

MINUTES OF REGULAR MEETING – JANUARY 23, 2017

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 January 23, 2017 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Swan, Matheis, Reinhart, LaMar and Withers (arrived at 5:17 p.m.)

Directors Absent: None.

Also Present: General Manager Cook, Executive Director of Finance Clary, Executive Director of Water Policy Weghorst, Executive Director of Operations Shields, Executive Director of Engineering and Water Quality Burton, Director of Water Resources Sanchez, Director of Public Affairs Beeman, Director of Human Resources Roney, Director of Treasury and Risk Management Jacobson, Legal Counsel Arneson (via teleconference), Director of Recycling Zepeda, Director of Water Operations Roberts, Secretary Bonkowski, Government Relations Officer Compton, Principle Engineer Akiyoshi, Mr. Allen Shinbashi, Ms. Amy McNulty, Ms. Sunny Lee, Mr. Mark Tettemer, Mr. Ian Swift, Ms. Kellie Welch, Ms. Emilyn Zuniga, Mr. Jim Reed, Ms. Rubina Karimi, and Mr. Hal Furman.

ORAL AND WRITTEN COMMUNICATIONS: None.

ITEMS TOO LATE TO BE AGENDIZED: None.

PRESENTATION

FEDERAL LEGISLATIVE ACTIVITIES UPDATE

Mr. Hal Furman, the District's federal affairs consultant, provided an update on 2017 federal legislative activities.

CONSENT CALENDAR

On MOTION by LaMar, seconded and unanimously carried, CONSENT CALENDAR ITEMS 4 THROUGH 13 WERE APPROVED AS FOLLOWS:

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

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

CONSENT CALENDAR (CONTINUED)

5. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the January 9, 2017 Regular Board Meeting and the January 13, 2017 Adjourned Regular Board Meeting be approved as presented.

6. 2017 LEGISLATIVE UPDATE

Recommendation: Receive and file.

7. RATIFICATION OF MEMORANDUM RELATIVE TO THE OFFICERS OF THE BOARD, COMMITTEES, AND OTHER ASSIGNMENTS

Recommendation: That the Board ratify the memorandum dated January 23, 2017 entitled Memorandum Relative to Officers of the Board, Committees, and Other Assignments; approve attendance for meetings and events for the Board's representation for Calendar Year 2017 as delineated, appoint Christine Compton as Assistant Secretary effective January 23, 2017; and adopt the following resolution by title rescinding Resolution No. 2016-1 and revising the assignment of Directors to Committees of the Board.

RESOLUTION NO. 2017-4

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE
RANCH WATER DISTRICT, RESCINDING RESOLUTION NO. 2016-1
AND REVISING THE ASSIGNMENT OF DIRECTORS TO
COMMITTEES OF THE BOARD

8. DECEMBER 2016 TREASURY REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report, the Monthly Interest Rate Swap Summary for December 2016, and Disclosure Report of Reimbursements to Board Members and Staff; approve the December 2016 Summary of Payroll ACH payments in the total amount of \$1,687,698 and approve the December 2016 accounts payable Disbursement Summary of warrants 373188 through 373831, Workers' Compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$29,358,217.

9. 2017 INDEX TENDER NOTES REMARKETING

Recommendation: That the Board approve the 2017 Index Tender Notes Remarketing Statements and adopt a resolution approving the Remarketing Statements to Unscheduled Mandatory Tenders (Refunding Series 2011 A-1 and Refunding Series 2011 A-2).

RESOLUTION NO. 2017- 3

RESOLUTION OF THE BOARD OF DIRECTORS OF THE IRVINE
RANCH WATER DISTRICT APPROVING REMARKETING
STATEMENTS RELATING TO UNSCHEDULED MANDATORY
TENDERS (REFUNDING SERIES 2011A-1 AND REFUNDING SERIES 2011A-2)

CONSENT CALENDAR (CONTINUED)

10. AMENDMENT NO. 1 TO AMENDED AND RESTATED AGREEMENT FOR OPERATION AND MAINTENANCE OF THE BAKER PIPELINE

Recommendation: That the Board approve and authorize the execution of Amendment No. 1 to Amended and Restated Agreement for Maintenance and Operation of the Baker Pipeline.

11. DYER ROAD WELLFIELD WELL 7 AND IRVINE DESALTER PROJECT WELL 107 REHABILITATION CONSTRUCTION AWARD

Recommendation: That the Board authorize the General Manager to execute a construction contract with Best Drilling and Pump in the amount of \$886,835 for the Dyer Road Wellfield Well 7 Rehabilitation and Irvine Desalter Project Well 107 Rehabilitation, projects 7093 and 7589.

12. MEMORANDUM OF UNDERSTANDING FOR SMART TIMER DISTRIBUTION PROGRAM

Recommendation: That the Board authorize the General Manager to execute the Memorandum of Understanding between IRWD and Moulton Niguel Water District for the Smart Timer Distribution Program that commits funding in the amount of \$100,000 which will be reimbursed to IRWD through the water-energy grant with the California Department of Water Resources.

13. VARIANCE NO. 2 TO AGREEMENT WITH SYNERGY COMPANIES

Recommendation: That the Board authorize the General Manager to execute Variance No. 2 to the Agreement for Non-Consultant Services between IRWD and Synergy Companies in the amount of \$500,000 to be reimbursed through the Water-Energy Grant with the California Department of Water Resources.

ACTION CALENDAR

WATER EFFICIENCY TACTICAL INCENTIVE FUNDING AUTHORIZATION

General Manager Cook reported that IRWD's Water Use Efficiency Program includes a "Tactical Incentives" element to encourage customers to install water conservation devices. Mr. Cook said that in 2015, IRWD executed a multi-year agreement with the Municipal Water District of Orange County (MWDOC) to administer IRWD's incentives for regional rebate programs.

Ms. Amy McNulty reported that addendums to the agreement have been prepared for the residential, commercial, and turf removal programs that specify the device rebate funding levels for FY 2016-17. Ms. McNulty said that these addendums are provided in the exhibits and that based on prior customer participation rates and regional funding, the addendums allocate IRWD's tactical incentive funding among the programs, also shown in the exhibits.

Director LaMar said that this item was reviewed and approved by the Water Resources Policy and Communications Committee on January 12, 2017. On MOTION by LaMar, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO ALLOCATE \$1,250,000 IN FUNDING TO THE FY 2016-17 REBATE PROGRAMS ADMINISTERED THROUGH THE MULTI-YEAR WATER CONSERVATION PARTICIPATION AGREEMENT BETWEEN MWDOC AND IRWD USING EXISTING AND FUTURE ADDENDUMS TO THE AGREEMENT AS MAY BE NECESSARY TO ALLOCATE FUNDS BASED ON ACTUAL PARTICIPATION RATES AND REGIONAL PROGRAM FUNDING.

MICHELSON WATER RECYCLING PLANT SECURITY UPGRADES

Director of Human Resources Roney reported that in April 2015, a security assessment of District facilities and report of findings was completed by IRWD's consultant, TelSec, Inc. and that a significant security risk to the District identified was the open-campus nature of the 45-acre Michelson Water Recycling Plant (MWRP) which includes a water recycling plant, a biosolids dewatering facility (currently under construction), maintenance buildings and equipment, a state-of-the-art water quality laboratory, warehousing, supply and equipment storage, and administrative offices that also serve as IRWD's primary Emergency Operations Center. Ms. Roney said that factors that contribute to the security concerns at the MWRP facility include: 1) significant increase in value of facilities, equipment and assets located at the MWRP; 2) encroaching urbanism surrounding the MWRP site resulting in an increase in security breaches; and 3) significant increase in traffic through the MWRP access points; up to 4,500 vehicles per week as measured by an August 2016 traffic study.

Ms. Roney said that TelSec's assessment reports suggested alternatives to mitigate the identified MWRP security risks including: 1) construction of a controlled access point into and out of the MWRP campus; 2) segregation of the plant operation facilities from the parking and administrative components of the campus via fencing and locked gates; and 3) locking all entrance gates at all times which would require the installation of sophisticated intercom systems to provide staff a method to grant access to visitors and contractors when needed.

Ms. Roney said that staff has reviewed and evaluated these alternatives and concluded that the most secure and efficient method to mitigate security risks to the MWRP is to implement Telsec's recommendation to construct a guardhouse, vehicle barrier gates and lighting adjacent to Tree Hill's parking area and staff the guardhouse with full-time contract security services. She said that it is anticipated that implementation of this recommended alternative will include construction of a small building consisting of a workspace, restroom and storage and electrical/communication room, extension of water sewer and power and communication utilities from the Operations Center, security gates and monitoring equipment. This project would also include minor grading and street improvements adjacent to Tree Hill's parking area and asphalt replacement surrounding the guardhouse's perimeter and along the utility trenches. She further said that staff will be preparing a Request for Proposal for engineering services to evaluate and then design the facilities. A Preliminary Design Report will be presented to the Engineering and Operations Committee for review prior to commencing with the final design. The award of a Professional Services Agreement for the preliminary and final design services is anticipated to be within the authority of the General Manager.

Director LaMar said that this item was reviewed and approved by the Engineering and Operations Committee on January 17, 2017.

Vice President Swan made recommendations for other alternatives, such as installing cameras in key locations and hiring additional security. He then made a motion to table this item. His motion was not seconded or carried, and failed passage for deferral. Following discussion, on MOTION by LaMar, seconded and carried (Reinhart, Matheis, LaMar and Withers voting aye, and Swan voting no (4-1 vote), **THE BOARD AUTHORIZED THE ADDITION OF THE MICHELSON WATER RECYCLING PLANT SECURITY PROJECTS 7824, 7825 AND 7826 TO THE FY 2016-17 CAPITAL BUDGET IN THE AMOUNT OF \$99,000 EACH, FOR A TOTAL OF \$297,000 FOR THE DESIGN AND CONSTRUCTION OF A GUARDHOUSE KIOSK, VEHICLE BARRIER GATES AND LIGHTING AT THE MWRP CAMPUS.**

WILLIAMS PROPERTY PURCHASE

Executive Director of Water Policy Weghorst reported that the District is pursuing the purchase of property in Riverside County that is located within Palo Verde Irrigation District (PVID). Mr. Weghorst said that as an owner of land within PVID, IRWD would be able to participate in water conservation programs implemented by Metropolitan Water District of Southern California (Metropolitan) and PVID. He said that conservation programs such as land fallowing make water available for other uses. He said that in the future, IRWD would work with Metropolitan and Municipal Water District of Orange County (MWDOC) to develop mutually beneficial agreements through which IRWD would receive increased water supply reliability during periods of drought and supply interruptions in consideration of the water conserved on IRWD land in PVID.

Mr. Weghorst said that on December 13, 2016, the District executed Purchase and Sale Agreements to purchase the Williams Property comprised of approximately 1,368 water toll acres (1,510 gross acres) within PVID, and that on December 23, 2016, the agreements were amended to add 76 water toll acres (105 gross acres). He further provided an overview of the Williams Property, due diligence work conducted on the Property, the existing Metropolitan and PVID Fallowing Program and recommendations for the purchase of the Property. He said that there are approximately 50 acres included in the proposed purchase that are located on PVID mesa lands that have third priority Colorado River water rights and voting rights within PVID. There are 1,444 water toll acres with first priority water rights, which are currently enrolled in the existing Palo Verde Land Management, Crop Rotation and Water Supply Program (Fallowing Program). There are also numerous existing structures on the overall Property including four single-family homes and four apartment rental units.

Director of Treasury and Risk Management Jacobson provided a summary of the plan for this property noting that in the near term, land purchased by IRWD in the PVID service area would continue to be farmed essentially as it is today and that residential leases and tenant farm leases which would generate income for IRWD would be secured and maintained on the Property. He said that the farming operations would be supervised by District staff and consultants; and as a landowner and therefore a participant in the existing Metropolitan/PVID Fallowing Program, IRWD would receive fallowing payments from Metropolitan. He then discussed the long-term plan, and said that the IRWD-owned land within PVID would be utilized as follows: 1) the land would continue to be cultivated through tenant farm leases; 2) as a landowner, IRWD could

participate in any fallowing and other water conservation programs developed and implemented by Metropolitan and PVID; and 3) IRWD would work with Metropolitan and MWDOC to develop mutually beneficial programs and agreements through which IRWD would receive increased water supply reliability during periods of drought and supply interruptions in exchange for water conserved on IRWD-owned lands in PVID.

Mr. Jacobson said that the Purchase Agreement provides for a 60-day due diligence period in which there is an opportunity to conduct any studies, tests and inspections that are deemed necessary prior to the acquisition of the Property. He said that due diligence work completed to date shows the Williams Property is currently farmed with designated fields fallowed under the Fallowing Program. The Williams Property farms are well managed with no recognized onsite environmental conditions. Approximately 955 acres are currently leased for farming through October 31, 2017. The properties have been primarily planted with alfalfa and the current crop appears to be in very good condition. The fields are uniform and free from weeds. Similar to the other PVID properties, there are drainage channels and concrete irrigation ditches for providing water onto the Property. He said that the other structures on the property include hay barns, an equipment yard, four residences, four rental apartment units, old corrals and a mobile home. One of the residences owned by former PVID Trustee, Mrs. Johnson, will be vacated within 60 days after close of escrow, one home is vacant, one home is a life estate and the fourth residence is leased on a month-to-month basis. The owner of the life estate is absentee and the property is rented. Two of the four rental apartment units are vacant and the other two are leased on a month-to-month basis.

Director Swan reported that this item was reviewed and approved by the Supply Reliability Programs Committee on November 17, 2016. Following recommendation by the Board relative to the condition of the rentals, on MOTION by Swan, seconded and unanimously carried, **THE BOARD FOUND THAT ALL MATTERS CURRENTLY IDENTIFIED WITH REGARD TO THE CONDITION OF TITLE, PHYSICAL CONDITION AND SUITABILITY OF THE WILLIAMS PROPERTY FOR THE USES CONTEMPLATED ARE ACCEPTABLE SUBJECT TO SUBJECT TO THE SELLERS' REMOVAL OF PERSONAL PROPERTY AND DESIGNATED UNSERVICEABLE STRUCTURES, AND SUBJECT TO THE DISTRICT NOT DISCOVERING ANY SIGNIFICANT FINDINGS THROUGH THE COMPLETION OF THE DUE DILIGENCE PERIOD; APPROVED THE ADDITION OF PROJECT 7844 TO THE FY 2016-17 CAPITAL BUDGET IN THE AMOUNT OF \$25,340,000 FOR THE PURCHASE OF THE PROPERTY; FOUND THAT THE PROPERTY ACQUISITION IS EXEMPT FROM CEQA; APPROVED THE PROJECT AND AUTHORIZED STAFF TO POST AND FILE THE NOTICES OF EXEMPTION IN ORANGE AND RIVERSIDE COUNTIES; AND AUTHORIZED THE GENERAL MANAGER, TREASURER AND EACH OTHER OFFICER OF THE DISTRICT, EACH ACTING SINGLY, TO EXECUTE AND DELIVER ANY AND ALL DOCUMENTS, ASSIGNMENTS, CERTIFICATES, INSTRUCTIONS AND INSTRUMENTS NECESSARY OR PROPER FOR CARRYING OUT AND CLOSING THE REAL ESTATE PURCHASE TRANSACTION FOR THE ACQUISITION OF THE PROPERTY.**

COOLING TOWER CONVERSION AGREEMENT WITH THE UNIVERSITY OF CALIFORNIA, IRVINE

Using a PowerPoint presentation, Mr. Mark Tetterer provided an overview of staff's efforts working with UCI towards the conversion of its Central Plant cooling towers to recycled water to help UCI meet its potable water conservation goals. Once completed, the conversion will result in a savings of approximately 125 acre-feet of potable water per year. The use of recycled water at this facility will require construction of a new pipeline as well as on-site improvements within the Central Plant. Mr. Tetterer said that staff has worked with UCI in preparing the agreement terms of the agreement which include: 1) installing 3,550 feet of recycled water pipeline that will have a capacity to convey 1,500 gallons per minute estimated at approximately \$1,000,000; 2) UCI's implementation of on-site plant improvements which will include the piping needed to deliver recycled water within the Central Plant as well as a pre-treatment system; 3) a potential Bureau of Reclamation Grant of \$300,000; and 4) IRWD to fund UCI's \$1,060,000 in costs for its on-site improvements with an approximately 22-year reimbursement plan based on the current potable and recycled water commodity rates escalating at 3% annually.

Director LaMar said that this item was reviewed by the Water Resources Policy and Communications Committee on December 10, 2015, where they authorized staff to prepare an agreement for consideration by the Board of Directors. On MOTION by LaMar, seconded and unanimously carried, **THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE THE AGREEMENT BETWEEN IRVINE RANCH WATER DISTRICT AND THE REGENTS OF THE UNIVERSITY OF CALIFORNIA ON BEHALF OF ITS IRVINE CAMPUS FOR RECYCLED WATER CONVERSION OF THE UCI CENTRAL PLANT, SUBJECT TO NON-SUBSTANTIVE CHANGES; AND AUTHORIZED UP TO \$1,060,000 FROM THE WATER CONSERVATION FUND TO FUND THE ON-SITE IMPROVEMENTS AT UCI'S CENTRAL PLANT TO BE REIMBURSED UNDER THE TERMS OF THE EXECUTED AGREEMENT.**

GENERAL MANAGER'S REPORT

General Manager Cook asked Executive Director of Operations Shields to provide an update on how the District fared with the recent storm events. Mr. Shields provided an overview of recycled storage levels, the diversion of flows to the OCSD, SOCWA and GAP, that the Sand Canyon Reservoir overflowed, along with other issues.

Mr. Cook reported that the District received an agreement with the State Water Resources Control Board relative to a \$10 million grant to construct a new reservoir and recognized staff on their efforts.

Mr. Cook said that last Friday he received word from the Society of Civil Engineers that the District will be recognized for both the Peters Canyon Project as well as the Baker Treatment Plant.

DIRECTORS' COMMENTS

Director Matheis reported that she attended an ISDOC Executive Committee meeting as well as a retirement celebration for City of Lake Forest's City Manager Bob Dunek along with Director Withers and General Manager Cook. She further said that she will be attending ISDOC's quarterly luncheon this week.

Director LaMar reported that tomorrow he will be attending ACWA's Agricultural Initiative meeting as well as a Federal Affairs Committee meeting on Friday.

Director Withers reported that tomorrow he will be attending a Board of Supervisors' meeting, and Wednesday an OCSD Board meeting.

Director Swan reported that he attended an OCWD Committee meeting, but was unable to attend its Board meeting. He said he also attended a WACO Planning meeting and a three-day CASA conference.

Director Reinhart reported that he attended a MWDOC Board meeting and a MWDOC Administration and Finance Committee meeting, and will be attending its Executive Committee meeting this week.

Mr. Jim Reed provided an update on meetings he attended on behalf of the District.

ADJOURNMENT

President Reinhart adjourned the meeting at 7:12 p.m.

APPROVED and SIGNED this 13th day of February, 2017.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:



Legal Counsel - Bowie, Arneson, Wiles & Giannone