

MINUTES OF REGULAR MEETING – AUGUST 26, 2013

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 5:00 p.m. by President Reinhart on August 26, 2013 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Withers, Swan (arrived at 5:25 p.m.), Matheis, LaMar and Reinhart

Directors Absent: None

Also Present: General Manager Cook, Executive Director of Finance Clary, Executive Director of Engineering Burton, Executive Director of Operations Sheilds, Executive Director of Water Policy Heiertz, Director of Water Resources Weghorst, Legal Counsel Arneson, Secretary Bonkowski, Ms. Christine Compton, Mr. Alex Aguilar, Ms. Fiona Sanchez, Ms. Tina Bertsch, Mr. Mike Hoolihan, Mr. Dave Ferguson, Mr. Dean Kirt, Mr. Sat Tamaribuchi, Mr. Jim Reed, Mr. Bruce Newell, Ms. Marilyn Thoms, Mr. Wayne Clark and other members of the public and staff.

WRITTEN COMMUNICATION: None.

ORAL COMMUNICATION

Mrs. Joan Irvine Smith's assistant addressed the Board of Directors with respect to the Dyer Road wellfield. She said it was her understanding that currently wells 1, 4, 6, 7, C-8, C-9, 10, 12, 14, 15, 17 and 18 will operate in accordance with the District's annual pumping plan. Wells 2, 3, 5, 11, 13 and 16 will be off. This was confirmed by Mr. Cook, General Manager of the District.

With respect to the OCWD annexation of certain IRWD lands, on June 5, 2009, IRWD received a letter from OCWD noting that OCWD has completed the formal responses to comments they previously received on the draft program Environmental Impact Report. The letter further noted that with this task completed, OCWD has exercised its right to terminate the 2004 Memorandum of Understanding (MOU) regarding annexation. OCWD also indicated that due to the lack of progress on the annexation issue, the draft program Environmental Impact Report will not be completed. On June 8, 2009, OCWD completed the Long-Term Facilities Plan which was received and filed by the OCWD Board in July 2009. Staff has been coordinating with the City of Anaheim (Anaheim) and Yorba Linda Water District (YLWD) on their most recent annexation requests and has reinitiated the annexation process with OCWD. IRWD, YLWD and Anaheim have negotiated a joint MOU with OCWD to process and conduct environmental analysis of the annexation requests. The MOU was approved by the OCWD Board on July 21, 2010. This was confirmed by Mr. Cook.

With respect to the Groundwater Emergency Service Plan, IRWD has an agreement in place with various south Orange County water agencies, MWDOC and OCWD, to produce additional groundwater for use within IRWD and transfer imported water from IRWD to south Orange County in case of emergencies. IRWD has approved the operating agreement with certain south Orange County water agencies to fund the interconnection facilities needed to affect the emergency transfer of water. MWDOC and OCWD have also both approved the operating agreement. This was confirmed by Mr. Cook.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED - None.

CONSENT CALENDAR

On MOTION by Matheis, seconded and carried (Swan absent), CONSENT CALENDAR ITEMS 4 THROUGH 14 WERE APPROVED AS PRESENTED.

4. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the August 12, 2013 be approved.

5. RATIFY/APPROVE BOARD OF DIRECTORS' ATTENDANCE AT MEETINGS AND EVENTS

Recommendation: That the Board ratify/approve the meetings and events for Steven LaMar, Mary Aileen Matheis, Douglas Reinhart, Peer Swan and John Withers.

6. JULY 2013 TREASURY REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for July 2013; approve the July 2013 Summary of Payroll ACH payments in the total amount of \$1,427,106 and approve the July 2013 Accounts Payable Disbursement Summary of Warrants 340674 through 341265, workers' compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$23,742,855.

7. STRATEGIC MEASURES DASHBOARD

Recommendation: That the Board receive and file the Strategic Measures Dashboard and information items.

8. UPCOMING PROJECTS STATUS REPORT

Recommendation: Receive and file.

9. WELL 110 REHABILITATION FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Well 110 Rehabilitation Project; authorize the General Manager to file a Notice of Completion; and authorize the release of retention to South West Pump and Drilling 35 days after filing of the Notice of Completion.

10. STRAND RANCH RECOVERY FACILITIES PROJECT FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Strand Ranch Recovery Facilities project 11289 (2812); authorize the filing of a Notice of Completion; and authorize the payment of the retention 35 days after the date of recording the Notice of Completion.

CONSENT CALENDAR (CONTINUED)

11. SYPHON RESERVOIR INTERIM FACILITIES CONTRACT CHANGE ORDER

Recommendation: That the Board approve Contract Change Order No. 3 with Paulus Engineering, Inc. in the credit amount of (\$40,206.12) for Syphon Reservoir Interim Improvements, project 30374 (3729).

12. PLANNING AREA 40 CYPRESS VILLAGE NEIGHBORHOOD 2G CAPITAL IMPROVEMENTS

Recommendation: That the Board authorize the addition of project 30424 (4528) in the amount of \$108,900 to the FY 2013-14 Capital Budget; and approve an Expenditure Authorization for project 30424 (4528) in the amount of \$108,900 for Planning Area 40 Neighborhood 2G Recycled Water Capital Improvements.

13. TUSTIN LEGACY VILLAS CAPITAL IMPROVEMENTS

Recommendation: That the Board authorize the addition of project 21153 (4518) in the amount of \$506,000 to the FY 2013-14 Capital Budget; approve an Expenditure Authorization for project 21153 (4518) in the amount of \$506,000; and authorize the General Manager to execute a Supplemental Reimbursement Agreement with Irvine Community Development Company for Tustin Legacy Villas Capital Improvements, project 21153 (4518).

14. BAKER RANCH PHASE 1B CAPITAL IMPROVEMENTS

Recommendation: That the Board authorize increases to the FY 2013-14 Capital Budget for projects 11662 (4004) and 31662 (4005) in the amounts of \$181,500 and \$38,500, respectively; and approve Expenditure Authorizations for projects 11662 (4004) and 31662 (4005) in the amounts of \$811,800 and \$299,200, respectively, for the Baker Ranch Phase 1B Capital Improvements.

ACTION CALENDAR

AUTOMATION SUPPORT CONSULTANT SERVICES

Executive Director of Engineering Burton reported that the District's automation staff consists of a small group of instrumentation and controls engineers, field technicians, and specialists who are responsible for keeping the hardware and software automation systems fully operational allowing the District to operate its water and wastewater facilities remotely with minimal after hours support. This group is also responsible for the design, construction support, and commissioning of the automation systems required for all capital projects. Mr. Burton said that these consultants have primarily consisted of individuals from Arcadis, EI&C Engineering, HDR Engineering, Tetra Tech, and Westin.

Mr. Burton said that staff has identified that the majority of the remaining tasks require highly specialized expertise and experience, and that these tasks can be most efficiently completed

through the use of a key individual from Westin who has consistently demonstrated the technical proficiency needed to complete the type of specialized work. He said staff recommends that a Professional Services Agreement be executed with Westin for continued automation support services through July 2014. Westin will provide automation support on the completion of the Water Operations Transdyn Replacement, Los Alisos Telemetry Upgrade, and the Los Alisos Recycled Water Treatment Plant SCADA Server Replacement projects.

Director Withers said that this item was reviewed and approved by the Engineering and Operations Committee on August 20, 2013. On MOTION by Withers, seconded and carried (Swan absent), THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH WESTIN ENGINEERING IN THE AMOUNT OF \$275,310.

ADOPTION OF THE SOUTH ORANGE COUNTY WATERSHED MANAGEMENT AREA'S
UPDATED INTEGRATED REGIONAL MANAGEMENT PLAN

General Manager Cook reported that in 2010, IRWD became a member of the newly-formed South Orange County Watershed Management Area (SOCWMA) Executive Committee and adopted the 2005 Integrated Regional Water Management Plan (IRWMP). Mr. Cook said that the County of Orange, with input from the SOCWMA member agencies and stakeholders, has updated the IRWMP and is asking each member agency to adopt the updated IRWMP as required by the State of California in its IRWMP guidelines. Executive Director of Water Resources Heiertz introduced to the Board Marilyn Thoms from the County of Orange, who has worked on this plan since its inception.

On MOTION by Withers, seconded and carried (Swan absent), THE BOARD ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2013-33

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
IRVINE RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA
ADOPTING THE SOUTH ORANGE COUNTY INTEGRATED
REGIONAL WATER MANAGEMENT PLAN

WORKSHOP

LONG-TERM CAPITAL FINANCING PLAN UPDATE

A PowerPoint presentation was placed before each Director. Executive Director of Finance Clary provided an overview of the existing Long-Term Capital Financing Plan which was first developed 35 years ago. Director Swan arrived at 5:25 p.m. Using a PowerPoint presentation, Mr. Christopher Smithson reviewed the objectives of the long-term Capital Funding plan review which includes: 1) identifying and quantifying issues with the current capital funding model that have emerged as the District approaches full development; 2) identifying options to update the capital funding model and make it more effective as the District reaches full development; and 3) integrating changes in the capital funding program into a comprehensive, global solution to

consolidate and streamline water and sewer improvement districts. Mr. Smithson reviewed the process which has been ongoing for several years with staff, the Finance Committee and interested third parties including The Irvine Company, the Building Industry Association, NAIOP, and Five Points. He said that a Work Plan was approved by the Finance and Personnel Committee in August of 2012.

Mr. Smithson reviewed the guiding principles from August 2012 including: 1) customers, property owners, developers and other beneficiaries of the District infrastructure should pay their fair share; 2) the 50/50 concept should be retained, but may need to be applied differently in the future; 3) the past is instructive, but all assumptions should be challenged going forward; 4) the reasons for maintaining separate improvement districts may have become less relevant and in some cases misaligned with funding responsibilities; 5) the District should optimize its general obligation authorization; 6) successor Improvement Districts should be fiscally healthy in terms of general obligation authorization and funding ability; and 7) there should be a stronger signal linking capital project costs and rate impacts.

Mr. Smithson reviewed the key elements of the current capital funding model including: 1) implemented in 1978 to fund facilities needed to meet future growth and development; 2) virtually unchanged for 35 years; 3) intended to fairly and equitably allocate the costs of constructing water and sewer infrastructure; 4) incorporated a long-term approach that has performed well over time; 5) relied on improvement districts, a regional cost allocation, and funding through authorized general obligation debt; and 6) equitably allocated capital costs 50/50 between connection fees and property taxes.

Mr. Smithson then reviewed issues confronting the current ‘baseline’ capital funding model; working assumptions used to modify baseline scenario; issues confronting the modified capital funding model; the improvement district consolidation strategy and proposed regional splits; the allocations of future capital in the master consolidation scenario; projected financial impacts from financial consolidation; projected combined residential and commercial connection fees; projected residential replacement component included in monthly service change with the loss of a one percent tax revenue; a Plan of Work update; and next steps.

Director Swan reported that this was reviewed by the Finance and Personnel Committee on June 28, 2013. He said that this issue is not an easy process as staff is trying to simplify a very complicated matter, and concurs with staff’s recommendations. Director LaMar complimented staff on their efforts and also in getting the working group involved in this process. Mr. Sat Tamaribuchi, representing the Irvine Company said that they were all together at this point and currently working on details at this time. There being no further comments, on MOTION by Swan, seconded and unanimously carried, **THE BOARD APPROVED THE MASTER CONSOLIDATION PLAN AS PRESENTED; AUTHORIZED STAFF TO PROCEED WITH THE PRELIMINARY DRAFT OF THE PLAN OF WORKS; AND AUTHORIZED STAFF TO PREPARE THE NECESSARY STEPS TO IMPLEMENT THE MASTER CONSOLIDATION.**

GENERAL MANAGER’S REPORT

General Manager Cook reported that he received an invitation today from Ms. Ellen Hanak to participate in a workshop at MWD next Thursday to discuss creative funding sources, which he will attend.

DIRECTORS' COMMENTS

Director Matheis reported on her attendance at the Urban Water Institute conference in San Diego along with Directors LaMar and Reinhart. She commented on Mr. Kevin Kelly's presentation on the Salton Sea.

Director Withers reported that on Wednesday he will be attending the California LAFCO meeting for a discussion on shared services among the cities and other entities.

Director Swan reported that he attended ACWA's Special Executive Board meeting relative to a compensation study, a WACO Planning Meeting, and a CASA conference for one-day focusing on utilities in the future. He said he will be attending OCSD's event inducting Mr. John Collins from the City of Fountain Valley.

Director LaMar reported on his attendance at the Urban Water Institute conference.

Director Reinhart also reported on his attendance at the Urban Water Institute conference and commented on one of the sessions on fracking which he said needs to be resolved. Director Matheis said that the District should follow this issue very closely.

Consultant Jim Reed reported on the meetings he attended on the District's behalf.

MWDOC's Director Wayne Clark reported that its new General Manager, Mr. Rob Hunter, will begin at MWDOC on September 9th and that introduction meetings will be scheduled with each member agency. In response to Mr. Clark's comments, staff will provide him with a copy of IRWD's policy position paper relative to MWDOC's rate structure.

ADJOURNMENT

There being no further business, President Reinhart adjourned the meeting at 6:10 p.m.

APPROVED and SIGNED this 9th day of September, 2013.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone