

MINUTES OF REGULAR MEETING – NOVEMBER 28, 2011

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 November 28, 2011 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None.

Also Present: General Manager Cook, Senior Director of Finance Cherney, Senior Director of Operations Pedersen, Director of Engineering Burton, Treasurer Jacobson, Secretary Bonkowski, Legal Counsel Arneson, Director of Water Resources Heiertz, Director of Public Affairs Beeman, Director of Human Resources Wells, Director of Wastewater Operations Posey, Director of Water Quality Hills, Ms. Kirsten McLaughlin, Mr. Paul Weghorst, Ms. Fiona Sanchez, Mr. Mike Hoolihan, Mr. Dean Kirk, Ms. Shannon Reed, Ms. Debby Kanoff, Ms. Terri Isaacs, Mr. Jim Reed, Mr. Bruce Newell, and other members of the public and staff.

WRITTEN COMMUNICATION: None.

ORAL COMMUNICATION:

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

With respect to the Orange County Basin Groundwater Conjunctive Use Program being coordinated by Municipal Water District of Orange County (MWDOC) and Orange County Water District (OCWD), a Notice of Completion was approved by the OCWD Board of Directors on March 19, 2009. Metropolitan Water District has given notice to OCWD to extract 22,000 acre feet in fiscal year 2009/10. The extraction is being performed by agencies that constructed conjunctive use wells under this program. IRWD is not a participant. This was confirmed by Mr. Cook.

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

annexation requests. The MOU was approved by the OCWD Board on July 21, 2010. This was confirmed by Mr. Cook.

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

ITEMS RECEIVED TOO LATE TO BE AGENDIZED: None.

PRESENTATION

PARTNER COMMENDATION

General Manager Cook presented a Certificate of Commendation to Ms. Lyn McAfee, Executive Director of the Nature Reserve of Orange County (NROC), in celebration of the District's 50th anniversary recognizing one of the District's key partners in service. Ms. McAfee thanked the District for the recognition as well as involvement in NROC over the last 10 years.

PUBLIC HEARING

ORDINANCE AMENDING REGULATIONS FOR WASTEWATER DISCHARGES TO IRWD SEWERAGE FACILITIES TRIBUTARY TO SOCWA - SECOND READING AND ADOPTION

General Manager Cook reported that IRWD is required by state and federal laws and regulations to control the discharge of non-domestic wastewater to its collection and treatment systems to prevent pollutants from upsetting the treatment systems or passing through to the environment. Mr. Cook said to comply with these requirements, IRWD retained the Pretreatment and Source Control Program (Program) that was established by the former Los Alisos Water District (LAWD) through Ordinance No. 96-12-1 for the portions of its wastewater collection and treatment systems that are tributary to South Orange County Wastewater Authority (SOCWA). He said that IRWD adopted Resolution No. 2001-7 on January 22, 2001 to affirm its intention to retain the Program in effect following the IRWD-LAWD consolidation. As periodic amendments to the Program are needed to incorporate the requirements of new state and federal pretreatment regulations and to address changes in administrative procedures, IRWD recently worked cooperatively with SOCWA to incorporate the necessary changes to the Program which are provided in the exhibit.

Mr. Cook said that the Ordinance will repeal Ordinance No. 96-12-1 and amend regulations for the discharge of wastewater to sewerage facilities of IRWD that are in the SOCWA service area. The adoption of the Ordinance is a two-step process that requires: (1) a first reading and introduction, which were completed at the November 14, 2011 Board meeting, and (2) a public hearing, second reading and adoption.

President LaMar declared this to be the time and place for the hearing on the Ordinance and requested the Secretary to report the manner by which the Notice of Hearing was given.

Secretary Bonkowski said that the Notice of this hearing was published in the Orange County Register on November 14, 2011 and was posted on November 14, 2011 within the IRWD service area tributary to the South Orange County Wastewater Authority service area. She said that the notice was also posted in the District office on November 14, 2011. She then presented an Affidavit of Posting and Proof of Publication for the Board to receive and file.

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

President LaMar inquired of the Secretary whether there have been any written communications. Secretary Bonkowski said that there were none.

President LaMar inquired whether anyone is present who wishes to address the Board concerning the amended Ordinance. There were none. President LaMar 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, 1) THE HEARING WAS CLOSED, THE SECRETARY READ THE ORDINANCE BY TITLE AND FURTHER READING OF THE ORDINANCE WAS WAIVED. On MOTION by Swan, seconded and unanimously carried, THE ORDINANCE WAS ADOPTED BY TITLE AS FOLLOWS:

ORDINANCE 2011-1

ORDINANCE OF THE BOARD OF DIRECTORS OF IRVINE
RANCH WATER DISTRICT REPEALING ORDINANCE NO. 96-12-1
AND ADOPTING AMENDED REGULATIONS FOR THE DISCHARGE
OF THE WASTEWATER TO SEWERAGE FACILITIES OF THE IRVINE
RANCH WATER DISTRICT THAT ARE IN THE SOUTH ORANGE COUNTY
WASTEWATER AUTHORITY SERVICE AREA

CONSENT CALENDAR

On MOTION by Reinhart, seconded and unanimously carried, CONSENT CALENDAR ITEMS 5 THROUGH 10 WERE APPROVED AS FOLLOWS:

5. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the November 14, 2011 Regular Board Meeting be approved as presented.

CONSENT CALENDAR (CONTINUED)

6. 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, John Withers and Peer Swan.

7. STRATEGIC MEASURES DASHBOARD

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

8. OCTOBER 2011 FINANCIAL REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for October 2011; approve the October 2011 Disbursement Summary of Warrants Nos. 323976 through 324665, Workers' Compensation distributions, wire transfers, payroll direct deposit ACH payments, payroll withholding distributions and voided checks in the total amount of \$29,379,035.74.

9. 2011 PROJECT MANUAL

Recommendation: That the Board adopt the following resolution by title rescinding Resolution No. 2010-28 and revising standard form construction contract documents.

RESOLUTION NO. 2011 -50

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT, ORANGE COUNTY,
CALIFORNIA, RESCINDING RESOLUTION NO. 2010-28
AND REVISING STANDARD FORM CONSTRUCTION
CONTRACT DOCUMENTS

10. UPCOMING PROJECTS STATUS REPORT

Recommendation: Receive and file.

WORKSHOPS

WATER DEMAND FACTOR STUDY

General Manager Cook said that as part of the Water Resources Master Plan (WRMP) update, staff has been working with RBF Consulting to complete a Water Demand Factor Study. Mr. Cook said that the Water Demand Factor Study focuses predominately on the top 15 future demand factors for IRWD's service area for the period from 2010 to 2035.

Using a PowerPoint presentation, Principle Engineer Hoolihan provided an overview of the Water Demand Factor Study. Using charts, he reviewed residential local water factors, irrigation water factors, and commercial local water use factors. He said that the methodology for this analysis included utilizing: 1) IRWD billing data from the last 20 years; 2) meter GIS/GPS data to locate meters; 3) overlaid IRWD GIS land use information; 4) matched tracts in billing data to tract information in land use information; and 5) summarized billing data by land uses.

Mr. Hoolihan said that the recommended demand factors will be input into IRWD's Demand Forecasting Tool and a final calibration of the factors will be completed. He said that staff will also be calibrating the factors to the entire IRWD billing database and water purchase history files. Through this process, staff anticipates making further minor adjustments to the recommended factors. He said that the final demand factors will be published in the WRMP update and used in on-going IRWD planning studies including water supply assessments, recycled water use estimates, and seasonal storage analysis.

Director Reinhart reported that this item was reviewed by the Engineering and Operations Committee. Mr. Kirk, who was in the audience, said that staff has been working with TIC, and they will continue this work effort on this matter. Following discussion with the Board, Mr. Hoolihan said that additional work will be performed including future supplies and revisions of regional allocation assumptions. Director Matheis thanked staff for their efforts.

UPDATE ON RETIREMENT AND HEALTH BENEFITS

General Manager Cook reported that as a continuation of the workshop discussions from the Board Strategic Planning Workshop on October 7, 2011 and the Finance and Personnel Committee (Committee) meetings on November 1 and November 22, 2011, staff and consultants from Aon Hewitt (Aon) will update the Board on the CalPERS valuations and alternative valuations using different discount rates. Mr. Cook said that staff and Aon will also review the retirement program objectives articulated by the Board at its Strategic Planning Workshop.

Mr. Cook said that focusing exclusively on retirement benefits at the Board workshop on October 7, 2011, the Board identified a series of high-level objectives and asked Aon to model a variety of options that may meet those objectives. He said that these objectives included the following: 1) any changes to the retirement plans must be explained to employees and ratepayers in the context of: A) appropriate pay and benefits package, and a well understood competitive position, and B) the need to provide exceptional water and wastewater service at competitive prices; 2) develop retirement income program with a sustainable cost structure including an ongoing contribution level around 10 to 15% of payroll, a mechanism to control year-to-year cost volatility, and maintain a healthy funded position based on reasonable market expectations; 3) deliver adequate retirement benefits including: A) providing opportunity for employees to accumulate sufficient retirement income; B) District-paid benefits should target no more than 65% income replacement for a full career employee; C) target replacement income at age 65; and D) providing ability to retire early (through a supplemental benefit for field employees under certain circumstances; 4) retirement program should encourage employee savings; 5) employer should bear a portion of the investment and longevity risks and the program should have a defined benefit component; 6) the District will be fair and equitable to current and former

employees; and 7) the District ideally should maintain a single retirement structure for all current and future employees.

Mr. Cook said that as part of the Board workshop, Aon will review these estimated valuations and impacts. Using a PowerPoint presentation, Mr. Gagne of Aon provided an overview of retirement and health benefits package. Mr. Gagne reviewed three different philosophies for discount rates including expected return of assets, bond rates and termination rates. Using a chart, he reviewed the CalPERS pension projections valuation, target asset allocations, and benchmark returns on key market indices. Mr. Gagne then reviewed key principles to Governor Brown's pension reform proposals issued in later October 2011.

Director Reinhart said that it is important for our Board to address these issues and commended the Finance and Personnel Committee along with staff for their efforts. Director Withers said while this issue is complicated, he said that the District's greatest assets are the employees at the District, and that the Board needs to do what is the best for them. President LaMar said that the Board will work with staff to come up with changes over time that will be in the best interest of the employees. In response to Director Swan's comment, General Manager Cook will provide employees with an update of the evaluation on these matters. Ms. Debby Kanoff and Ms. Terry Isaacs, employees in the audience, provided comments relative to the retirement study.

GENERAL MANAGER'S REPORT

General Manager Cook reported on a client/consultant project with UCI relative to students identifying the District's water banking project in Kern County. He said that he and the Board will be attending ACWA's fall conference this week in Anaheim.

DIRECTORS' COMMENTS

Director Reinhart reported on his attendance at a MWDOC Board meeting, a Southern California Water Committee annual meeting, and an EOCWD meeting with President LaMar and General Manager Cook relative to the District's OPA wells.

Director Swan reported on his attendance at a WACO meeting, an ACWA Board meeting, a Delta Task Force meeting at MWD today, a CORO meeting, and a workshop on water banking.

Director Matheis reported that she received a book from the Irvine Historical Society and read a note thanking the District for its support over the years. She also said that she received a book from the Water Education Foundation relative to the Delta Plan.

Director LaMar reported on his attendance at MWDOC's PAMO meeting and a Board meeting, an NROC Executive meeting, and a Southern California Water Committee meeting.

Former LAWD Board member Mr. Jim Reed said that Mr. Richard Dixon, former Council Member from the City of Lake Forest, had passed away, and that his Celebration of Life is being held on December 10.

CLOSED SESSION

President LaMar that that the following Closed Sessions will be held: (1) Anticipated litigation – significant exposure to litigation pursuant to Government Code Section 54956.9(b) (one or more potential cases) – Conference with Legal Counsel), and (2) Anticipated litigation – initiation of litigation pursuant to Government Code Section 54956.9(c) (one or more potential cases) – Conference with Legal Counsel).

OPEN SESSION

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

ADJOURNMENT

There being no further discussion, President LaMar adjourned the meeting.

APPROVED and SIGNED this 12th day of December, 2011.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone