

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

**JUNE 13, 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 June 13, 2011. The following Directors of the District were present:

**DIRECTORS**

DON FROELICH	Chairman
SCOTT COLTON	Director
RICHARD S. FIORE	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
JEFFREY A. HOSKINSON	Bowie, Arneson, Wiles & Giannone
LESLIE GRAY	Board Secretary
NANCY DESAI	MNWD
MARK MOUNTFORD	MNWD
KELLY WINSOR	MNWD
FRANI BAILEY	Recording Secretary

**PUBLIC MEMBERS**

TOM ROSALES	SOCWA
DAN FERONS	SMWD
DENNIS CAFFERTY	ETWD
BRIAN PECK	SOCWA
DAVID SHISSLER	City of Laguna Beach
KEVIN BURTON	IRWD
PAUL JONES	IRWD

Absent was:

GARY R. KURTZ

Director

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 May 16, 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 a correction to the minutes on Page 5.

THEREAFTER, UPON A MOTION DULY MADE BY DIRECTOR MCKENNEY AND SECONDED BY DIRECTOR FIORE THE MINUTES OF THE MAY 16, 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 No. 3 – IRWD Biosolids Project Committee 25 Agreement

Dr. Gumerman commented that this project is very important for all of the South County agencies, and representatives from most of SOCWA's member agencies are in attendance at today's meeting to hear the discussion on this matter. Dr. Gumerman reported that SOCWA's Project Committee 25 (PC 25) is for participation in a sludge dryer/pelletizer project at IRWD. He discussed the solids generation and disposal situation at the three SOCWA facilities where sludge is generated, i.e., the Joint Regional Treatment Plant, Plant 3A, and the Jay B. Latham Plant. Dr. Gumerman reported that MNWD currently generates 46.5% of the solids in SOCWA, which is why there is so much interest on the part of the member agencies in the District's decision whether or not to participate in PC 25.

Dr. Gumerman discussed the four disposal options that SOCWA currently utilizes and reviewed SOCWA's cost of disposing of its biosolids at each facility. He commented that an important consideration is the blended cost, which is approximately \$64 per wet ton. A discussion ensued regarding the cost of the biosolids disposal and Dr. Gumerman and Mr. Tom Rosales answered the Board members' questions. Dr. Gumerman reported that SOCWA has already entered into an agreement with IRWD to change the design of the biosolids handling project at IRWD's Michelson plant contingent upon execution of the PC 25 Agreement by all of the member agencies. Dr. Gumerman explained the terms of SOCWA's agreement with IRWD and commented that the terms of the agreement with regard to the capacity right are similar to the agreement the District entered into with SMWD for the Upper Chiquita Reservoir and the agreement with IRWD for the Baker Water Treatment Plant.

Director Probolsky arrived at 9:40 a.m.

Dr. Gumerman commented that there is a term in the SOCWA-IRWD agreement that the capacity right can only be transferred to another member agency, and he has discussed with Paul Jones and Doug Reinhardt the possibility of amending this term to allow transfer of capacity rights to a mutually acceptable third party buyer. He commented that Mr. Jones and Mr. Reinhardt both felt that IRWD's Board would probably agree to that change, and he would recommend that this change be made.

Dr. Gumerman described IRWD's biosolids project and reported that SOCWA's capital costs are estimated to be \$8,121,000, and MNWD's 46.50% share would be \$3,776,000. He reported that the operating cost per wet ton processed would be \$65.49/ton and the amortized capital cost (4% over 20 years) would be \$72.50, for a total cost of \$137.99 per wet ton processed, as opposed to the current cost of \$64.00 per ton. A discussion ensued and Dr. Gumerman answered the Board's questions regarding the costs. Dr. Gumerman reported that the IRWD project is time-driven and IRWD has a deadline on which its facilities need to be online, so this is the only chance the District will have to participate in IRWD's project.

Dr. Gumerman reported that SMWD is proposing a biosolids treatment project at its Chiquita Water Reclamation Plant. He commented that SMWD's project may be online in five

years or less. Dr. Gumerman reported that SMWD has a large footprint of land available at the Chiquita Plant, and its timeline is the same as SOCWA's. He explained that SMWD's proposed project is a flash dryer that produces a 97% solids product, and it will be designed, built, and financed by CAKE Energy. Dr. Gumerman commented that one of his concerns about the CAKE project is that it is designed to be an exothermic process, i.e., it produces more energy than it consumes, and once it is started it should theoretically generate more energy. He commented that to accomplish this requires capturing the flu gas off the dryer to dry the incoming solids product and it is questionable whether that can be accomplished. He reported that CAKE has no installations in the United States and its projects in New Zealand use byproducts of animal wastes, not water treatment solids. A discussion ensued regarding the CAKE project and Mr. Dan Ferons answered the Board's questions.

Dr. Gumerman reported that SMWD's biosolids treatment project could take one-half of SOCWA's dewatered solids. He reported that the total cost of SMWD's project per wet ton is \$104.90, with the \$55.90 in amortized capital cost dropping after five years, versus the IRWD project at \$137.99 per wet ton, with the \$72.50 in amortized capital cost dropping off after 20 years.

Dr. Gumerman reported that SOCWA's cost to participate in IRWD's project would be \$3.8 million dollars, and the District's annual cost would be \$331,000, including amortized capital. He reported that currently the District pays approximately \$726,000 a year for disposal of biosolids, and the cost would increase to approximately \$1 million per year. Dr. Gumerman reported that SOCWA's Engineering Committee recommended to SOCWA's Board that all of the member agencies had to be involved in the project because this has been the basic tenant the member agencies have used for the distribution of solids handling costs. He reported that SMWD's Board has already decided that SMWD would not participate in PC 25, and without SMWD's participation, MNWD's cost would increase from \$331,000 per year to \$390,000 per year. If other agencies decided not to participate, MNWD's costs would be higher.

Director Lizotte commented that he thought that ETWD's Board opted not to participate in PC 25 and Dr. Gumerman reported that ETWD's Board took the position that ETWD would

participate if all of the member agencies participated and Mr. Dennis Cafferty reported that Dr. Gumerman is correct. Dr. Gumerman explained the risk factors of the two projects and a discussion ensued. He elaborated on the additional factors the Board should consider in making its decision as to whether the District should participate in PC 25 and commented that the decisions now before the Board are to participate in the PC 25 project if all of the member agencies participate, to participate in a modified PC 25 project without SMWD, or to wait five years for SMWD's project with CAKE or another project. Dr. Gumerman commented that after thorough consideration his recommendation is to participate in IRWD's project if all of the member agencies of PC 25 participate, which would require further consideration by the SMWD Board. He commented that this would give the District control of its destiny and provide certainty of costs, and it is not mutually exclusive of SMWD's project. He recommended that SOCWA participate with SMWD in a subsequent project.

President McKenney asked if there is any realistic possibility that SMWD's Board will change its views on the project and Mr. Ferons commented that he does not think so. He commented that SMWD has no problem with IRWD's project other than the fact that SMWD has lower cost options now and within the next five years these options do not appear to be disappearing. Further discussion ensued regarding the two projects and Director Probolsky commented that it he doesn't think it makes sense at this time for MNWD to participate in the IRWD project. He commented that IRWD has a great project and it makes sense for IRWD because of the time issue; however, the District does not have an eminent time issue and he believes there will be other options on the horizon.

Further discussion ensued regarding the project. Director Lizotte commented that Mr. Ferons indicated that SMWD's Board voted not to participate in the project, and if ETWD does not change its position it will not participate in the project, which would increase the District's cost to participate. He commented that from the discussion today it appears that the Board is inclined to go along with SMWD's position. Director Lizotte commented that the District does not yet know how this project would fit into the ten-year cash flow plan and how it would affect other critical projects. Further discussion ensued and Chairman Froelich asked if any of the

Board members had further comments regarding Dr. Gumerman's recommendation. President McKenney commented that Dr. Gumerman's recommendation is that the District take the lead and participate in the project with some caveats about the other agencies participating, and he assumes that Dr. Gumerman's main concern is developing more certainty of local control. He commented that several of the Board members, particularly Director Probolsky, have said that it does not make sense financially to participate in the project now because the cost is high and there is no certainty that the project is needed now. President McKenney commented that making a decision that MNWD is in if SMWD and the other agencies are in is another way of saying no, and he is persuaded at this point by Director Probolsky's comments. Director Lizotte asked if the Board would make the decision on Thursday and Dr. Gumerman reported that it would.

Director Probolsky commented that if SOCWA decides not to participate in IRWD's project he would like to make sure that IRWD is made whole for work it has done on behalf of this project thinking that SOCWA would participate. Dr. Gumerman explained that when SOCWA first became involved in the project IRWD had to change the design to put in a larger dryer and other facilities, and that now has to be unwound to go back to the original design. He reported that if there is a penalty time-wise by IRWD, SOCWA will pay the \$2,800 per day. Dr. Gumerman explained that to date SOCWA has spent approximately \$500,000 on the planning, and MNWD's share would be 46%.

Item No. 4 – Upper Chiquita Reservoir, Contract 2008.032 – Participation and Operation Agreement

Mr. Collings reported that MNWD has been participating in SMWD's Upper Chiquita Reservoir project since execution of an agreement in 2006 which allowed the District to acquire capacity in the reservoir pending further development of a Participation and Operations Agreement. He reported that staff and SMWD have been working together to develop the draft Participation and Operations Agreement being presented to the Board today, and staff has also worked with the District's Legal Counsel. Mr. Collings reported that the Participation and Operations Agreement is on the agenda for Board approval on Thursday pending any nonsubstantive changes approved by Legal Counsel.

Mr. Collings reported that SMWD will own and operate the reservoir and the District will have capacity rights to 255.8 acre-feet of capacity in the reservoir and the pump station facility. He reported that the Agreement defines the Project Committee and its role and responsibilities, SMWD's responsibilities for executing contracts, the cost responsibilities of each of the project participants, a summary of the operation and maintenance costs subject to annual review by the Project Committee, annual review of the UCR operational objectives, and transfer of capacity rights. Mr. Collings reported that the terms in the Agreement are consistent with other previously executed regional projects, i.e., the IRWD Interconnection and Baker Water Treatment Plant.

Director Lizotte asked how the District would get water from the Upper Chiquita Reservoir in the event of an emergency. Mr. Collings reported that the water could be conveyed through the South County Pipeline or the Central Intertie Pipeline. Further discussion ensued. Chairman Froelich asked if SMWD has settled with the contractor on the flood damage that occurred during construction of the reservoir. Mr. Ferons reported that he is meeting with the contractor on Friday to discuss the issues that have not yet been resolved regarding the rain damage, weather delays, and the change conditions. He commented that SMWD is comfortable with the out-of-pocket costs and is discussing with the contractor the cost of extended overhead, etc. Director Lizotte asked if SMWD would be within the original budget after resolving the issues with the contractor and Mr. Ferons reported that the original budget would be exceeded by approximately \$1.5 million.

Mr. Collings reported that he has been working with Mr. Ferons on this and as soon as Mr. Ferons is able to give him firm numbers he will update the Board on the cost and perhaps request additional Board action for some budget and expense authorization to finalize the project. Further discussion ensued regarding the Participation and Operation Agreement and Mr. Ferons and Mr. Collings answered the Board members' questions.

Mr. Ferons reported that the inlet-outlet lines have been pressure tested and BacT'd and the contractor is doing the final grading on the site, which will allow SDG&E to hook up the power. He reported the reservoir will begin to be filled on July 18, 2011 and will take 8-12 weeks

to fill. Mr. Ferons reported that the reservoir should be online in September, and SMWD is working on the dedication ceremony and will let staff know as soon as the plans are finalized.

Item No. 5 – Recycled Water Capacity Analysis, Contract 2009.098

Mr. Collings reported that this item was put on the agenda for information purposes to let the Board know the status of the Recycled Water System Capacity Analysis. He reported that in December 2009 the Board approved a contract with TetraTech to do a Recycled Water Master Plan Update. As staff looked further at the scope of work it determined that what was needed was a system capacity analysis to look at treatment capacity, seasonal and operational storage capacity, and distribution system capacity. Mr. Collings reported that the driver for this was not only to understand the capabilities of the system with regard to internal expansion, but to address a request from neighboring agencies for additional recycled water flow.

Mr. Collings reported that the District has entered into an agreement with the City of San Juan Capistrano (CSJC) to provide it with recycled water, and the Laguna Beach County Water District (LBCWD) and El Toro Water District (ETWD) have both begun to inquire about the availability of recycled water which could be tied to some grant funding possibilities on future projects. He reported that the draft Recycled Water Capacity Analysis has been completed and has identified that the District has sufficient treatment capacity and seasonal storage capacity and that there are some minor issues with operational storage that can be made up with additional piping or make-up water.

Mr. Collings reported that the Analysis indicated that the system is mostly limited in the distribution system, primarily in the areas along the extent of the service area where agencies such as CSJC, ETWD, and LBCWD were looking for flow. He explained that the recycled water system was primarily built using SRF loans that required value engineering. The value engineering sized the facilities based on what was needed to meet the demands and did not contemplate demands beyond the District's service area, and the piping is too small. Mr. Collings reported that TetraTech has identified projects ranging from \$100,000 to \$5.3 million that could deliver an extra 100 acre-feet to potentially almost 1,400 acre-feet of recycled water to the District's partnering agencies.

Mr. Collings reported that staff is continuing to refine the Analysis to confirm the defined projects and the ranges of flows that could be delivered through each project and is also working with SMWD to run some analyses on its system to make sure staff understands the capabilities of drawing from and feeding up to Upper Oso Reservoir. He reported that he anticipates bringing the final report back to the Board along with some further discussions as he continues to meet with other agencies such as ETWD to discuss how to potentially provide them with flow. Mr. Collings reported that both ETWD and LBCWD are keenly interested in how this develops, as they both have projects they are working to define, and the results of this Analysis will help further define their projects and allow ETWD and LBCWD to develop them and move them forward. A discussion ensued and Mr. Collings answered the Board members' questions.

#### Item 6 – Monthly Operational Status Reports

Mr. Collings reported that this report is new to the Engineering & Operations agenda and was added at the recommendation of one of the Board members. He commented that because the report will be considered under the Consent Calendar items on Thursday he wanted to make sure the Board had an opportunity to discuss it during the Engineering Board meeting. Mr. Collings offered to answer any questions the Board members had with regard to any of the items on the report. A discussion ensued regarding the report and Mr. Collings answered the Board members' questions.

#### Item 7 – Monthly Construction Progress Report

Mr. Collings reported that several contracts are still pending execution and will hopefully start soon. He reported that staff anticipates that construction will begin on the Moulton Ranch III recycled water extension within the next couple of weeks. Mr. Collings reported there is a Notice of Completion pending on the Pike Road Easement project, and as soon as the Notice of Completion is executed the project will be removed from the report. He reported that the contractors are nearing completion on the two major recycled water projects, the La Paz Road Recycled Water Project and the Upper Oso Reservoir Extension.

a. Upper Salada Oxygen Generation System, Contract 2010.110

Mr. Collings reported that he anticipates construction to begin in early August or possibly at the end of July. He reported that the long lead items have been ordered, the design plans have been submitted and approved by staff, and the project is moving forward. Chairman Froelich asked if staff has received any complaints regarding odors and Mr. Collings reported he has not received any. Mr. Charles Roy reported that Customer Service has received only two or three complaints in the last 45 days. Mr. Collings reported that he will have a more definitive construction schedule and start-up at the next Board meeting.

Item 8 – Capital Project Budget Summary

Mr. Collings reported that several of the projects on the report will be closed out in the next couple of weeks and he anticipates making a presentation to the Board at the close of the budget year to discuss the full year summary, projects completed, and progress made.

Item 9 – 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, and he will bring the updated cost numbers for the project to the Board as soon as SMWD gives him an update. He reported that additional funding was paid to MWDOC for the Phase III pilot testing of the South Orange County Ocean Desalter Project. Mr. Collings reported that the District received some additional reimbursement from the construction deposit on the Phase B facilities that were completed for the Irvine Ranch Interconnection Project. He reported that this closes out all current activity associated with the IRWD Interconnection Project pending future connections that staff is looking at.

Item 10 – 2010 Urban Water Management Plan Update

Mr. Collings reported that on Thursday the Board will conduct a Public Hearing to consider adoption of the Urban Water Management Plan. He reported that the Plan was presented to the Board in May and since that time staff met the notification requirements and has not received any comments from any individual or other agencies. Mr. Collings reported that staff made one change to the Plan to add Section 2.4.6, which discusses the plan for water use reduction and discusses the District's goals for the 20 X 2020 legislation as well as the regional

responsibilities associated with that. He reported that a representative from Malcolm Pirnie, the firm that prepared the Urban Water Management Plan, will be in attendance at the Board meeting on Thursday to give a brief presentation during the Public Hearing and thereafter the Board will consider adopting the Plan. A discussion ensued and Mr. Collings answered the Board members' questions regarding the Plan.

#### Item 11 – Tour of Coastal Treatment Plant

Chairman Froelich commented that the Board expressed an interest in touring the Coastal Treatment Plant and Ms. Gray is working on scheduling the tour for sometime in July.

#### PRESENTATION ITEMS

#### Item 12 – Staff Presentation regarding Asset Management Planning

Mr. Collings reported that he discussed with the Board in October the District's and his goals for asset management in the future and how the District can improve its asset management-based approach to facilities, financing, operations and maintenance, engineering decisions, etc. He presented a brief summary of what his view of life cycle asset management is, where he is hopeful the District can go, and what steps will be taken to achieve the goal. Mr. Collings reported that the Long Range Plan contains some level of GIS implementation and the CMMS update would be added the next time the Long Range Plan and the IT Strategic Plan are updated. A discussion ensued and Mr. Collings answered the Board members' questions.

Director Fiore requested that Mr. Collings provide him with a copy of his PowerPoint presentation and Mr. Collings reported that he would do so.

#### ADJOURNMENT

There was no further business to come before the Engineering and Operations Board and the meeting was adjourned at 11:47 a.m.

Respectfully submitted,

Frani Bailey  
Recording Secretary