

MINUTES OF REGULAR MEETING – JUNE 8, 2015

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 June 8, 2015 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Withers, Matheis, Reinhart (arrived at 6:45 p.m.), LaMar and Swan.

Directors Absent: None.

Also Present: General Manager Cook, Executive Director of Engineering and Water Quality Burton, Executive Director of Water Policy Weghorst, Executive Director of Operations Sheilds, Director of Human Resources Roney, Director of Water Resources Sanchez, Director of Treasury and Risk Management Jacobson, Legal Counsel Arneson, Secretary Bonkowski, Ms. Christine Compton, Mr. Christopher Smithson, Mr. Mike Hoolihan, Mr. Matt Veeh, Mr. Jim Reed, Mr. Bruce Newell, Ms. Amy McNulty, Mr. Roy Herndon, Mr. Chris Olsen and other members of the public and staff.

Written and Oral Communications: None.

Items too late to be agendized: None.

PRESENTATIONS

SCIENCE FAIR WINNERS

Ms. Cheryl Kelly presented awards to local students for their water-related projects entered in the Irvine Unified School District Science Fair.

MID-BASIN INJECTION DEMONSTRATION PROJECT OVERVIEW

Mr. Chris Olson from the Orange County Water District provided an overview of the Mid-Basin Injection Demonstration Project.

WORKSHOP

FISCAL YEAR 2015-16 CAPITAL BUDGET

Using a PowerPoint presentation, Mr. Erik Akiyoshi said that in the current fiscal year, FY 2014-15, budgeted expenditures were originally estimated at \$153.7 million, however, actual expenditures are projected at approximately \$141.4 million (equating to 92% of projected expenditures) through the end of the current fiscal year.

Mr. Akiyoshi reviewed the top 10 budgeted versus projected expenditures including the following budgeted expenditures: Michelson Water Recycling Solids Handling (\$53.9 million [M]); Baker Water Treatment Plant (\$38.7M); Development – Planning Area 51 (Green Park Neighborhoods) (\$8.6M); Business Software (CC&B and Enterprise Asset Management) (\$7.4M); Development – Planning Area 1`8 (Hidden Canyon)(\$4.3M); Orange Park Acres Well (\$3.5M); Orange County Sanitation District/Capital Outlay Revolving Fund and Equity Adjustment (\$2.7M); Peters Canyon

Water Capture (\$2.6M); Water Banking (\$2.4M); and Santiago Canyon Domestic Water Improvements (\$2.1M).

Mr. Akiyoshi compared the FY 2014-15 development activity versus the projected FY 2015-16 development activity and said that the projected releases will be similar to FY 2014-15 with development continuing in Orchard Hills, Portola Springs, Stonegate, Cypress Village, Great Park Neighborhoods (District 1), Baker Ranch and Hidden Canyon.

Mr. Akiyoshi reviewed the three projects which were changed from the Engineering and Operations Committee on May 19, 2015; the FY 2015-16 projected expenditures; the top 10 project groups, the capital budget funding sources; the capital program summary, proposed increased to the Long-Term Capital Program, and flagged projects. Director Swan asked that an item be submitted to the Finance and Personnel Committee meeting relative to Long Term Capital Program. Additionally, he asked that all wells outside IRWD be included in the “flagged projects” list.

Director Withers reported that this item was reviewed and approved by the Engineering and Operations Committee on May 19, 2015. On MOTION by Withers, seconded and carried (4-0) (Withers, Matheis, Swan, LaMar voting aye and Reinhart absent), THE BOARD ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2015 – 13

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT, ORANGE COUNTY
CALIFORNIA, APPROVING THE DISTRICT’S CAPITAL
BUDGET FOR FISCAL YEAR 2015-16

CONSENT CALENDAR

Director Swan asked that item No. 8, PROPOSED SALARY GRADE CHANGES FOR FY 2015-16, be pulled from the Consent Calendar for discussion. There being no objections, this item was moved to the Action Calendar. On MOTION by Withers, seconded and carried, (4-0) (Withers, Matheis, Swan, LaMar voting aye and Reinhart absent), CONSENT CALENDAR ITEMS 6, 7, AND 9 THROUGH 12 WERE APPROVED AS FOLLOWS:

6. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the May 26, 2015 Regular Board meeting be approved as presented.

7. RATIFY/APPROVE BOARD OF DIRECTORS’ ATTENDANCE AT MEETINGS AND EVENTS

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

CONSENT CALENDAR (CONTINUED)

9. BAKER PIPELINE CATHODIC PROTECTION SYSTEM UPGRADES PROJECT FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Baker Pipeline Cathodic Protection System Upgrades, project 11802 (5530); authorize the General Manager to file a Notice of Completion; and authorize the payment of the retention 35 days after the date of recording the Notice of Completion.

10. BUREAU OF RECLAMATION WATERSMART DROUGHT RESILIENCY PROJECT GRANT APPLICATION

Recommendation: That the Board adopt the following resolution by title authorizing submission of grant application for the Irvine Lake North Pipeline Conversion project to the Department of the Interior, Bureau of Reclamation, Policy and Administration.

RESOLUTION NO. 2015-14

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT AUTHORIZING
SUBMISSION OF A GRANT APPLICATION FOR THE IRVINE
LAKE PIPELINE CONVERSION PROJECT TO THE DEPARTMENT
OF THE INTERIOR, BUREAU OF RECLAMATION POLICY
AND ADMINISTRATION

11. 2015 LEGISLATIVE UPDATE

Recommendation: That the Board adopt a “CONCERNED” position on AB 1390 (Alejo) and SB 225 (Pavley) and authorize staff to engage with stakeholders to protect IRWD’s interests related to groundwater adjudications.

12. 2014-2015 ORANGE COUNTY GRAND JURY REPORT RESPONSE

Recommendation: That the Board agree with Finding F.4 contained in the 2014-2015 Orange County Grand Jury Report—“*Increasing Water Recycling: A Win-Win for Orange County*” and authorize the General Manager to notify the presiding judge in writing of the Board’s agreement.

ACTION CALENDAR

PROPOSED SALARY GRADE CHANGES FOR FY 2015-16

In response to Director Swan’s inquiry relative to the monetary impact of the changes imposed in the FY 2015-16 operating budget for staffing, General Manager Cook provided him with the increased annual cost of \$47,400. There being no further comments, on MOTION by Withers, seconded and carried, (4-0) (Withers, Matheis, Swan, LaMar voting aye and Reinhart absent), THE BOARD APPROVED THE PROPOSED CHANGES IN THE DISTRICT’S BUDGETED

SALARY POSITIONS AS OUTLINED IN THE OPERATING BUDGET ADOPTED BY THE BOARD ON MAY 26, 2015; APPROVED THE REVISED SALARY GRADE SCHEDULE AS OUTLINED IN EXHIBIT "A" EFFECTIVE WITH THE APPROVED FY 2015-16 OPERATING BUDGET ON JULY 1, 2015; AND ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2015 – 15

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
IRVINE RANCH WATER DISTRICT RESCINDING
RESOLUTION NO. 2015-8 AND ESTABLISHING A REVISED
SCHEDULE OF POSITIONS AND SALARY RATE RANGES

COST OF SERVICE STUDY AND POLICY CONSIDERATIONS

General Manager Cook reported that the District's consultant, Carollo Engineering, Inc., in consultation with staff and legal counsel, has developed the Cost of Service Study. Mr. Cook said that Carollo presented a draft of the Study to the IRWD Board at its meeting on May 26, 2015 and the Boards' comments have been incorporated into this report.

Mr. Christopher Smithson reported that the purpose of the Cost of Service Study is to evaluate the District's rate-setting processes and consider rate structure design components. The objectives of the District's rate structure are to provide water, sewer, and recycled service at rates that are fair and equitable; charge rates that are consistent with industry accepted cost of service principles that satisfy future revenue requirements and that meet all state law requirements (including Proposition 218); and provide these services while fairly and equitably allocating costs appropriately to those customers benefitting from them.

Director Swan reported that this item was reviewed by the Finance and Personnel Committee on December 9, 2014; January 13, 2015; and February 21, 2015 and by the Board on May 26, 2015. President LaMar said that the report was excellent and complimented staff and the consultant on their efforts. On MOTION by Swan, seconded and carried (4-0) (Withers, Matheis, Swan, LaMar voting aye and Reinhart absent), THE BOARD ADOPTED THE FOLLOWING RESOLUTION BY TITLE SUBJECT TO NON-SUBSTANTIVE CHANGES ON THE COST OF SERVICE STUDY:

RESOLUTION NO. 2015 – 16

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE IRVINE RANCH WATER DISTRICT RECEIVING
THE DISTRICT'S COST OF SERVICE STUDY

WATERSMART SOFTWARE VARIANCE NO. 2

Ms. Amy McNulty reported that the District's WaterSmart Program, developed and administered by WaterSmart Software Inc., provides enhanced water use information to over-allocation residential and commercial, industrial, and institutional (CII) customers separately from their water bills. Ms. McNulty said that this program is an effective tool that promotes water use efficiency and provides rate support outreach to customers.

Ms. McNulty said that of the District's total recipient list of over 14,481 over-allocation customers, 11,523 single-family homes receive monthly electronic reports and an additional 2,958 receive hard copy reports through direct mail. Customers who receive hard copy reports through direct mail are encouraged to sign up for the monthly electronic water reports as well as to schedule a home site survey with IRWD staff.

Ms. McNulty said that the existing agreement with WaterSmart Software expires on June 30, 2015 and that Variance No. 2 would continue and expand the program as part of the District's planned drought response plan to meet its 16 percent state-mandated potable use reduction target by February 2016. She said that the expanded program would provide funding for up to 22,000 over-allocation accounts to receive home water reports. An open enrollment feature will be added to allow single-family residence and condominium customers to opt in at any time. This will enable customers to sign up for the reports and for staff to enroll customers during home site surveys.

The proposed Variance No. 2 will also expand the program to include the development and implementation of custom water use portals for up to 6,000 commercial, industrial, and institutional (CII) customer accounts. This expansion will provide access to water usage data by CII building engineers, facility managers and sustainability managers who otherwise often experience a time delay waiting for the data from their accounts payable departments. The CII portal will provide a tool for this customer class to more closely monitor and manage water use at their facilities.

Director Matheis reported that this item was reviewed and approved by the Water Resources Policy and Communications Committee on June 4, 2015. Director Swan asked staff to look for alternatives next year for a more cost effective approach. Director Withers said he would abstain himself from voting on this item due to a potential conflict of interest with a client. Following discussion, on MOTION by Matheis, seconded and carried, (3-0-1) (Matheis, Swan, LaMar voting aye, Reinhart absent and Withers abstaining), **THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE VARIANCE NO. 2 TO THE PROFESSIONAL SERVICES AGREEMENT BETWEEN IRWD AND WATERSMART SOFTWARE INC. IN THE AMOUNT OF \$215,693.**

WATER CONSERVATION PARTICIPATION AGREEMENT

General Manager Cook reported that Tactical Incentives are one of the key elements of IRWD's Water Use Efficiency Program and are cost-effective financial incentives to supplement existing regional rebate programs administered by either Metropolitan Water District of Southern California and/or MWDOC. The incentives are based on IRWD's calculated avoided costs resulting from the installation of the various conservation devices. A new umbrella agreement with MWDOC has been prepared to provide incentives for specified devices and programs for FY 2015-16. Staff has reviewed the water savings and necessary funding levels for the various devices and is proposing a total of \$1,060,000 in total incentive funding of which \$610,000 would be allocated to residential programs and \$450,000 to commercial programs. Following discussion, on MOTION by Matheis, seconded and carried, (4-0) (Withers, Matheis, Swan, LaMar voting aye and Reinhart absent) **THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE THE WATER CONSERVATION PARTICIPATION AGREEMENT BETWEEN THE MUNICIPAL WATER DISTRICT OF ORANGE COUNTY AND IRVINE RANCH WATER DISTRICT, SUBJECT TO NON-SUBSTANTIVE**

CHANGES, FOR SPECIFIED REBATE PROGRAMS WITH \$1,060,000 IN FUNDING FOR FY 2015-16.

OTHER BUSINESS

GENERAL MANAGER'S REPORT

General Manager Cook reported on the well-attended RightScape workshop last week which provided residents with information on the most productive and water-saving tools for gardens.

Mr. Cook reported that last week, he, along with staff, met with OCSD staff relative to a number of outstanding issues including flows outside the Irvine Business Complex, permits, and a lease extension for biosolids.

DIRECTORS' COMMENTS

Director Swan reported on his attendance at a Central and West Basin meeting, a Newport Chamber of Commerce meeting, a monthly WACO meeting, and a Southern California Dialogue meeting. He further commented on his attendance at a MWDOC's planning meeting where a discussion was held on MWD's incentives for rebates and noted he did not agree with its modifications relative to corporate accounts.

Director Matheis reported on her attendance at a South Orange County Watershed Executive Committee Meeting. She further reported on Senator Feinstein's newspaper article in the Los Angeles Times that reported the senator will be introducing another bill to provide more water to urban and rural areas which is affected by the drought. She further asked staff to keep abreast of the City of Lake Forest's request for recycled water for use at its lakes which General Manager Cook said is currently being discussed.

Director LaMar said he attended a COAST meeting at the Orange County Fire Department where camera installations in the Santiago Canyon areas for early fire detection was discussed. He further said he attended a monthly WACO meeting.

IRWD's consultant Mr. Bruce Newell and Mr. Jim reported reported on the meetings they attended on behalf of the District.

RECESS AND RECONVENE

President LaMar recessed the Board meeting to hold the annual Corporation meetings. Following the Corporation meetings, he reconvened the Board meeting.

CLOSED SESSIONS

President LaMar said that the following Closed Sessions would be held:

- 1) CONFERENCE with Labor Negotiators relative to Government Code Section 54957.6:
Agency Designated Representatives: Paul Cook and Jenny Roney
Employees' Organization: Irvine Ranch Water District Employees Association

- 2) CONFERENCE with Real Property Negotiator relative to Government Code Section 54956.8:
Property: OCSD Service Area 7 Sewer Infrastructure
Agency Negotiator: Paul Cook, General Manager
Purpose of Negotiations: Proposed Acquisition of Property - Price and Terms, and

Director Reinhart participated in the meeting at 6:45 p.m. telephonically. Director Withers left at 6:50 p.m.

OPEN SESSION

Following the Closed Session, the meeting was reconvened with Directors Matheis, Reinhart (telephonically), Swan and LaMar present. No action was reported.

ADJOURNMENT

President LaMar adjourned the meeting.

APPROVED and SIGNED this 22nd day of June, 2015.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson,
Wiles & Giannone