

## MINUTES OF REGULAR MEETING – JUNE 27, 2016

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 5:05 p.m. by President Matheis on June 27, 2016 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None

Also Present: General Manager Cook, Executive Director of Engineering and Water Quality Burton, Executive Director of Finance and Administration Clary, Executive Director of Water Policy Weghorst, Executive Director of Operations Shields, Director of Water Resources Sanchez, Director of Treasury and Risk Management Jacobson, Director of Human Resources Roney, Assistant Director of Recycling Operations Zepeda, Assistant Director of Water Operations Roberts, Legal Counsel Arneson, Assistant Secretary Savedra, Government Relations Officer Compton, Water Quality Manager Oldewage, Water Resources Manager Welch, Manager of Risk and Contracts Shinbashi, Mr. Dane Johnson, Mr. Ray Thatcher, Ms. Tina Bertsch, Ms. Rosemary Riddle, Mr. Jim Reed, Mr. Bruce Newell, and other members of the public and staff.

### COMMUNICATIONS TO THE BOARD

Written Communications: None

Oral Communications: None

ITEMS RECEIVED TOO LATE TO BE AGENDIZED: None

### PUBLIC HEARING – 2015 URBAN WATER MANAGEMENT PLAN

General Manager Cook said that staff has prepared an update to its 2010 Urban Water Management Plan (“UWMP”) in accordance with the Urban Water Management Planning Act (Act) of 1983. Prior to adopting a 2015 UWMP, a public hearing is necessary.

President Matheis declared this to be the time and place for a hearing on the report relative to 2015 Urban Water Management Plan, and declared the hearing open. She asked the Assistant Secretary how the hearing was noticed.

Assistant Secretary Savedra said that the report was filed with the Secretary on May 24, 2016 and notice of the filing of the report and the time and place of this hearing was published in the Orange County Register on May 30, 2016 and June 6, 2016. A notice was also posted in the District office on May 24, 2016.

President Matheis asked the Board for a motion to receive and file the Affidavit of Posting and Proof of Publication.

On MOTION by Swan, seconded and unanimously carried, THE AFFIDAVIT OF POSTING AND THE PROOF OF PUBLICATION PRESENTED BY THE ASSISTANT SECRETARY WAS RECEIVED AND FILED.

President Matheis requested Legal Counsel to describe the nature of the proceedings.

Legal Counsel Arneson said that the proceedings would provide all persons interested an opportunity to be heard concerning any matter set forth in the Plan.

President Matheis inquired of the Assistant Secretary whether there have been any written communications. Assistant Secretary Savedra said that no written communication was received.

President Matheis inquired whether there is anyone present who wishes to address the Board concerning the 2015 Urban Water Management Plan. There were none.

President Matheis inquired whether there are any comments or questions from members of the Board of Directors. There were none.

On MOTION by Swan, seconded and unanimously carried on a 5-0 vote, THE HEARING WAS CLOSED AND THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2016-9

RESOLUTION OF THE BOARD OF DIRECTORS OF  
IRVINE RANCH WATER DISTRICT  
RESCINDING RESOLUTION NO. 2011-19 AND  
ADOPTING THE 2015 URBAN WATER MANAGEMENT PLAN  
FOR SAID DISTRICT

PUBLIC HEARING - REPORT ON WATER QUALITY RELATIVE TO PUBLIC HEALTH GOALS

General Manager Cook reported that the 2015 Report on Water Quality Relative to Public Health Goals is a triennial report required by the California Health and Safety Code summarizing constituents detected in the District's water supply at levels exceeding applicable Public Health Goals or Maximum Contaminant Level Goals during calendar years 2013, 2014 and 2015. Mr. Cook said that a public hearing regarding the report will be held at this evening's Board meeting to accept any public comments that may be provided regarding the report.

President Matheis declared this to be the time and place for the hearing on the Report on Water Quality Relative to Public Health Goals, and declared the hearing open. She requested the Assistant Secretary to report the manner by which the Notice of Hearing was given.

Assistant Secretary Savedra said that the Notice of this hearing was published in the Orange County Register on June 11, 2016. A Notice was also posted in the District office on June 6, 2016. She presented an Affidavit of Posting and the Proof of Publication for the Board to receive and file.

On MOTION by Swan, seconded and unanimously carried, THE AFFIDAVIT OF POSTING AND THE PROOF OF PUBLICATION PRESENTED BY THE ASSISTANT SECRETARY WAS RECEIVED AND FILED.

President Matheis inquired of the Assistant Secretary whether there have been any written communications. Assistant Secretary Savedra said there were none.

President Matheis asked legal counsel to describe the nature of the proceeding.

Legal Counsel Arneson described the nature of the proceedings, saying that the purpose of the hearing was to provide an opportunity for all persons interested to comment on the public health goals.

President Matheis inquired if staff would like to give a report. There were no comments from staff.

President Matheis inquired whether there is anyone present who wished to address the Board concerning the Report on Water Quality Relative to Public Health Goals. There were none.

She further inquired whether there are any comments or questions from members of the Board of Directors. There were none.

On MOTION by Swan, seconded and unanimously carried on a 5-0 vote, THE HEARING WAS CLOSED AND THE REPORT ON WATER QUALITY RELATIVE TO PUBLIC HEALTH GOALS WAS RECEIVED AND FILED.

PUBLIC HEARING - PROPOSED CHANGES TO THE SCHEDULE OF RATES AND CHARGES EFFECTIVE JULY 1, 2016

General Manager Cook reported that the Fiscal Year (FY) 2016-17 Operating Budget was adopted at the April 25, 2016 Board meeting. Mr. Cook said that the proposed changes to the District's rates and charges were publicly noticed by mail as required under Proposition 218, and protests to the implementation of those rates and charges have been tallied by the District.

President Matheis declared this to be the time and place for a hearing on the proposed changes to the rates and charges and asked the Assistant Secretary how the hearing was noticed.

Assistant Secretary Savedra said that the hearing was noticed by mail and she presented the affidavit of mailing. On MOTION by Swan, seconded and unanimously carried, THE AFFIDAVIT OF MAILING BY AN INDEPENDENT PROCESSING FIRM PRESENTED BY THE ASSISTANT SECRETARY WAS RECEIVED AND FILED.

President Matheis asked Legal Counsel Arneson to describe the nature of the proceedings. Legal Counsel Arneson said that the public hearing is held, pursuant to Proposition 218, Article XIID of the Constitution of the State of California, for all persons interested to be heard, to present objections or protests, including any written comments submitted, concerning the increase in property-related rates and charges and any proposed new property-related rates and charges.

President Matheis asked for a staff report on the proposed rates and charges and inquired whether there have been any written communications. Assistant Secretary Savedra said there was two letters received late this afternoon protesting the rates and charges from Ms. Hollie Washington and Ms. Lynn Wolfe.

Mr. Christopher Smithson said that as of today, and including the two letter received late this afternoon, 13 written protest letters were received which represents 0.01% of the total customers, substantially less than the 50% which would have been required to prevent the Board from adopting the current proposed rates and charges.

Using a PowerPoint presentation, Mr. Smithson said that the proposed changes were reviewed at three Finance and Personnel Committee meetings and two Board workshops. Mr. Smithson said the key drivers' comparison to the prior year budget are due to the following increases: Salaries and Benefits (8.2%); Purchased Water (3.4%); Repairs and Maintenance (6.0%); Electricity (-9.8%); and Other Expenses (9.1%). He reviewed the proposed rate adjustments and made a comparison from the current to the proposed charges in the various rate areas for water, sewer and recycled service for the three rate areas. He then reviewed comparisons showing the changes in a typical residential customer's rates from the current rate to the proposed rate for FY 2016-17 for the three separate rate areas.

Mr. Smithson said that due to the numerous calls received in the Customer Service department asking why the wasteful tier rate is decreasing and why are the rates for low volume and base rate tiers are increasing, Mr. Smithson proceeded to provide an explanation and said this information was also posted on the District web-site for its customers. He said the primary reason that rates for the low volume and base rate tiers are increasing this year is due to a 25% increase in uncontrollable pass through charges from the Orange County Water District for pumping groundwater. The costs associated with pumping groundwater are directly tied to the rates that are charged for the low volume and base rate tiers.

Mr. Smithson further explained that the wasteful tier rate decreasing is based on the actual cost to provide the water service to customers. The decrease in rate from the prior year is caused by a reduction in wasteful tier costs as well as anticipated higher water usage by customers in the wasteful tier in FY 2016-2017. The other factor used in developing rates is anticipated water usage, which spreads the identified costs based on anticipated water usage to each tier. In FY 2016-2017, water usage in the Wasteful tier is expected to be higher than what was forecast in the prior year, which serves to spread the costs associated with the wasteful tier over a greater number of units, thus reducing the wasteful tier rate from the prior year's rate.

President Matheis said that there is one individual who wished to address the Board regarding the proposed rate increases.

Ms. Hollie Washington a resident of Irvine stated that Mr. Smithson had answered her questions relative to the rate increase in his presentation. However, she did inquire about employee salaries and ask if this information was available to review. President Matheis stated this information could be found on the District's web-site.

Director Matheis further addressed Ms. Washington's employee salaries inquiry stating the increase is due to the hiring of additional staff for the operations of the Michelson Water Recycling Facility and the Baker Water Treatment Plant.

President Matheis asked if there are any other persons who wished to be heard. There were none.

President Matheis inquired whether there were any comments or questions from members of the Board of Directors. There were none.

On MOTION by Swan, seconded and unanimously carried on a 5-0 vote, THE HEARING WAS CLOSED AND THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2016-10

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH  
WATER DISTRICT, ORANGE COUNTY, CALIFORNIA  
ADOPTING CHANGES TO THE SCHEDULE OF RATES AND CHARGES  
AS SET FORTH IN EXHIBIT "B" TO THE RULES AND  
REGULATIONS OF IRVINE RANCH WATER DISTRICT  
FOR WATER, SEWER AND RECYCLED WATER SERVICE

CONSENT CALENDAR

Director Reinhart asked that Item No. 7 be moved to the Action Calendar as he would like to delete a meeting, and Director LaMar also requested that two meetings be deleted. There being no objections, Item No. 7 was moved accordingly. On MOTION by Swan, seconded and unanimously carried, CONSENT CALENDAR ITEMS 6, AND 8 THROUGH 18 WERE APPROVED AS FOLLOWS:

6. MINUTES OF REGULAR BOARD MEETINGS

Recommendation: That the minutes of the May 23, 2016, and June 6, 2016 Regular Board meetings be approved as presented.

8. FISCAL YEAR 2016-17 GENERAL COUNSEL SERVICES FOR BOWIE, ARNESON, WILES AND GIANNONE

Recommendation: That the Board approve and authorize the General Manager to execute the Engagement Agreement with Bowie, Arneson, Wiles and Giannone effective July 1, 2016 for general counsel services in the amount not to exceed \$400,000.

9. APPROVING QUITCLAIM OF ASSETS, LIQUIDATION AND DISSOLUTION OF IRWD WATER SERVICE COMPANY II LLC

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

RESOLUTION NO. 2016-11

RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE IRVINE RANCH WATER DISTRICT APPROVING  
QUITCLAIM OF ASSETS, LIQUIDATION AND  
DISSOLUTION OF IRVINE RANCH WATER  
DISTRICT WATER SERVICE COMPANY II LLC

CONSENT CALENDAR (CONTINUED)

10. MAY 2016 TREASURY REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report, the Monthly Interest Rate Swap Summary for May 2016, and disclosure report of reimbursements to Board members and staff; approve the May 2016 summary of payroll ACH payments in the total amount of \$1,612,023 and approve the May 2016 accounts payable disbursement summary of warrants 367199 through 367877, Workers' Compensation Distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$15,492,878.

11. LUMP SUM PAYMENT OPTION FOR EMPLOYER CONTRIBUTION FOR FY 2016-17 TO THE CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Recommendation: That the Board approve the lump sum payment for employer contributions to the California Public Employees Retirement System (CalPERS) by making a one-time contribution of \$5,450,130 for the District's FY 2016-17 employer contribution.

12. ASSET OPTIMIZATION – LAKE FOREST / SERRANO SUMMIT PROPERTY DEVELOPMENT AND CONSULTANT CONTRACT UPDATE

Recommendation: That the Board approve an increase to the FY 2015-16 Capital Budget in the amount of \$245,040 for the Lake Forest / Serrano Summit project (Project No. 1264) for design and consulting services.

13. 2016 LEGISLATIVE UPDATE

Recommendation: That the Board adopt a "*Concerned*" position on SB 1298, the Water Foundation's tiered water rates proposal, and authorize staff to communicate the District's concern over any water rate legislation which is not consistent with the California Constitution, voluntary in nature, or provide sufficient clarity or flexibility to water agencies. authorize staff to encourage the Water Foundation to set their proposal aside this year and continue working with the water community over the fall on the constitutional concerns with the proposal and to more fully reflect the proposal the District put forward with EMWD last year.

14. FY 2016-17 OPERATING BUDGET VENDOR EXPENDITURE COMMITMENTS GREATER THAN \$100,000

Recommendation: That the Board approve the list of vendor commitments greater than \$100,000 based on approved FY 2016-17 Operating Budget expenditures.

CONSENT CALENDAR (CONTINUED)

15. INFORMATION SERVICES PROFESSIONAL SERVICES SUPPORT CONTRACT RENEWALS

Recommendation: That the Board authorize the General Manager to execute Professional Services Agreements for the period July 1, 2016 to June 30, 2017 with Infosys Ltd. in the amount of \$375,000 for managed support services and one-time projects; LCS Technologies in the amount of \$100,000 for on-call database administration services; and Outsource Technical in the amount of \$225,000 for on-call programming, analysis, project management, and networking services.

16. OPERATIONS CENTER PERMANENT BACKUP GENERATOR CONSTRUCTION AWARD

Recommendation: That the Board authorize a budget increase for project 6167 in the amount of \$660,000, from \$618,800 to \$1,278,800; find that the irregularities in the bid submitted by Johnson-Peltier did not affect the amount of the bid or afford Johnson-Peltier a competitive advantage over the other bidders and waive the irregularities; and authorize the General Manager to execute a construction contract with Johnson-Peltier in the amount of \$955,255 for the Operations Center permanent backup generator, project 6167.

17. RANCHO PARKWAY ZONE C RECYCLED WATER PIPELINE FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Rancho Parkway Zone C Recycled Water Pipeline, project 6215, 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.

18. THREE-YEAR CATHODIC PROTECTION MONITORING PROGRAM CONSULTANT SELECTION FOR FISCAL YEAR 2016-17 THROUGH FISCAL YEAR 2018-19

Recommendation: That the Board authorize the General Manager to execute a Professional Services Agreement with HDR Engineering in the amount of \$243,800 for the three-year Cathodic Protection Monitoring program for FY 2016-17 through FY 2018-

## ACTION CALENDAR

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

Director Reinhart said that he did not attend a monthly meeting with General Manager Paul Cook and asked that this meeting be deleted from in his list of meetings. Director LaMar said that he did not attend a South Orange County Agencies' Meeting nor a Southern California Water Committee Water Energy Workshop and asked that these meetings be deleted from his list of meetings. On MOTION by Withers, seconded and unanimously carried, THE BOARD RATIFIED/APPROVED THE MEETINGS AND EVENTS FOR STEVEN LAMAR, MARY AILEEN MATHEIS, DOUGLAS REINHART, PEER SWAN, AND JOHN WITHERS AS AMENDED.

### SETTING CONNECTION FEES AND PROPERTY TAXES FOR FISCAL YEAR 2016-17

General Manager Cook reported that staff recommends changes to the existing connection fees and tax rates based on updated data within the IRWD improvement districts (IDs). Mr. Cook said that the long-term capital funding plan, completed in November 2013, established connection fees and formed new IDs for funding capital requirements and setting tax rates. Connection fees were last updated in July 2015. He said the District's financial model has been updated for rate setting for FY 2016-17 to include updated capital improvement program; dedication of open space where development was planned (East Orange); commercial and residential development with no tax base; and updated assessed valuations. He further said that the proposed connection fees assume an increase within each of the IDs based on the Engineering News Records (ENR) estimated capital cost increase of 1.62%.

Mr. Smithson reported that there were changes in the Capital Improvement Program primarily as a result of project allocation shifts related to the reduced development in the East Orange area. He said staff recommends increasing connection fees to match the estimated increase in capital from ENR. This increases the water and sewer connection fee \$93, from \$4,910 to \$5,003 per unit or 1.9%. He said that staff recommends maintaining the current consolidated tax rate of \$0.7500 per \$100 of land assessed value in order to maintain the 50/50 split. He said that some development is being considered that will have no tax base. This includes both potential residential units as well as commercial development. He further said that staff recommends establishing a separate connection fee within the water and sewer IDs for land with no tax base. The connection fee will be based on the assumption that development is funded entirely from connection fees with no sharing of costs with property tax revenue. Establishing the rate structure will protect other developers by fairly allocating costs to all development within the IDs.

Mr. Smithson also reported that there were changes in the Capital Improvement Program with increases to the Tustin Legacy development projects and OCSD increases that increased capital costs associated with the sewer system by \$3.8 million. Current development projections show residential development will end within the next few years while commercial development is expected to continue for several years. He said that staff recommends increasing connection fees and property tax rates to offset the increase in capital. This will increase water and sewer connection fee \$973, from \$6,948 to \$7,921 per unit or 14%. He said that staff recommends increasing the property tax rate from \$0.06400 to \$0.09900 or \$0.035 per \$100 of land assessed value in order to maintain the 50/50 split.



Director Swan reported that this item was reviewed and approved by the Finance and Personnel Committee on June 7, 2016. On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED IDENTIFIED INCREASES IN CONNECTION FEES AND PROPERTY TAX RATES AND ADOPTED THE FOLLOWING RESOLUTIONS BY TITLE:

RESOLUTION NO. 2016-12

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA ADOPTING CHANGES TO CONNECTION FEES AS SET FORTH IN THE SCHEDULE OF RATES AND CHARGES IN EXHIBIT "B" TO THE RULES AND REGULATIONS OF IRVINE RANCH WATER DISTRICT FOR WATER, SEWER, RECYCLED WATER AND NATURAL TREATMENT SYSTEM SERVICE

RESOLUTION NO. 2016-13

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA ESTABLISHING AD VALOREM TAX REVENUES FOR FISCAL YEAR 2016-17

RESOLUTION NO. 2016-14

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT AMENDING ALLOCATION OF AD VALOREM PROPERTY TAXES TO DEBT SERVICE, SUBJECT TO PLEDGE

ZONE A TO B AND ZONE A TO C BOOSTER PUMP STATIONS PROJECT CONSULTANT SELECTION

General Manager Cook reported that in accordance with the Recycled Water Distribution System Analysis report dated March 4, 2016, two booster pump stations are proposed to serve near-term and future demands in Zone B and Zone C and will ultimately replace the Northwood Zone B Booster Pump Station (BPS), replace the Orchard Hills Zone A to C BPS, and allow the Rattlesnake Zone A to C BPS to be converted to serve Zone C+. The project will also include facility planning and provisions for the future Zone A to Syphon BPS which will be located on the site when Syphon Reservoir is expanded.

Executive Director of Engineering and Water Quality Burton that the non-potable water distribution system has undergone significant changes in operation, demands, and facility planning over the past several years. The most significant changes to the demands and operation are within the recycled water system, specifically the Zone B and Zone C pressure zones north of the I-5 Freeway. In addition to the demand and development changes, recycled water usage from the Michelson Water Recycling Plant is intended to be maximized to the greatest extent possible.

Mr. Burton said that the proposed Project facilities will be constructed in two phases. The first phase is needed to meet demands for the Near-Term and Future phases and includes the Zone A to B BPS and the Zone A to C BPS. The Zone A to B BPS will meet the growth in demands to Zone

B and ultimately replace the existing Northwood Zone B BPS. The Zone A to C BPS will meet the growth in demands to Zone C and ultimately replace the existing Orchard Hills Zone A to C BPS. The second phase will be required to meet demands for the Ultimate Phase, which will include consideration for the future Syphon Reservoir Expansion project.

Mr. Burton said that the near-term phase includes upcoming or ongoing developments or facilities that are currently in either the preliminary design, final design, or construction phase. The future phase is an intermediate phase between the near-term and the ultimate phases and accounts for anticipated development in the Great Park. The ultimate phase includes the Syphon Reservoir expansion and assumes all other currently known developments are built-out. Ultimately, three pump stations will be located at the project site. The three pump stations will pump from Zone A to Zone B, Zone C, and to Syphon Reservoir. Additionally, the pump stations and appurtenant facilities will be designed with adequate flexibility to enable the pump stations to meet both Zone B and C demands from either Zone A or from Syphon Reservoir in the ultimate phase, while at the same time filling the Syphon Reservoir through the Zone A to Syphon BPS. He said the proposed location for the project has been coordinated with the Irvine Company and a lot has been provided within the Planning Area 5B development area at the corner of Jeffrey and Irvine Boulevard.

Mr. Burton said that staff received proposals for engineering design, bidding support, and construction phase services for the Zone A to B and Zone A to C Booster Pump Stations Project from AECOM, Brown and Caldwell, Carollo, and Tetra Tech. While each firm presented creative engineering alternatives for meeting the goals of this project and developed thorough approaches for completing the project, AECOM's proposal presented excellent design concepts that optimized the use of the available site space and provided operational flexibility when the Syphon Reservoir expansion occurs in the future. AECOM also proposed to reduce the design schedule duration by one month. He said that while each firm presented creative engineering alternatives for meeting the goals of this project and developed thorough approaches for completing the project, AECOM's proposal presented excellent design concepts that optimized the use of the available site space and provided operational flexibility when the Syphon Reservoir expansion occurs in the future. AECOM also proposed to reduce the design schedule duration by one month.

Director LaMar reported that this item was reviewed and approved by the Engineering and Operations Committee on June 21, 2016. On MOTION by LaMar, seconded and unanimously carried, **THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH AECOM IN THE AMOUNT OF \$832,155 FOR ENGINEERING DESIGN, BIDDING SUPPORT, AND CONSTRUCTION PHASE SERVICES FOR THE ZONE A TO B AND ZONE A TO C BOOSTER PUMP STATIONS, PROJECTS 4400 AND 4457.**

#### PROPOSED 2016 GENERAL OBLIGATION BOND AND CERTIFICATES OF PARTICIPATION DEBT ISSUANCE

General Manager Cook reported that based on the District's decreasing cash balances, additional planned capital projects and regulations limiting reimbursement of prior Capital Fund and Replacement Fund expenditures, staff recommends the issuance of debt to fund previous and future capital expenditures. He said that in May 2016, staff and the District's independent registered municipal advisor, Public Financial Management (PFM), developed and distributed a

Request for Proposal to a group of pre-qualified underwriters for a bond issuance estimated for September 2016.

Director of Treasury and Risk Management Jacobson reported that as of April 30, 2016, the District's cash balance was \$237 million, which is a \$207 million (or 46.6%) decrease from December 2010 when the District last issued new money debt (\$175 million Build America Bonds). All bond proceeds from the 2010 bond issuance have since been spent. The District's history of sufficient unrestricted cash balances (liquidity) has been a substantial contributor to its current exemplary credit ratings (AAA, AAA, Aa1). Cash flow projections indicate that further reductions in the District's cash balances will continue.

Mr. Jacobson said that Public agencies are permitted to issue bonds for reimbursement of previous capital expenditures and to fund future planned capital projects. Treasury regulations provide the District with the ability to reimburse costs for a period of up to three years following expenditures for an open project, and 18-months following Board acceptance of a project. As was previously discussed with the Committee, in September 2016 the District will begin to lose the ability to reimburse the capital and replacement funds for significant expenditures that have occurred over the past three years. The capital reimbursements are primarily related to the Biosolids project as well as the Baker Water Treatment facility and other smaller capital projects.

Mr. Jacobson said that staff proposes the District proceed with a General Obligation (GO) bond issuance, primarily for new capital reimbursement, with an expected issuance in September 2016 for a maximum of \$130,000,000 million, including cost of issuance. The proposed bond proceeds would reimburse advances from the Capital Fund for expenditures from September 2013 through August 2016. He further said that staff also proposes issuing Certificate of Participation (COPs) to reimburse replacement-related capital expenditures for construction of the District's Biosolids facility. Based on the amount of replacement costs expended to date, as well as remaining projected replacement expenditures for the Biosolids facility, staff proposes an amount not to exceed \$100,000,000, including cost of issuance. Utilizing a COPs structure for Replacement Fund expenditures is necessary because the use of District GO authorization is not permitted to finance replacement project expenditures. The proposed COPs issuance is net of \$11.1 million in contributions to the Replacement Fund received from fiscal year 2013-14 through fiscal year 2016-17 from the Biosolids fixed charge paid by District customers during that period. He said the District currently has \$54.7 million COPs outstanding at a fixed rate of 3.82%. As part of the recommended COPs issuance, staff also recommends including the option to refund all, or a portion of, the District's 2010 COPs fixed rate issue, should favorable economics continue. Based on current economics, a refunding of the issue would generate savings to the District of approximately \$5.0 to \$5.5 million.

Mr. Jacobson said that in connection with the GO and COPs issuance, staff received proposals from Bank of America Merrill Lynch (BAML), Goldman Sachs (Goldman), Morgan Stanley, Citigroup, US Bank and Wells Fargo to act in an underwriter capacity for the District's debt issuance. He said that based on staff's analysis of the proposals, staff recommends that BAML and Morgan Stanley be retained as underwriters for the GO bond issue and Goldman Sachs be retained as underwriter for the COP's issue, including any potential refunding of the 2010 COPs issue. Additionally, it is recommended that Orrick, Herrington & Sutcliffe, and Bowie, Arneson, Wiles & Giannone be retained as co-bond counsel.

Director Swan reported that this item was reviewed and approved by the Finance and Personnel Committee on June 7, 2016. On MOTION by Swan, seconded and unanimously carried THE BOARD APPROVED THE ISSUANCE OF GENERAL OBLIGATION BONDS IN AN AMOUNT NOT TO EXCEED \$130 MILLION IN EITHER A FIXED OR VARIABLE MODE TO BE DETERMINED PRIOR TO ISSUANCE, AND APPROVED THE ISSUANCE OF CERTIFICATES OF PARTICIPATION IN AN AMOUNT NOT TO EXCEED \$100 MILLION, IN A FIXED OR VARIABLE MODE TO BE DETERMINED PRIOR TO ISSUANCE, AND APPROVED THE RETENTION OF BANK OF AMERICA MERRILL LYNCH AND MORGAN STANLEY AS UNDERWRITERS FOR THE GO BOND ISSUE, AND APPROVED THE RETENTION OF GOLDMAN SACHS AS UNDERWRITER FOR THE COPS ISSUE (TO INCLUDE ANY POTENTIAL REFUNDING OF THE DISTRICT'S 2010 COPS ISSUE), AND RETAINED ORRICK, HERRINGTON & SUTCLIFFE AND BOWIE, ARNESON, WILES & GIANNONE AS CO-BOND COUNSEL, AND RETAINED BANK OF NEW YORK MELLON AS TRUSTEE/PAYING AGENT FOR THE GO BOND ISSUE, AND RETAINED US BANK AS TRUSTEE/PAYING AGENT FOR THE COP'S ISSUE; AND ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2016 -15

RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE IRVINE RANCH WATER DISTRICT  
DECLARING INTENTION TO ISSUE  
CONSOLIDATED BONDS OF SAID DISTRICT  
(CONSOLIDATED SERIES 2016)

SANTIAGO HILLS II ZONE 5 TO 6 AND ZONE C+ TO E PUMP STATIONS AND  
ZONE 6 RESERVOIR CONSULTANT SELECTIONS

General Manager Cook reported that The Irvine Community Development Company (ICDC) is currently developing the Santiago Hills II (SHII) development located in the City of Orange. He said that ICDC completed the Sub Area Master Plan (SAMP) update for SHII, which identifies the need for a new Zone 5 to 6 domestic water and Zone C+ to E recycled water pump stations and a Zone 6 domestic water reservoir to serve the development.

Executive Director of Engineering and Water Quality Burton said that the SHII development, which is divided into a northern and southern section by Santiago Canyon Road, consists of approximately 200 acres of low to medium density residential units and over 200 acres of open space and landscaped areas. The SHII SAMP describes various District infrastructure improvements required to serve the new development domestic and recycled water including domestic water and recycled water pump stations and a domestic water reservoir. He said that the proposed Zone 5 to 6 and Zone C+ to E pump stations, which will be located next to the existing Zone 5 to 8 pump station on Santiago Canyon Road, will supply domestic water and recycled water to the SHII community. The proposed Zone 5 to 6 domestic water pump station will supply the proposed 2.4 million gallon (MG) Zone 6 domestic water reservoir that will serve the northern section of the development and after reducing pressure through a pressure reducing valve, will serve the southern section. The proposed Zone C+ to E recycled water pump station will directly feed the entire SHII development through a closed-loop system. To better manage the schedule for the design and construction of the SHII pump stations and reservoir improvements, staff divided the project into two components: (1) the SHII Zone 5 to 6 and Zone C+ to E Pump

Stations Project and (2) the SH II Zone 6 Reservoir Project. The design and construction of the two projects will progress simultaneously with completion anticipated in Summer 2018.

Mr. Burton said that staff received proposals for design of the SHII Zone 5 to 6 and Zone C+ to E Pump Stations Project from Arcadis, GHD, Lee & Ro, and Stantec. CDM Smith declined to submit. Lee & Ro's proposal presented the most relevant overall pump station experience and a detailed understanding of the complexity and issues associated with the project. Lee & Ro's proposal demonstrated a solid understanding of the coordination required with other projects in the vicinity and presented a thorough understanding of the system hydraulics. The staff proposed for Lee & Ro's design team, which includes sub-consultants, have successfully completed previous pump station projects including the recently completed Hidden Canyon Booster Pump Station Project, which is very similar to the proposed SHII pump stations. He said that Lee & Ro's proposed design fee is \$538,869. The construction phase services are not included in the scope of work and will be negotiated at the end of the design phase when the project is fully defined.

Mr. Burton said that staff received proposals for design of the SHII Zone 6 Reservoir Project from Kleinfelder and Tetra Tech. AECOM and HDR declined to submit. Kleinfelder's proposal presented an excellent understanding of the project and staff capable of meeting the demanding design schedule. He said that Kleinfelder recently completed the design of the ILP North Conversion Reservoir project and is familiar with the Santiago Hills development and parties involved. Kleinfelder has recent experience coordinating with the Irvine Company on the ILP North Conversion project that will prove beneficial for the proposed reservoir project. Kleinfelder's proposed design fee is \$480,057. The construction phase services are not included in the scope of work and will be negotiated at the end of the design phase when the project is fully defined.

Director LaMar reported that this item was reviewed and approved by the Engineering and Operations Committee on June 21, 2016. On MOTION by LaMar, seconded and unanimously carried, **THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH LEE & RO IN THE AMOUNT OF \$538,869 FOR ENGINEERING SERVICES FOR THE SANTIAGO HILLS II ZONE 5 TO 6 AND ZONE C+ TO E PUMP STATIONS, PROJECT 7136 AND 7139, AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH KLEINFELDER IN THE AMOUNT OF \$480,057 FOR ENGINEERING SERVICES FOR THE SANTIAGO HILLS II ZONE 6 RESERVOIR, PROJECT 7138.**

#### BAKER WATER TREATMENT PLANT CONTRACT CHANGE ORDER AND CONSULTANT VARIANCES

General Manager Cook reported that the PCL Construction is constructing the Baker Water Treatment Plant (Baker WTP), which is about 90 percent complete. The project, which was originally scheduled for completion in April 2016, has experienced various delays and is now scheduled for completion in November 2016.

Executive Director of Engineering and Water Quality Burton said that the Baker WTP is a regional project that will produce up to 28 million gallons per day of drinking water. The source water for this facility will be untreated imported water from Metropolitan Water District of Southern California (MWD) and local water from Irvine Lake. He said that Project participants include El Toro Water District, Moulton Niguel Water District, Santa Margarita Water District,

Trabuco Canyon Water District, and IRWD. The Baker WTP will utilize microfiltration and ultraviolet disinfection as the primary treatment processes. The project also includes the construction of Raw Water Conveyance Facilities (RWCF) that will be used to pump water from Irvine Lake to the Baker WTP. These facilities will provide an operational source of supply and, in the event of short-term water shortage emergencies, will enhance water reliability for the project participants. Construction of both projects commenced in January 2014.

Mr. Burton said that the majority of the total cost of the change order is associated with two items including a negotiated settlement with PCL relative to all schedule delay impacts and any potential associated costs encountered during construction of the project to date, and building structural steel framing modifications. The balance of the change order consists of a variety of other items associated with changes necessary to provide for complete and functional systems in accordance with District standards which staff have confirmed are necessary.

He said that during construction of the project, multiple construction issues were encountered that impacted completion of the project in accordance with the original schedule. To date, PCL has submitted two separate notices of owner-caused delays with each containing a request for additional contract time and compensation associated with extended overhead costs. The first notice of delay, associated with delays related to electrical work in the treatment building, requested a contract time extension of 78 calendar days and compensation of \$842,638. The second notice of delay, associated with building structural steel design issues, requested a contract time extension of 56 calendar days and compensation of \$594,424. Staff and the District's construction management consultants evaluated the notices and replied that PCL's justifications for the owner-caused delays were without merit. After several written correspondences and meetings between staff and PCL, it was agreed to elevate the discussions beyond the field management teams of both IRWD and PCL to attempt to resolve the dispute without further impacting the construction progress. Following these discussions and negotiations, the mutually agreed upon resolution includes a schedule extension of 216 calendar days and compensation to PCL in the amount of \$395,000 in exchange for an all-inclusive settlement for all supplemental, indirect, consequential, cumulative costs and delays, including extended overhead costs, associated with all impacts resulting from schedule delays from the date of the Notice of Award through June 8, 2016. The agreed upon time extension exceeds the additional time formally requested by PCL in the two notices of delay because the time extension also accounts for shared project delays associated with other construction issues that are not solely attributable to either PCL or IRWD.

He further said that the second largest component of the change order is for building structural steel framing modifications. During the course of submittal review and inspection of the partially erected building structures, the engineer of record noted that required roof decking support members and required framing for roof penetrations were not being provided as required per the drawings and technical specifications. PCL disagreed with the engineer's assertion and claimed that the additional support members and framing were not explicitly identified on the structural drawings and the technical specifications, and therefore, those items were not accounted for in PCL's bid. Staff reviewed the issue and determined that the drawings and specifications, while showing some portions of the disputed work, could have been more explicit and more closely coordinated to convey the requirements. Staff confirmed that the additional support members and framing were required, and as such, agreed to compensate the contractor for the direct costs associated with this work.

Mr. Burton said that staff reviewed this change order and recommends approval in the amount of \$631,372 and an additional 216 calendar days for a completion date of November 18, 2016. In accordance with the Baker WTP Agreement, Baker Project Committee approval of the contract change order is required. The Baker Project Committee verbally concurred with the change order including the settlement and contract time extension at its June 9, 2016 meeting. The El Toro Water District Board formally approved the change order June 23, 2016, and the other partner agencies are currently in the process of obtaining formal approval of the change order from their respective Boards.

Mr. Burton said the construction management (CM) team consists of a combination of IRWD staff and consultants including Carollo Engineers, HDR, Jacobs, and Arcadis. Carollo Engineers, with various sub-consultants, is providing engineering services during the construction phase and is scoped to provide various post-construction phase services during the first year of plant operation to verify plant performance criteria. HDR, Jacobs, and Arcadis are providing various construction management support services including engineering support, construction inspection, schedule review/support, and the project document control system. He said that to continue providing construction management support services through the extended project duration, variances to each consultant PSA are required. Each variance will provide additional scope and budget to maintain the onsite presence of the CM Team through the November 18, 2016 project completion date. Staff also requested each consultant to include a contingency budget for an additional two months of CM support services should the project extend beyond the revised completion date. The contingency budget will be held in reserve and will only be used upon receipt of written authorization from IRWD. In accordance with the Baker WTP Agreement, Baker Project Committee approval of the variances is required. The Baker Project Committee verbally concurred with the need for the variances, including the contingency budget, at its June 9, 2016 meeting. The El Toro Water District Board formally approved the variances June 23, 2016, and the other partner agencies are currently in the process of obtaining formal approval of the variances from their respective Boards.

Director LaMar reported that this item was reviewed and approved by the Engineering and Operations Committee on June 21, 2016. On MOTION by LaMar, seconded and unanimously carried, **THE BOARD APPROVED CONTRACT CHANGE ORDER NO. 20 IN THE AMOUNT OF \$631,372 AND A CONTRACT TIME EXTENSION OF 216 CALENDAR DAYS WITH PCL CONSTRUCTION; AUTHORIZED THE GENERAL MANAGER TO EXECUTE VARIANCE NO. 2 IN THE AMOUNT OF \$501,600 WITH CAROLLO ENGINEERS FOR ADDITIONAL ENGINEERING SUPPORT SERVICES; AUTHORIZED THE GENERAL MANAGER TO EXECUTE VARIANCE NO. 2, IN THE AMOUNT OF \$416,813 WITH HDR FOR ADDITIONAL CONSTRUCTION SUPPORT SERVICES; AUTHORIZED THE GENERAL MANAGER TO EXECUTE VARIANCE NO. 1 IN THE AMOUNT OF \$204,290 WITH JACOBS PROJECT MANAGEMENT COMPANY FOR ADDITIONAL CONSTRUCTION SUPPORT SERVICES; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE VARIANCE NO. 1 IN THE AMOUNT OF \$116,885 WITH ARCADIS U.S. FOR ADDITIONAL CONSTRUCTION SUPPORT SERVICES FOR THE BAKER WATER TREATMENT PLANT, PROJECT 5027.**

## GENERAL MANAGER'S REPORT

General Manager Cook reported that Mr. Bruce Newell spoke to the Operations Group regarding fire awareness and prevention. He said Orange County Fire Authority (OCFA) provided support for last weekend's Laguna Canyon fire using water from Sand Canyon Reservoir. Mr. Cook also reported that OCFA will be using Irvine Lake for helicopter training.

## DIRECTOR'S COMMENTS

Director LaMar reported on his attendance at an CCEEB Water Quality Task Force meeting, and a Natural Communities Coalition Quarterly meeting. He also said that the NCC will be celebrating its 20-year anniversary in September.

Director Withers reported on his attendance at an Orange County Forum and a ISDOC Quarterly meeting.

Director Swan reported on his attendance at an WACO Planning Committee meeting, OCWD Board and Committee meetings, a OCWA luncheon meeting and a Newport Bay Watershed meeting.

Director Matheis reported on her attendance at a California Water Law & Policy Conference in San Francisco and an Orange County Forum. She said this forum presented a report on the economic outlook for Orange County.

Director of Treasury & Risk Management Rob Jacobson introduced the new Manager of Risk and Contracts Mr. Allen Shinbashi in the Finance Department.

## CLOSED SESSION:

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

Conference with Legal Counsel relative to anticipated litigation- Government Code Section 54956.9(d)(2) – significant exposure to litigation (one potential case), and Government Code Section 54956.9(d)(4) initiation of litigation (one potential case).

## OPEN SESSION:

Open session was resumed. President Matheis reported that on motion duly made and carried with Directors LaMar, Reinhart, Swan, Withers, and Matheis voting aye, a revised draft of the proposed tolling agreement with Orange County Water District (OCWD) was approved and authorized to be transmitted to OCWD.

## CLOSED SESSION:

Conference with Labor Negotiators - Government Code Section 54957.6  
Agency Designated Representatives: Paul Cook and Jenny Roney  
Employee Group: Managers, Supervisors and Confidential Employees.



OPEN SESSION:

No action was reported from the Closed Session. A motion was made and seconded to approve a cost of living adjustment of 2% for eligible employees in supervisory, management and confidential positions. After discussion the motion was called and carried unanimously. General Manager Cook stated that when he communicated this salary change to the supervisory, management and confidential positions, he would also remind these employees that the Board would, next year, be reviewing the adjustments to ensure that the salary and benefits for employees remains fair and competitive

ADJOURNMENT

There being no further business, President Matheis adjourned the Board Meeting at 8:25 p.m.

APPROVED and SIGNED this 11<sup>th</sup> day of July, 2016.

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President, IRVINE RANCH WATER DISTRICT

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Assistant Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel – Bowie, Arneson, Wiles & Giannone

By: \_\_\_\_\_