

MINUTES OF REGULAR MEETING – DECEMBER 15, 2014

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 LaMar on December 15, 2014 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Reinhart, Withers, Matheis, LaMar and Swan

Directors Absent: None.

Also Present: General Manager Cook, Executive Director of Engineering and Water Quality Burton, Executive Director of Finance Clary, Executive Director of Operations Shields, Executive Director of Water Policy Weghorst, Director of Treasury and Risk Management Jacobson, Director of Water Resources Sanchez, Assistant Director of Maintenance Drake, Legal Counsel Arneson, Secretary Bonkowski, Ms. Christine Compton, Mr. Mike Hoolihan, Mr. Jim Reed, Ms. Eileen Lin, Mr. Dane Johnson, Mr. Alex Aguilar, and other members of the public and staff.

WRITTEN COMMUNICATION:

Mrs. Joan Irvine Smith's assistant asked that the status of the Dyer Road Wellfield be included in the minutes as follows: Currently wells 2, 4, 6, C-8, C-9, 10, 13 and 15 will operate in accordance with the District's annual pumping plan and that wells 1, 3, 5, 7, 11, 12, 14, 16 and 18 will be off.

ORAL COMMUNICATION – None.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED– None.

PRESENTATION

NATIONAL PURCHASING INSTITUTE ACHIEVEMENT OF EXCELLENCE IN PROCUREMENT AWARD

Mr. Alex Aguilar presented the Achievement of Excellence in Procurement Award given to the District by the National Purchasing Institute for the 14th consecutive Year.

CONSENT CALENDAR

President LaMar and Director Swan both complimented staff on an outstanding job on the Comprehensive Annual Financial Report provided in item No. 9 on the Consent Calendar. There being no further comments, on MOTION by Withers, seconded and unanimously carried, CONSENT CALENDAR ITEMS 4 THROUGH 11 WERE APPROVED AS FOLLOWS:

CONSENT CALENDAR (CONTINUED)

4. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the November 24, 2014 Regular Board meeting be approved as presented.

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 as described.

6. 2014 GENERAL DISTRICT ELECTION RESULTS

Recommendation: That the Board adopt the following resolution by title:

RESOLUTION NO. 2014-54

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE
RANCH WATER DISTRICT DECLARING RESULTS OF
NOVEMBER 4, 2014 GENERAL DISTRICT ELECTION

7. NOVEMBER 2014 TREASURY REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report, the Monthly Interest Rate Swap Summary for November 2014, and Disclosure Report of reimbursements to Board members and staff; approve the November 2014 summary of payroll each payments in the total amount of \$1,630,774 and approve the November 2014 accounts payable disbursement summary of warrants 353243 through 354104, workers' compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$19,718,589.

8. PROPOSED 2015 INVESTMENT POLICY

Recommendation: That the Board approve the proposed 2015 Investment Policy; and adopt the following resolution by title:

RESOLUTION NO. 2014-55

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
IRVINE RANCH WATER DISTRICT APPROVING INVESTMENT
POLICY AND AUTHORIZING THE TREASURER AND
ASSISTANT TREASURERS TO INVEST AND REINVEST
FUNDS OF THE DISTRICT AND OF EACH OF ITS
IMPROVEMENT DISTRICTS AND TO SELL
AND EXCHANGE SECURITIES.

CONSENT CALENDAR (CONTINUED)

9. FY 2013-14 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Recommendation: Receive and file.

10. TECHNOLOGY DRIVE AND LAGUNA CANYON ROAD CAPITAL RECYCLED WATER FACILITIES SUPPLEMENTAL REIMBURSEMENT AGREEMENT

Recommendation: That the Board authorize the General Manager to execute a Supplemental Reimbursement Agreement with Irvine Community Development Company for the Technology Drive and Laguna Canyon Road Capital Recycled Water Facilities, project 30366 (1015).

11. UTILITY BILLING SOFTWARE IMPLEMENTATION VARIANCE APPROVAL

Recommendation: That the Board authorize the General Manager to execute Variance No. 16, in the amount of \$4,400, Variance No. 17 in the amount of \$3,300, Variance No. 18 in the amount of \$4,125, and Variance No. 19 in the amount of \$6,600 with Infosys for additional implementation services for the Utility Billing Software Implementation, projects 11615 (3236) and 21615 (3237).

ACTION CALENDAR

2014 WATER-ENERGY GRANT PROGRAM APPLICATION

General Manager Cook reported that the Department of Water Resources (DWR) is seeking applications for grant funding under its 2014 Water-Energy Grant Program. Mr. Cook said that staff has prepared an application for a Water and Energy Residential Resource Savings Program which is a program that will be implemented in partnership with Southern California Gas Company (SCG) and Southern California Edison (SCE). Staff anticipates that up to 5,700 single-family and multi-family dwelling units may enroll in the program. As part of the application process, DWR requires a resolution adopted by each applicant's governing body, designating an authorized representative to submit a proposal for a grant and to enter into an agreement to receive the funding.

Director Matheis reported that this item was reviewed and approved by the Water Resources Policy and Communications committee on December 8, 2014. On MOTION by Matheis, seconded and unanimously carried, THE BOARD ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2014 – 56

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT AUTHORIZING
STAFF TO FILE AN APPLICATION WITH THE
CALIFORNIA DEPARTMENT OF WATER RESOURCES
FOR 2014 WATER-ENERGY GRANT PROGRAM FUNDING
AND AUTHORIZING THE GENERAL MANAGER TO
EXECUTE A RELATED AGREEMENT WITH THE
STATE OF CALIFORNIA.

ACTION CALENDAR (CONTINUED)

CONSULTANT SELECTION FOR WATER SUPPLY RELIABILITY STUDY AND MODEL DEVELOPMENT

Director of Water Resources Sanchez reported that in 2008, a Water Reliability Study was developed to assist the District with defining potable water reliability under different water supply and demand scenarios. Ms. Sanchez said that since the development of this study, IRWD has implemented new projects that will result in a significant reduction in the need for the development of additional supplies that were previously identified. The purpose of the proposed update to the study will be to re-evaluate the impacts of various supply and system interruption scenarios and to develop utilities to enhance the 2008 study. It will incorporate considerations of new and planned facilities as well as other changes that have occurred since 2008, including but not limited to: 1) Wells 21 and 22 Desalter Plant and the Baker Water Treatment Plant; 2) IRWD's commitments to other agencies through emergency interties; 3) updates to Metropolitan Water District's water supply reliability projections; 4) IRWD's water banking projects in the Central Valley; and 5) other foreseeable regional water supply projects. She said that other factors that were not considered in the 2008 study could offset the benefits of these projects including: 1) uncertainty in whether the alternative conveyance for the Bay Delta Conservation Plan (BDCP) will ever be permitted and constructed; 2) potential for long-term drought on the Colorado River; 3) the risk of San Joaquin River Delta levee failures during a significant earthquake; 4) failure of the Edmonston Pumping Plant that is located near the south end of the California Aqueduct; and 5) potential reductions in flows available for recharge in the Orange County basin.

Ms. Sanchez said that the study will be enhanced with the development of a user-friendly Demand Adjustment Tool that can be used to refine IRWD's demand projections through build-out based on factors such as long-term conservation and economic impacts that occur in various shortage and system scenarios. Another enhancement will be the development of modeling tools that will assist in IRWD's system and supply reliability planning efforts.

Ms. Sanchez said that staff issued a Request for Proposal and two related addendums to seven firms to prepare an updated and enhanced Water Reliability Study. Proposals were received from HDR, Carollo Engineers, Inc. and RMC Water and Environment. After completing a thorough evaluation of the written proposals and conducting interviews with each firm, staff recommends the selection of HDR to complete the work. HDR's approach will provide IRWD the ability to model impacts to system and supply reliability under various shortage scenarios that extend far beyond the approaches proposed by RMC and Carollo.

Director Matheis reported that this item was reviewed and approved by the Water Resources Policy and Communications Committee on December 8, 2014. Following discussion, staff said that they will schedule a workshop with HDR in the future to discuss assumptions with the Board. On **MOTION** by Matheis, seconded and unanimously carried, **THE BOARD AUTHORIZED THE ADDITION OF PROJECT 11808 (6013) TO THE FY 2014-15 CAPITAL BUDGET IN THE AMOUNT OF \$496,900 WHICH INCLUDES \$50,000 FOR STAFF TIME AND \$5,000 FOR LEGAL ASSISTANCE, AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH HDR ENGINEERING, INC. IN THE AMOUNT OF \$376,800 TO CONDUCT THE WATER RELIABILITY STUDY TO PREPARE A DEMAND ADJUSTMENT TOOL AND A SYSTEM AND SUPPLY RELIABILITY MODEL.**

ACTION CALENDAR (CONTINUED)

ENTERPRISE ASSET MANAGEMENT SYSTEM PROJECT SUPPORT

Executive Director of Operations Shields reported that the Enterprise Asset Management System (EAMS) is designed to improve the District's ability to manage and derive maximum value from its assets from acquisition to retirement. This system will provide tools for tracking and scheduling preventive and predictive maintenance, regulatory compliance, budgeting and procurement analysis, and monitoring of key performance indicators (KPIs). The first phase of the project includes the pre-implementation activities such as asset inventory and data collection, asset identification, condition assessment protocols, and criticality rating. Tasks in the second phase of the project involve finalizing the purchase of the EAMS software, importing the data collected during phase one, and agency-wide implementation and training. This will complete the first major goal of utilizing the EAMS as a replacement computerized maintenance management system for the legacy Tabware program currently in use. Future phases will include the addition of piping systems (known as "horizontal assets"), integration of the geographic information system, and the use of maintenance schedulers and planners.

Mr. Shields said that during the planning stages for the EAMS project, project management for phase one was anticipated to be provided by IRWD staff; however changes occurred that resulted in a new approach. Based on the experience gained since the initiation of the pre-implementation of phase one, it became clear from the project scope that a qualified, dedicated, full-time outside consulting Project Manager with the required skill set is required. The Operations Department will be able to continue to provide guidance as well as staff for the data collection effort and other support as needed.

Mr. Shields said there are several consultant firms that have extensive experience and knowledge of all aspects of EAMS implementation. He said that the District is seeking an appropriately qualified individual that was locally based, and could provide the required full-time onsite Project Management support for at least one year. The District has spoken with several consulting firms regarding the District's needs for this project and that GHD is qualified as one of these firms and a key member of their staff, Mr. Iday Syachrani, PhD, is uniquely qualified to fill the pre-implementation phase project management role.

Director Reinhart said that this item was reviewed and approved by the Engineering and Operations Committee on December 9, 2014. On **MOTION** by Reinhart, seconded and unanimously carried, **THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT IN THE AMOUNT OF \$310,200 WITH GHD FOR PROJECT MANAGEMENT SUPPORT SERVICES FOR THE ENTERPRISE ASSET MANAGEMENT SYSTEM PROJECT.**

ACTION CALENDAR (CONTINUED)

WELLS ET-1 AND ET-2 REHABILITATION CONSTRUCTION AWARD

General Manager Cook reported that Wells ET-1 and ET-2 are part of the El Toro Groundwater Remediation Program which is designed to clean up the TCE found in portions of the groundwater basin beneath the former El Toro Marine Corps Air Station and central Irvine. These two wells have experienced decreased production over the years and need to be rehabilitated. The goal of this project is to increase both the specific capacity and the production capacity of the wells. The rehabilitation efforts include mechanical cleaning, nylon and/or wire brushing, air bursting, chemical addition, swabbing, air lifting, and mechanical development at each well to break up and remove the consolidated material caused by microbial and inorganic fouling. Work also includes necessary repairs and replacement of various pump components in both wells. Staff has notified the Department of the Navy (DON) that the District will be applying for reimbursement of the well rehabilitation costs for both wells up to a maximum of \$1 million as stipulated in the Settlement Agreement with the DON from the Contingency Fund Account.

Executive Director of Engineering and Water Quality Burton said that the project was advertised November 6, 2014, to a select list of seven contractors including Bakersfield Well & Pump Company, Best Drilling and Pump, Inc., South West Pump & Drilling, Inc., General Pump Company, Inc., Hydro Resources, Rottman Drilling Company, and Hidden Valley Pump Systems, Inc. Mr. Burton said that the bid opening was held December 9, 2014, with bids received from Best Drilling and Pump, Inc. and General Pump Company, Inc. General Pump Company, Inc. is the apparent low bidder with a bid amount of \$679,525. Staff reviewed General Pump Company's bid and has determined that it is responsive. The engineer's estimate, prepared by Richard C. Slade and Associates, was \$688,800. Following discussion, on MOTION by Reinhart, seconded and unanimously carried, THE BOARD AUTHORIZED A BUDGET INCREASE IN THE AMOUNT OF \$52,500, FROM \$877,800 TO \$930,300 FOR PROJECT 30402 (4328), AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH GENERAL PUMP COMPANY, INC IN THE AMOUNT OF \$679,525 FOR THE WELLS ET-1 AND ET-2 REHABILITATION, PROJECT 30402 (4328).

ANNUAL BOARD OF DIRECTORS' FEES

General Manager Cook reported that the Finance and Personnel Committee annually reviews the Board of Directors' compensation and recommends to the Board to either accept or deny a fee increase for the new calendar year. Mr. Cook said that the current compensation for the Board of Directors is \$237 per meeting not to exceed ten meetings per month. In accordance with Section 20202 et seq. of the California Water Code, the Board's meeting compensation increases on January 1 of each year by five (5%) percent. If the Board accepts the increase, the resulting per meeting fee will be \$249. The last Board of Directors' compensation increase was effective in January 2009.

Director Swan said that this was reviewed by the Finance and Personnel Committee meeting on December 9, 2014 and the Committee recommended accepting the five percent increase. Legal counsel Arneson corrected the five percent amount to \$248 per meeting, not \$249 as noted on the write-up as the amount cannot exceed five percent.

On MOTION by Swan, seconded and unanimously carried, THE BOARD ACCEPTED THE FIVE (5%) PERCENT SCHEDULED COMPENSATION INCREASE FOR CALENDAR YEAR 2015 FOR A TOTAL OF \$248 PER MEETING.

ELECTION OF OFFICERS OF 2015

General Manager Cook acted as temporary Chair and called for nominations. Director Swan nominated Director LaMar as President and Director Matheis as Vice President. There being no further nominations, Director Withers made a motion for nominations to be closed. On MOTION by Swan, seconded and unanimously carried on a roll call vote (5-0) (Matheis, Reinhart, LaMar, Swan and Withers voting aye), STEVE LAMAR WAS ELECTED PRESIDENT AND MARY AILEEN MATHEIS WAS ELECTED VICE PRESIDENT.

OTHER BUSINESS

GENERAL MANAGER'S REPORT

General Manager Cook reported on IRWD's assistance with two leaks at the Serrano Water District; one at its large pump station, and the other at a 14" line.

Mr. Cook reported on IRWD hosting an ACC-OC newly elected officials briefing at our headquarters facility where he was able to provide a brief overview of the water industry.

Mr. Cook reported that this Wednesday staff will be attending a State Water Resources Control Board workshop regarding the drought regulations with staff providing comments on the allocation rate structure. He said that he will keep the Board updated on this issue.

DIRECTORS' COMMENTS

Director Matheis reported on her attendance at the ACWA fall conference in San Diego which she said was very effective and a Colorado River Water Users Association annual conference in Las Vegas where the Legal Affairs Committee held a discussion on Proposition 218 and tiered water rates.

Director Withers noted that he will be attending an OCSD Board meeting this Wednesday and an NWRI meeting this Thursday.

Director Reinhart reported on his attendance at the ACWA fall conference as well as the Colorado River Water Users Association annual conference.

Director Swan reported on his attendance at the ACWA fall conference as well as the Colorado River Water Users Association annual conference where he spent time with representatives from Mexico relative to environmental improvements. He further updated the Board on the increased flows in the Bay Delta and Oroville due to the recent rain events.

Director LaMar reported on his attendance at the ACWA fall conference and noted the discussions at the Government Affairs Committee. He also said he attended the Colorado River Water Users Association annual conference.

OTHER BUSINESS (CONTINUED)

Consultant Bruce Newell provided an update on the Santiago Canyon conditions with the recent rain events.

Consultant Jim Reed reported on the meetings he attended on behalf of the District including ISDOC, SOCWA, WACO and the City of Lake Forest Council meeting.

CLOSED SESSION

President LaMar said that the Closed Session with Legal Counsel relative to CONFERENCE WITH LEGAL COUNSEL RELATIVE TO EXISTING LITIGATION - Government Code Section 54956.9(d)(1) – Mid-Century Insurance v. IRWD, Patrick Madden Morgan, and The Paper Company.

OPEN SESSION

Following the Closed Session, the meeting was reconvened with all Directors present. President LaMar said that there was no action to report from the Closed Session item.

ADJOURNMENT

President LaMar adjourned the meeting.

APPROVED and SIGNED this 12th day of January, 2015.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson,
Wiles & Giannone