

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

MAY 16, 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 May 16, 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
EVA PLAJZER	MNWD
MARK MOUNTFORD	MNWD
ROBYN EPPSTEIN	MNWD
FRANI BAILEY	MNWD

PUBLIC MEMBERS

TOM ROSALES	SOCWA
MIKE WILSON	SOCWA
JOHN SCHATZ	SMWD
DAN FERONS	SMWD
LARRY LONGENECKER	City of Laguna Niguel

Absent was:

There were no absences.

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

ACTION ITEMS

Presentation from SOCWA regarding IRWD Biosolids Project, SOCWA-IRWD

Agreement and PC 25 Agreement

- **Director Lizotte requested that before this project comes back to the Board for final approval Dr. Gumerman provide the Board with a matrix that shows the ramifications and costs of staying the present course or entering into the agreement with IRWD and Director Fiore commented that he would like to have a formal report from Dr. Gumerman quantifying the concerns that Mr. Rosales expressed.**

Item No. 1 - Approval of Minutes

Chairman Froelich noted that the minutes of the April 18, 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 Lizotte commented that Page 3 of the minutes indicated that he suggested that Mr. Roy contact El Toro Water District with regard to rebating funds from its conservation fund to its customers. He asked if Mr. Roy had contacted ETWD and Mr. Roy reported that he did and elaborated on his discussion with ETWD. Further discussion ensued regarding the minutes.

THEREAFTER, UPON A MOTION DULY MADE BY DIRECTOR MCKENNEY AND SECONDED BY DIRECTOR KURTZ THE MINUTES OF THE APRIL 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 - 2010 Urban Water Management Plan Update

Mr. Collings reported that the Board members were previously provided with a copy of the Draft 2010 Urban Water Management Plan with the intent to discuss it today and include it on the agenda for the Board meeting on Thursday for a public hearing and adoption by the Board. He explained that there was a technical difficulty on the part of the Orange County Register with the publication of the notice and the District missed the 14-day public notice window. Mr. Collings explained that Legal Counsel recommended that the public hearing be postponed until the requirements of the 7-day and 14-day notification are met. He reported that the public hearing and adoption of the Urban Water Management Plan will be agendized for the June Board meeting. He commented that if there were comments or questions that the Board members have after reviewing the draft he would be happy to give a presentation regarding what is contained in the report and solicit any questions or comments that the Board may have.

Mr. Collings reported that the report was prepared via a contract through MWDOC to Malcolm Pirnie. Malcolm Pirnie prepared about 20 Urban Water Management Plans through the MWDOC contract and the District participated in the effort at a cost of approximately \$30,000. He commented that Ms. Eva Plajzer was instrumental in coordinating Malcolm Pirnie's effort and finalizing the document and would make the presentation to the Board. Director Fiore asked if other agencies are adopting the very same document the District will adopt and Mr. Collings explained that other agencies are adopting similar documents prepared on their behalf; MNWD's document is specific to MNWD, and every water purveyor that meets certain criteria is required to adopt an Urban Water Management Plan every five years. Mr. Collings explained that there is a general, regional approach to some of the information contained in the Plan; however, it was prepared specifically for MNWD.

Ms. Plajzer explained that the Urban Water Management Plan is required per the Urban Water Management Planning Act enacted in 1983. She explained that every water supplier in the state having 3,000 connections or serving 3,000 acre-feet must prepare an Urban Water

Management Plan every five years. Ms. Plajzer and Mr. Collings reviewed the Urban Water Management Plan and answered the Board members' questions.

Director Probolsky arrived at 9:25 a.m.

Ms. Plajzer reported that the public hearing and adoption of the Urban Water Management Plan Update is scheduled for the Board meeting on June 16, 2011. She reported that the final report will reflect all of the final dates and any comments or changes the Board would like staff to make. President McKenney asked when Mr. Collings would like to have any additional comments the Board members have and Mr. Collings requested that he receive the Board's comments within the next couple of weeks. Mr. Collings reported that staff is re-noticing the public hearing in the Orange County Register and has sent letters to the neighboring cities and the County notifying them of the change in the date of the public hearing from May to June. Dr. Gumerman suggested that the Board provide Mr. Collings with its comments by June 1 and Mr. Collings concurred.

President McKenney suggested that the presentation from SOCWA be discussed prior to the Water Supply Assessment and the Board concurred.

Item No. 4 - Presentation from SOCWA regarding IRWD Biosolids Project, SOCWA-IRWD Agreement and PC 25 Agreement

Dr. Gumerman commented that he invited Mr. Tom Rosales, General Manager of SOCWA, to discuss the Biosolids Project with the Board. He commented that Mr. Rosales will discuss an agreement between SOCWA and IRWD that allows the project to move forward and a Project Committee (PC) 25 Agreement of SOCWA. Dr. Gumerman commented that in addition to Mr. Rosales Mr. Mike Wilson, Assistant General Manager/Director of Operations of SOCWA is present, as are Mr. John Schatz and Mr. Dan Ferons from Santa Margarita Water District. He invited Mr. Rosales to address the Board.

Mr. Rosales reported that SOCWA's Board will meet tomorrow to discuss SOCWA's proposed involvement in a Biosolids project of IRWD. He distributed cost tables related to the project to the Board members. Mr. Rosales explained that this project has been on a fast track for SOCWA, and SOCWA signed a letter of intent in December 2010 and began working on the

terms and conditions of SOCWA's involvement in the project. He reported that tomorrow staff would bring to SOCWA's Board the two agreements for the project; the agreement between SOCWA and IRWD specifying the terms and conditions of SOCWA's involvement, and the proposed development of a project committee at SOCWA for the internal member agencies that would have their biosolids managed at the IRWD facility.

Mr. Rosales reported that he will recommend to SOCWA's Board tomorrow that SOCWA proceed with the project. He elaborated on the reasons for his recommendation and described the goals of the Biosolids Strategic Management Plan that SOCWA prepared ten years ago. Mr. Rosales explained the mechanics of the biosolids project and reported that the cost is approximately double on a per-ton basis versus what SOCWA pays today for its private market options. He reported SOCWA pays a blended rate of \$60 per ton for the different options it uses, and the IRWD biosolids project would cost approximately \$130 to \$140 per ton. Mr. Rosales explained the rationale for SOCWA participating in the IRWD biosolids project and answered the Board members' questions.

A discussion ensued and Dr. Gumerman commented that 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. He commented that the SOCWA Engineering Committee looked at three factors that the Board should consider: SOCWA would be paying more, but that is a risk premium to have control of its own destiny with a local source of biosolids disposal. The second factor is that this would only involve a third of the solids from SOCWA, so SOCWA is not putting all of its eggs in one basket. The third factor, which still needs to be addressed by the SOCWA Board, is what happens if one or more agencies choose not to participate. He commented that historically when multiple options occurred for solids handling SOCWA blended the cost of everything after dewatering, regardless if it is higher at one plant or another, and this is part of the blended costs reflected in Table 4. Dr. Gumerman reported that the SOCWA Engineering Committee will recommend to the Board that if all of the member agencies do not want to participate, SOCWA should not do the project. Further discussion ensued and Mr. Rosales answered the Board members' questions.

Director Probolsky commented that this project seems like an extreme measure when an extreme problem does not exist and he does not think all of the potential business options have been considered. He that commented he is uncomfortable with the time frame and feels that the arguments supporting the project are not solid, and while not in any way disrespecting the effort that everyone has put into the project, he would not recommend that the District participate in it. Director Lizotte asked what the other Directors think and commented that this matter will come before SOCWA's Board tomorrow and Mr. Rosales needs some direction. Director Fiore commented that he is still acquiring information and has not made a decision.

Mr. Rosales explained that the decision regarding the first agreement between SOCWA and IRWD could simply be an approval to keep the project alive, and the Project Committee Agreement still needs the approval of all those participating. He commented that even if SOCWA approves the Project Committee Agreement tomorrow, it would still come back before MNWD's Board for approval, and it would not be final until all of the member agencies have voted one way or another. Further discussion ensued regarding the project and Director Lizotte suggested that MNWD indicate that it is willing to stay in the project and that before it comes back to the Board for final approval Dr. Gumerman provide the Board with a matrix that shows the ramifications and costs of staying the present course or entering into the agreement with IRWD. The Board concurred with Director Lizotte's suggestion. Director Fiore commented that he would like to have a formal report from Dr. Gumerman quantifying the concerns that Mr. Rosales expressed and Dr. Gumerman reported that he could do that.

Mr. Dan Ferons reported that in SMWD's Master Plan for the Chiquita Water Reclamation Plant there are two biosolids handling options being reviewed. One is a dryer similar to IRWD's approach and the other is to powder the sludge and burn it for energy. He commented that SMWD could upsize the proposed facilities at the Chiquita Plant to address some of the issues raised today, and even if SOCWA and MNWD participate in the IRWD project they could also participate in the Chiquita project later on as another alternative source. Mr. Ferons reported that the Chiquita project would not be as expensive; however, it will be three to four years before SMWD begins the project.

Item No. 5 - Water Supply Assessment, City of Laguna Niguel Gateway Specific Plan

President McKenney commented that the Water Supply Assessment indicates that it relies on the Draft Urban Water Management Plan Update. He asked Ms. Giannone if it is appropriate to consider approving the Water Supply Assessment prior to adopting the 2010 Urban Water Management Plan, and Ms. Giannone reported that it is, because the Board will approve the Draft Urban Water Management Plan Update next month. Mr. Collings explained that the District is required by law to complete the Water Supply Assessment within 90 days and the deadline is approaching. Ms. Giannone reported that the fact the Board has not formally approved the Urban Water Management Plan Update does not undermine the validity of approving the Water Supply Assessment because it is based on the plan which will be approved in another month.

Mr. Collings reported that Mr. Larry Longenecker, who is with the Planning Department of the City of Laguna Niguel, is present to answer any questions the Board might have. He reported that in January 2011 the City of Laguna Niguel submitted an application to the District for the preparation of a Water Supply Assessment (WSA) to be included in the CEQA documentation for the Gateway Specific Plan Update and the District contracted with Psomas to prepare the WSA. He reported that Ms. Plajzer would present a summary of the WSA to the Board.

Ms. Plajzer showed the Board a map depicting the location of the Gateway Specific Plan and reported that the proposed project will have residential development of more than 500 dwelling units; will be a business establishment employing more than 1,000 persons or having a floor space of more than 500,000 square feet; will be a hotel of 500 rooms or more, or an industrial development of more than 1,000 people occupying more than 40 acres or having more than 650,000 square feet of floor area. She reviewed the specifics of the WSA and answered the Board members' questions. Director Probolsky commented that this project is a good opportunity to build dual-plumbed buildings and houses. Mr. Collings reported that the District has done dual-plumbed buildings at SOKA University and is interfacing with the WateReuse staff on an ongoing basis to learn about different types of applications and uses for recycled water. He

commented that staff will work with the City and developers to push for more efficient uses as the project develops. Further discussion ensued.

Mr. Collings reported that this matter will be on the Legal agenda on Thursday with a resolution for the Board to adopt the WSA. President McKenney commented that he does not see a statement in the WSA that the District relies completely on MET for its water supply. A discussion ensued and Mr. Collings reported that he would revise the Conclusion section of the WSA to address President McKenney's concerns and bring it to the Board on Thursday.

DISCUSSION ITEMS

Item No. 6 – Laguna Sur – Proposition 218 Notice

Ms. Giannone explained that although South Coast Water District (SCWD) provides sewer service to the Laguna Sur area, the area is within MNWD's service area by way of a LAFCO Reorganization. She explained that Laguna Sur is the only area within the District where the sewer charges and rates are collected on the annual property tax bill because historically that is the way the property has billed for sewer service and the way that the LAFCO Reorganization addressed it. Ms. Giannone reported that the rates set by SCWD are passed through by MNWD to the Laguna Sur area, and the District has no discretion as to the charges, but must wait for SCWD to set the rates. She reported that there are two components to SCWD's sewer charges, the usage rate and the fixed charge. The usage rates are increasing over the amounts that were approved by MNWD's Board in 2009 for the Laguna Sur area, and SCWD's Proposition 218 Notice is for an approval for two years. Ms. Giannone reported that the fixed charges are not increasing over what MNWD's Board adopted (as approved by SCWD) in 2009; therefore, it is not necessary to do a 218 Notice for the fixed charges.

Director Fiore asked if SCWD is reimbursing the District for the 218 Notice and Ms. Giannone reported that the District pays for the notice pursuant to the LAFCO agreement. A discussion ensued regarding the 218 Notice and Ms. Giannone and staff answered the Board members' questions. Director McKenney asked if there is any legal requirement that the District communicate to its customers through a 218 Notice that SCWD is a lean and efficient operation and Ms. Giannone reported there is not. Mr. Roy explained that the language in the 218 Notice

came from SCWD's 218 Notice and a discussion ensued as to why this language is in the 218 Notice. Ms. Giannone commented that the draft 218 Notice uses the same approach as the one done by MNWD in 2009 to track SCWD's notice because that was SCWD's explanation as to why the rates are increasing. Further discussion ensued and the Board provided staff with suggestions as to how the 218 Notice could be revised.

Item No. 7 – Wireless Network Installation, Phase C, Contract 2006.038 – Design Contract Award

Mr. Collings reported that the staff report in the agenda contains a request for the Board to authorize a structural design professional services agreement to Arcon Structural Engineers, Inc., for approximately \$60,000. He reported that several years ago the District began implementation of a wireless network. He explained that currently all of the District's facilities communicate with each other through leased capacity in AT&T Communication's cable network. Mr. Collings reported that several years ago the District initiated an effort to construct a wireless network to move the communication from the leased network capacity to the District's own service capacity. The benefits were intended to increase the overall system capacity to allow the District to venture into other potential projects, such as video surveillance of sites, and use networking hot spots at sites that would allow District employees to access the District servers to improve operational efficiencies, increase the speed of the network and the ability to access and communicate across the sites, and improve system reliability. Mr. Collings reported that when the District loses communication to its facilities, staff's inability to see what is happening at a site and communicate between sites has become a critical issue.

Mr. Collings reported that the wireless network project is being constructed in three phases. Phase A installed network communications at 11 primary sites or hubs. The hubs gathered information from the other remote sites and routed the information back to the main office and to the Field Operations facility. The second phase involved District staff installing antennas at facilities that they could do without the use of structural assistance because they were 5 to 15 feet tall. The last phase requires installation of 17 sites that require some significant towers (30-60 feet) to achieve the line of site communication required, which is why staff drafted

an RFP to solicit design services to prepare the plans for the structural towers. Director Lizotte asked if the District needs city approval to install the towers. Mr. Collings reported that technically the District is exempt from city approval because the towers are critical for the operation of the water and wastewater services; however, staff is coordinating with the cities on this project.

Mr. Collings reported that the design contract is for approximately \$60,000 and staff estimates that construction of the final phase will cost between \$600,000 and \$700,000, putting the total project at approximately \$2.2 million. He reported that to date staff has spent a little more than \$1.3 million on the project. Mr. Collings reported there is some additional work staff would have to do on the programming side; however, the bulk of the project is in the final installation phase and would put the wireless network in operation and allow the District to abandon its leased AT&T network capacity, which costs about \$86,000 per year.

Director Probolsky commented that Arcon does not appear to be doing any work. Ms. Plajzer explained that Arcon would do the structural analysis, the civil subcontractor would do the civil siting, and the geotechnical subcontractor would do the geotechnical work for the structural analysis. She reported that the District's staff will be setting the poles.

Mr. Collings reported that the Board has authorized an expense up to \$1.9 million and staff has spent approximately \$1.3 million so far. He explained that staff is asking the Board to approve the contract with Arcon that is within the existing expense authorization. At the time staff goes out to bid for the final phase, the installation of the towers, which staff anticipates will be a \$600,000 contract, the contract will be brought to the Board for approval, staff will review cost projections compared to the expense authorization and budget, and ask for adjustments if necessary. President McKenney asked if the budget for the next fiscal year shows \$2.2 million for this total project and Mr. Collings reported that he believes the budget includes the \$2.5 million and the \$1.9 million project authorization.

Item No. 8 – Monthly Construction Progress Report

Mr. Collings reported that the Board received the Monthly Construction Progress Report in the agenda package. He commented that the most notable item is that this is the largest

Construction Progress Report he has brought before the Board, and staff is getting ready to issue Notices to Proceed on quite a few projects. He commented that Mr. McDowell and his staff are gearing up for what is anticipated to be a very busy summer and he is encouraged to see the progress staff is making on getting these projects out.

A. Upper Salada Oxygen Generation System, Contract 2010.010

Mr. Collings reported that the long lead item equipment has been ordered and staff received the 30% design of the facility for the design-build contract and is reviewing it. He reported that the project is still on schedule to be online in September.

Item No. 9 – Budget vs. Cost-to-Date

Mr. Collings reported that he anticipates that several projects will be completed over the next few months. He commented that some of the projects that were anticipated to be completed were not, and he will discuss this more when the budget discussions for next year's capital projects occur.

Item No. 10 – Water Supply Reliability Projects Status – Monthly Summary Report

Mr. Collings reported that the District paid approximately \$1.6 million last month in invoices, including \$200,000 for the Baker Treatment Plant design, which is nearing its finalization, and a \$1.4 million invoice to Santa Margarita Water District for the Upper Chiquita Reservoir Project. He reported that the District has spent \$13.5 million on the Upper Chiquita Reservoir project so far. Mr. Collings reported that it is anticipated that filing of the Upper Chiquita Reservoir will begin in late June or early July, and the water will be available for delivery in late July or August. He reported that he is hopeful that a construction contract for the Baker Treatment Plant will be considered in October or November along with a final go/no-go decision on the project.

a. South Orange Coastal Ocean Desalination (SOCOD), Contract 2008.049

Director Kurtz and Mr. Collings updated the Board on the South Orange Coastal Desalination Project and answered the Board members' questions.

INFORMATION ITEMS

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

Mr. Collings reported that pursuant to the Board's request last month the staff report and a copy of the letter sent to the SWRCB regarding the proposed Waste Discharge Requirements for Sanitary Sewer Systems were provided to the Board. He reported that Mr. Brad Bruington, Utilities Superintendent, assisted Mr. Collings in preparing the letter in conjunction with the use of templates the District received.

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

Mr. Collings reminded the Board that the tour of the Plant 3A Effluent Transmission Main has been scheduled for Friday, June 10, 2011.

ADJOURNMENT

There was no further business to come before the Engineering and Operations Board and the meeting was adjourned at 12:00 p.m.

Respectfully submitted,

Frani Bailey
Recording Secretary