

MINUTES OF REGULAR MEETING –FEBRUARY 13, 2012

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 Matheis on February 13, 2012 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Reinhart (arrived at 5:13 p.m.), LaMar, Matheis, Swan and Withers

Directors Absent: None.

Also Present: General Manager Cook, Executive Director of Operations Pedersen, Executive Director of Engineering and Planning Burton, Executive Director of Finance Cherney, Executive Director of Water Policy Heiertz, Treasurer/Assistant Director of Finance Jacobson, Director of Wastewater Operations Posey, Secretary Bonkowski, Legal Counsel Arneson, Director of Public Affairs Beeman, Director of Human Resources Wells, Director of Water Resources Weghorst, Ms. Shannon Reed, Mr. Jacob Moeder, Ms. Shannon Reed, Ms. Fiona Sanchez, Mr. Carl Spangenberg, Ms. Kirsten McLaughlin, Mr. Ray Bennett, Mr. Jim Reed, 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. She said it was her understanding that currently wells C-8, C-9, 10, 11, 12, 15, 16, 17 and 18 will operate in accordance with the District's annual pumping plan. Wells, 1, 2, 3, 4, 5, 6, 7, 13 and 14 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.

PRESENTATIONS

PARTNER COMMENDATION

General Manager Cook presented a Certificate of Commendation to the District's consultant on State legislative issues, Ms. Maureen O'Haren of O'Haren Government Relations.

2012 STATE LEGISLATIVE BRIEFING

The District's consultant, Ms. Maureen O'Haren, provided the Board with an update on 2012 State legislative issues.

PRESENTATION

TUSTIN LEGACY WELL NO. 1 ALTERNATIVE (WELL 52) WATER QUALITY AND PRODUCTION UPDATE

General Manager Cook reported that at the December 12, 2011 Board meeting, staff was asked to provide an update on the water quality and production for the completed Tustin Legacy Well No. 1 Alternative, also known as Well 52.

Using a PowerPoint presentation, Mr. Jacob Moeder provided a water quality and production update on Well No. 52. He reviewed the project background of the site, the groundwater monitoring from the ITT Cannon site estimated at 10 ppb TCE concentration, a comparison of the original well design versus the final modified design, volatile organic compound sampling results, color and odor results, anticipated production and water quality options for blending, and future use and interim maintenance of the well. Following discussion, staff was asked to provide a summary of estimated water production and hydrostatic pressures at various zone levels.

CONSENT CALENDAR

Director LaMar asked that Item No. 6, Minutes of Board Meetings, be placed on the Action Calendar for discussion. There being no further comments, On MOTION by Withers, seconded and unanimously carried, CONSENT CALENDAR ITEMS 7 THROUGH 11 WERE APPROVED AS FOLLOWS:

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

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

8. RESOLUTION COMMENDING ED ROYCE, SR. FOR HIS DEDICATED SERVICE TO THE MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Recommendation: That the Board adopt the following resolution by title commending Mr. Ed Royce, Sr. for his dedicated service to the Municipal Water District of Orange County.

RESOLUTION NO. 2012-6

RESOLUTION OF THE BOARD OF DIRECTORS
OF IRVINE RANCH WATER DISTRICT, ORANGE
COUNTY, CALIFORNIA COMMENDING ED ROYCE, SR.
FOR HIS DEDICATED SERVICE TO THE MUNICIPAL
WATER DISTRICT OF ORANGE COUNTY

9. CULVER DRIVE/WALNUT AVENUE INTERSECTION CAPITAL IMPROVEMENT PROJECT FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Culver Drive/Walnut Avenue Intersection Capital Improvement Project 11540 (1055); authorize filing of a Notice of Completion; and authorize the payment of the retention 35 days after the date of recording the Notice of Completion.

10. WELLS 21 AND 22 DESALTER PROJECT REDUCTION OF RETENTION

Recommendation: That the Board find that satisfactory progress is being made on the District's construction contract with Pascal & Ludwig Constructors; authorize the reduction of retention from 10% to 5% of the contract amount; and release funds in excess of 5% of the contract amount from retention currently held for the Wells 21 and 22 Desalter, project 10286 (1081).

11. ASSET OPTIMIZATION – LAKE FOREST PROPERTY SERRANO SUMMIT
COMMUNITY FACILITIES DISTRICT FORMATION

Recommendation: That the Board adopt the following resolution by title authorizing the approval of documents related to formation of the Lake Forest Community Facilities District No. 2010-1 (Serrano Summit).

RESOLUTION NO. 2012-7

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
IRVINE RANCH WATER DISTRICT APPROVING THE
JOINT COMMUNITY FACILITIES AGREEMENT, IMPLEMENTING
AGREEMENTS AND OTHER DOCUMENTS AND APPROVING
CERTAIN ACTIONS RELATING TO CITY OF LAKE FOREST
COMMUNITY FACILITIES DISTRICT NO. 2010-1 (SERRANO SUMMIT)

ACTION CALENDAR

MINUTES OF REGULAR AND ADJOURNED REGULAR BOARD MEETINGS

In response to Director LaMar's comment under the IRWD Goals and Objectives on the January 30, 2012 Adjourned Regular Meeting, Director Swan clarified that the Vision statement was deleted, and that a new category was included under the Values statement entitled Water Resources. There being no further comments, on MOTION by Withers, seconded and unanimously carried, THE MINUTES OF THE JANUARY 23, 2012 REGULAR BOARD MEETING AND THE JANUARY 30, 2012 ADJOURNED REGULAR BOARD MEETING WERE APPROVED.

PROPOSED DECREASES TO CALPERS - EMPLOYER-PAID MEMBER CONTRIBUTIONS

General Manager Cook reported that during the review of the Operating Budget for Fiscal Year 2011-12, opportunities to manage costs associated with the current IRWD employee pension program were identified. Mr. Cook said that on April 25, 2011, the Board approved a multi-year process that would eventually transition the District's employees to paying the full 8% of the CalPERS employee contribution. He said that effective July 1, 2011, the following initial adjustments of employee-paid contributions were approved: 1) Executive Management CalPERS employee contributions increased from 1% to 6%; 2) Senior Management CalPERS employee contributions increased from 1% to 5%; and 3) all other Full-Time Regular Employee CalPERS employee contributions increased from 1% to 3%. At that time, all Full-Time Regular Employee positions and the Senior Management positions also received a 2% increase in salary (effective July 1, 2011).

Mr. Cook said that at its meeting on November 14, 2011, the Board took the following actions: 1) approved a 2.47% cost of living adjustment (COLA) for all eligible employees; 2) adopted a resolution to reflect this adjustment; and 3) directed staff to notify employees that in February 2012, the Board would consider an increase of at least 2% of the employee-paid contribution to CalPERS, effective March 1, 2012. Notification of the Board's intent, as expressed at this

meeting, was communicated to all employees through an all-employee e-mail sent on November 15, 2011 and verbally at the various departmental all-hands/safety meetings conducted during the subsequent weeks.

Mr. Cook said that for the Board to make the adjustments to the employee-paid contributions to CalPERS, resolutions need to be adopted stipulating the specific amount of each adjustment. Staff is recommending adjustments to the employee-paid contributions as follows: 1) effective March 1, 2012 the General Manager and the Assistant General Manager positions (Executive Management) will pay an additional 2% into CalPERS, increasing the employee contributions from 6% to the full 8%; 2) effective March 1, 2012 all Department Director and Executive Director positions (Senior Management) will pay an additional 2% into CalPERS, increasing their employee contributions from 5% to 7%; and 3) effective March 1, 2012 all other Full-Time Regular Employees will pay an additional 2% into CalPERS, increasing their employee contributions from 3% to 5%.

Mr. Cook said, as suggested at the November 14, 2011 Board meeting, that staff has developed recommendations regarding the schedule for transitioning all employees to paying the full 8% of the CalPERS employee contribution. Staff is proposing, for the Board's consideration, the following steps: 1) all Full-Time Regular Employees will pay an additional 3% into CalPERS; increasing their employee contributions from 5% to the full 8% effective March 1, 2013; 2) Senior Management will pay an additional 1% into CalPERS increasing their employee contribution from 7% to 8% effective March 1, 2013; and 3) the General Manager and the Assistant General Manager will already be paying the full 8% contribution; therefore, no action will be taken on March 1, 2013. Staff is recommending these adjustments become effective March 1, 2013 so they occur after the 2012 holiday season. Additional resolutions would need to be adopted for the adjustments described above.

Director LaMar said that at the Finance and Personnel Committee meeting on February 27, 2012, his recommendation for the District's contribution for full-time regular employees be decreased by 2.0% effective March 1, 2012, then 1% on March 1, 2013, 1% on March 1, 2014, and 1% on March 1, 2015 for full-time regular employees. He said under this scenario, all District employees would be paying their full 8% employee contribution by March 1, 2015, which would be reasonable given the state of the economy at this time.

Director Swan said that the District procured the services of a consultant in the spring of 2011, Aon Hewett, to assist in evaluating the retirement/pension plans, and they determined that that District's unfunded pension obligation is estimated to be over \$100 million. He said that in July 2011, the District approved a one time 2% increase in employee pay at the same time as the increased contribution to offset the increase from 1% to 3% of pay put into the plan by the employees. He said that currently the District is paying the majority of the CalPERS contribution. He said that he recommends that the District's contributions for full-time regular employees be decreased by 2.5% effective March 1, 2012 and another 2.5% effective March 1, 2013. He said under this scenario, all District employees would be paying their full 8% employee contribution by March 1, 2013. Director Reinhart commented that he was leaning towards making employee contributions beginning in July 1, 2012 and making additional adjustments over a three-year period. Both Director Withers and President Matheis concurred with Director Reinhart's suggestion of the adjustments over the three-year time period. Mr. Jesse Perez, an employee of the District, expressed concern that the proposed employee

CalPERS increases would create financial hardships to employees due to current economic conditions. Following discussion, President Matheis said that she would like to continue this matter to February 22, 2012 at 5:00 p.m. to allow a forum for the employees to provide feedback. Staff was asked to advise employees of this Board meeting, and to also ask for comments. On MOTION by Swan, seconded and unanimously carried, THE PROPOSED DECREASES TO CALPERS - EMPLOYER-PAID MEMBER CONTRIBUTIONS ITEM WAS CONTINUED TO AN ADJOURNED REGULAR BOARD MEETING ON FEBRUARY 22, 2012 AT 5 P.M.

PROPOSED EARLY REDEMPTION OF THE ELECTION 1988 BONDS

The District currently has three Election 1988 bond issues with a total par amount of \$3.1 million. The bonds are backed by letters of credit issued by Landesbank Hessen-Thüringen Girozentrale (Helaba). Helaba has exercised its right to opt-out of the letter of credit effective May 2, 2012. Staff is recommending approval of redeeming the bonds on April 2, 2012, rather than incurring significant expense to substitute the Helaba letter of credit for 18 months through final maturity of November 2013. On MOTION by Swan, seconded and unanimously carried, THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2012-8

RESOLUTION OF THE BOARD OF DIRECTORS OF THE IRVINE RANCH WATER DISTRICT CALLING BONDS OF SAID DISTRICT FOR REDEMPTION AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH (WATERWORKS BONDS, ELECTION 1988, SERIES A, IMPROVEMENT DISTRICT NO. 182; SEWER BONDS, ELECTION 1988, SERIES A, IMPROVEMENT DISTRICT NO. 282; AND SEWER BONDS, ELECTION 1988, SERIES A, IMPROVEMENT DISTRICT NO. 284).

ENERGY AND GREEN HOUSE GAS MASTER PLAN AND JACKSON RANCH SOLAR FEASIBILITY STUDY

Using a PowerPoint presentation, Director of Water Resources Weghorst provided an overview of the goals of the Energy and Greenhouse Gas Master Plan; steps taken in the development of the Master Plan; IRWD's existing and projected future energy use and Greenhouse gas emissions; a summary of the 12 recommended project costs and benefits; reacting to future regulatory changes; sensitivity of Master Plan to important assumptions; feasibility of leasing the District's Jackson Ranch for a solar project, and recommendations. Following discussion, Director Swan asked that an item be submitted to the Finance and Personnel Committee to review costs and offsets. On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED AN INCREASE TO THE FY 2011-12 CAPITAL BUDGET FOR PROJECT 11482 (1620) IN THE AMOUNT OF \$36,000, FROM \$378,900 TO \$414,900; APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$51,000 FOR PROJECT 11482 (1620) FOR STAFF TO ASSIST IN DEVELOPING THE ENERGY AND GREEN HOUSE GAS MASTER PLAN AND TO INITIATE ADDITIONAL INVESTIGATIONS OF THE PORTFOLIO OF RECOMMENDED ENERGY AND GREEN HOUSE GAS MASTER PLAN PROJECTS; AUTHORIZED THE ADDITION OF THE

JACKSON RANCH SOLAR PROJECT 11637 (3667) TO THE FY 2011-12 CAPITAL BUDGET IN THE AMOUNT OF \$98,600; APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$98,600 FOR PROJECT 11637 (3667) TO INVESTIGATE THE FEASIBILITY OF DEVELOPING A SOLAR POWER GENERATING FACILITY AT THE JACKSON RANCH; AUTHORIZED THE GENERAL MANAGER TO EXECUTE VARIANCE NO. 1 IN THE AMOUNT OF \$13,577 FOR PROJECT 11637 (3667) WITH ZGLOBAL, INC. TO PROVIDE ADDITIONAL ANALYSIS OF POWER GRID INTERCONNECTION ISSUES; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT IN THE AMOUNT OF \$36,000 FOR PROJECT 11637 (3667) WITH PROVOST AND PRITCHARD CONSULTING GROUP TO ANALYZE LAND USE CONVERSION AND ENTITLEMENT ISSUES, DEVELOP A PROPERTY PROSPECTUS, PERFORM A PRELIMINARY ENERGY PRODUCTION ANALYSIS, REVIEW IRWD'S REQUEST FOR PROPOSAL (RFP), AND ASSIST IN IDENTIFYING A PRE-QUALIFIED LIST OF SOLAR POWER DEVELOPERS TO RECEIVE THE REQUEST FOR PROPOSAL.

GENERAL MANAGER'S COMMENTS

General Manager Cook reported on his recent trip to Washington, DC with Directors Matheis and LaMar where consultant Hal Furman had scheduled various meetings with legislators relative to potential Syphon Reservoir federal funding. Mr. Cook said that they will also be in Sacramento on Wednesday to attend various meetings with legislators scheduled by the District's consultant Maureen O'Haren.

Mr. Cook said that as reported in his Weekly Report, the District's Index-Based Tender Notes were remarketed this week for the first time since their original issuance in April 2011.

Mr. Cook further said that a tour of the MWRP Phase II will be held on February 21 at 8:00 a.m., and invited the Board to attend. Following a poll of the Board, it was determined that tonight's Board meeting will be adjourned to Tuesday, February 21 at 8:00 a.m.

DIRECTORS' COMMENTS

Director LaMar reported on his attendance at a MWDOC Board Workshop, a MWDOC Planning and Operations Committee meeting, a MWDOC Water Policy Forum, and Federal legislative meetings in Washington, DC.

Director Reinhart reported on his attendance at a MWDOC Board Workshop, a SOCWA Board meeting, a MWDOC Water Policy Forum, MWDOC's Planning and Operations Committee meeting, and an Urban Water Institute conference.

Director Swan reported on his attendance at an ACWA Region 10 Strategic Board meeting, a San Joaquin Wildlife Board meeting, a WACO Committee meeting, and an ACWA Management Committee meeting. He further said he was looking forward to an ACWA Region 10 meeting this week being held at Western Municipal Water District.

Director Withers said that he attended various standing meetings representing the District.

Director Matheis reported on her attendance at the City of Tustin's Mayor's Inaugural event, a SAWPA workshop on climate change, a WACO Committee meeting, an ISDOC Executive Committee meeting, a City of Irvine State of the City Address, a Federal Legislative meeting in Washington, DC, and MWDOC's retirement event for Mr. Ed Royce.

CLOSED SESSION

President Matheis said that a Closed Session would be held with Legal Counsel relative to Initiation of Litigation - Government Code Section 54956.9(c) - involving one potential case (potential settlement with design consultants).

OPEN SESSION

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

ADJOURNMENT

President Matheis adjourned the meeting to Tuesday, February 21 at 8:00 a.m. at the District's Operations Center, 3512 Michelson, Irvine, for a tour of the MWRP Phase II Expansion project.

APPROVED and SIGNED this 27th day of February, 2012.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone