directly to help execute the CIP Budget. He explained that he is requesting that this be done on a contract engineer basis because he wants to confirm the level of engineer that would best benefit the District, confirm that staff is getting the results they expect to see, and see how well staff does in executing the CIP Budget. Mr. Collings commented that his expectation is that the

addition of the contract engineer will dramatically benefit staff in executing the CIP Budget, and he is requesting that the Board authorize the General Manager to execute a Professional Services Agreement with Project Partners, Inc., for a not-to-exceed fee of \$150,000 for Fiscal Year 2011-2012.

Mr. Collings reported that Project Partners, Inc., provides all levels of contract engineers, project managers, drafting support, etc., and is very unique in the area of service it provides. He reported that several local agencies have utilized Project Partners, Inc., quite successfully and have been pleased with the type of service it has provided. A discussion ensued and Mr. Collings answered the Board members' questions.

Director Froelich commented that the Metropolitan Water District of Southern California lawsuit addressed temporary employees and whether they are actually employees and eligible to receive benefits, and asked if this would have any bearing on the District hiring a contract engineer. The Board requested that Ms. Giannone look into this case, and she commented that she reviewed the parties' contract relationship and how it works; and Director Probolsky commented that the District is hiring Project Partners and it is supplying an engineer.

Item 11 - Review Annual Service Contracts and Professional Services Agreements associated with Engineering and Operations Functions for Fiscal Year 2011-2012 and Set Date for Purchasing Policy Workshop

Mr. Collings reported that this is an extension of the discussion the Board had with staff at the Finance & IT Board meeting in June on some of the vendor requests for annual service contracts or agreements. He reported that he wanted to bring a few that relate to specific engineering and operations functions to the Board for consideration and address several of the agreements in the staff report.

Mr. Collings reported that five services were discussed in his staff report, i.e., landscape maintenance, tree service maintenance, recycled water inspections, pest control services, and wastewater pretreatment inspection services. He reported that the staff report provides a summary of what each of the services provides, some background on the people providing the

services and for how long, and a recommendation to the Board on who he would like to see execute the services and how they would be provided for the next fiscal year.

Mr. Collings recommended that the Board authorize the General Manager to execute the necessary documents as set forth in his staff report and offered to answer the Board members' questions on any of the specific contracts. He reported that all of the items are budgeted in the approved and adopted O&M Budget, and he is requesting Board authorization for the General Manager to execute the agreements.

Mr. Collings reported that Mr. Cain requested that the Board set a date to discuss the Purchasing Policy with the Board. Mr. Cain commented that the Board members previously indicated that they wanted to have a separate meeting to address this issue, and staff would be prepared to present the revised Purchasing Policy to receive feedback from the Board at that meeting, make any adjustments necessary, and bring it back to the Board for formal adoption and approval the following month.

Chairman Froelich suggested that Ms. Gray work on scheduling a date for the meeting and Director Probolsky commented that he would also like to agendaize a discussion on what constitutes an acceptable Consent Calendar item, or that Dr. Gumerman present a recommended plan to the Board. Dr. Gumerman commented he would make an effort to bring this to the meeting regarding the Purchasing Policy.

INFORMATION ITEMS

Item 12 – IRWD Biosolids – Project Committee 25 Agreement

Mr. Collings reported that the SOCWA Engineering Committee discussed the Biosolids Project, and IRWD's General Manager sent a letter to SOCWA stating that the relationship between SOCWA and IRWD on the Biosolids Project has been dissolved. He reported that SOCWA has not received an invoice on the project; however, there was discussion that it did not appear that substantial redesign would occur and that IRWD was going to maintain some of the same design capacity it originally had utilized with regard to the expansion with SOCWA.

Mr. Collings reported that the Committee then discussed SMWD's existing project and schedule, and essentially SMWD is moving forward with a pilot project with CAKE and is

currently working on the AQMD process to get the project permitted. SMWD has hired York Engineering to assist with this process, and the pilot project is essentially a full scale project. He reported that if SMWD gets the AQMD permitting process approved, CAKE is confident that it can get a project online in 18 months. SMWD is setting the project up to allow for installation of a heat dryer if the CAKE energy process does not prove out, because there is sufficient space on site that SMWD believes it can accommodate both processes if necessary. SMWD is seeking environmental approval for both processes so it can go one way or another, depending on how the CAKE process proves out and is working with SOCWA's staff to confirm some of the design technical levels pertaining to the percentage of biosolids. Mr. Collings reported that SMWD believes it could get a dryer project built within two years if the CAKE process does not work, and there are signs on the horizon that another process needs to be implemented as soon as possible because of issues with other disposal options.

Mr. Collings reported that SOCWA's Engineering Committee discussed the possibility of entering into a letter of intent or MOU with SMWD to confirm that SOCWA does want to participate in a biosolids project. He reported that Mr. Rosales and SMWD's staff will look into this further to see how an MOU could be developed to benefit SOCWA and SMWD. Director Probolsky requested that the Board's SOCWA representative keep a close eye on this project and that the Board discuss it early and often if it goes beyond investigating the project. Dr. Gumerman commented that he recommended to Mr. Rosales that the SOCWA Board adopt an MOU or letter of intent indicating what capacity, timing, and other issues need to be addressed to do precisely what Director Probolsky is suggesting so that the District would be kept informed about the project.

Item 13 – Upper Chiquita Reservoir, Contract 2008.032 – Adjustment to Project Budget

Mr. Collings reported that as he and Mr. Dan Ferons discussed last month, Sukut has submitted a change order to SMWD for some of the work related to the storm damage and other items. He commented that last week he received the proposed change order and a budget adjustment proposed by SMWD; however, he had several questions about it and was not comfortable bringing it to the Board at this time. He commented that he is still waiting for

answers from SMWD on some of the items and hopes to bring this back to the Board for approval in August. Mr. Collings reported this would include approval of a change order as well as a budget adjustment. He reported that the levels of the budget adjustment for the overall project were in the range of approximately \$4 million, one-third of which the District is responsible for. A discussion ensued and Mr. Collings answered the Board members' questions.

Item 14 – 350-Gallon Sanitary Sewer Overflow on June 17, 2011

Mr. Collings reported that on June 17, 2011 the District experienced a 350-gallon sanitary sewer overflow (SSO) on Trabuco Blvd., north of Los Alisos. He reported that Bruce Nichols, the Customer Service standby person, and Mike Marquis, a member of the Collection Crew who was working on another project at the time, responded to the scene and were immediately able to rectify the SSO. It appeared that a grease ball came out of the lateral from the commercial property immediately adjacent to the manhole, entered the sewer system, and caused the blockage and subsequent overflow.

Mr. Collings showed the location of the SSO and explained the path of the collection system to the North Aliso Lift Station, on Los Alisos near Jeronimo. He reported that once the overflow was rectified, Mr. Marquis video inspected the District's sewer line from the location of the lateral downstream found no root damage, sags, grease build-up, or other issues with the pipeline. He explained that video inspection of the lateral showed that the lateral was 75% to 80% clogged with grease, and it appeared that a good portion of the grease broke free, dropped into the sewer line, and caused the backup.

Mr. Collings reported that there is a small grease trap at the Taco Bell; however, the donut shop has no grease protection device. He reported that the District will be sending a Notice of Violation pursuant to the FOG Policy the Board adopted in 2009 and will require installation of a grease interceptor to serve those properties. A discussion ensued and Mr. Collings answered the Board members' questions. He commented that he plans to review the FOG Policy and see what it allows the District to do with regard to enforcement of grease protection devices. Mr. Collings reported that the policy is new and took a friendly approach with the food service establishments, requesting that they submit their permits. He reported that the District received a

response from 55% to 60% of the establishments, and staff needs to see what can be done to enforce the FOG Policy, get all of the food service establishments permitted, and see what can be done to enforce installation of grease protection devices.

Mr. Collings reported that within the next month or two he will bring the FOG Policy before the Board for discussion with some potential recommendations for changes in some of the enforcement actions. Further discussion ensued.

Item 15 – Tour of Coastal Treatment Plant – Scheduled for August 19, 2011

Mr. Collings reported that the Board tour of the Coastal Treatment Plant is scheduled for August 19, 2011 at 9:00 a.m. Director Lizotte reported that SOCWA has scheduled a tour of all of its treatment plants for August 17, 2011.

ADJOURNMENT

There was no further business to come before the Engineering and Operations Board and the meeting was adjourned at 10:50 a.m.

Respectfully submitted,

Frani Bailey
Recording Secretary