

## MINUTES OF REGULAR MEETING – SEPTEMBER 10, 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 September 10, 2012 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Matheis, LaMar, Swan, and Withers

Directors Absent: Reinhart

Also Present: General Manager Cook, Acting Director of Finance/Treasurer Jacobson, Executive Director of Operations Pedersen, Executive Director of Engineering Burton, Executive Director of Water Policy Heiertz, Director of Human Resources Wells, Director of Administrative Services Mossbarger, Secretary Bonkowski, Legal Counsel Arneson, Mr. Jim Reed, Mr. Bruce Newell, Mr. John Dayer, Ms. Kirsten McLaughlin, Mr. Wayne Clark, Mr. Don Chadd, and other members of the public and staff.

WRITTEN COMMUNICATION: None.

ORAL COMMUNICATION:

Mr. Don Chadd reported that he is a candidate for the open Board of Director position for Division 6 on the MWDOC's Board, and if elected in November, is planning to attend future IRWD Board meetings.

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 2, 4, 5, 7, C-8, C-9, 10, 12, 15, 16 and 17 will operate in accordance with the District's annual pumping plan. Wells 1, 3, 6, 11, 13, and 14 will be off. This was confirmed by Mr. Cook, General Manager of the District.

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.

### CONSENT CALENDAR

General Manager Cook provided a correction on item No. 5 noting that the President and Secretary will execute the amendment on the Settlement Agreement for the El Toro Groundwater Remediation project as has been the practice on previous amendments. There being no objection, on MOTION by Swan, seconded and unanimously carried, CONSENT CALENDAR ITEMS 3 THROUGH 5 WERE APPROVED AS FOLLOWS:

3. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the August 27, 2012 Regular Board Meeting be approved as presented.

4. 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.

5. EL TORO GROUNDWATER REMEDIATION PROJECT EXECUTION OF THIRD SETTLEMENT AGREEMENT AMENDMENT

Recommendation: That the Board authorize the President and Secretary to execute the Third Amendment to the Settlement Agreement for the El Toro Groundwater Remediation project.

### ACTION CALENDAR

#### INFORMATION TECHNOLOGY SERVICES ASSESSMENT FINDINGS, RECOMMENDATIONS, AND PROPOSED BUDGETED POSITION ADDITIONS AND CHANGES

General Manager Cook reported that in May 2010, the Board authorized the procurement of Enterprise Resource Planning (ERP) system licenses from Oracle for the replacement of the District's aged financial management and human resources systems. Mr. Cook said that based on the changes that have occurred with the implementation of Oracle technology, and the anticipated investments in utility billing and maintenance management applications, staff determined that an assessment of the information technology service delivery and staffing is needed. He said that the objective of the assessment is to provide the District with a clear definition of the staffing and skill level required to support a level of service that maximizes the return on its information technology investment. In March 2012, staff recommended that the

District retain a consultant to conduct an Information Technology (IT) Assessment, with an emphasis on the District's evolving Oracle technical environment as well as anticipated investments in utility billing and enterprise asset management applications.

Using a PowerPoint presentation, Director of Administrative Services Mossbarger provided an overview of the Information Technology Services Assessment findings by Pacific Technologies, Inc. (PTI) which included an assessment on the IT staffing levels, skills, and service delivery structure. Mr. Mossbarger reported that PTI's findings are that the District is not well positioned to support the shift to a packaged software environment; the District is understaffed and is missing some of the skills required to support its targeted, commercial off-the-shelf (COTS) software architecture; and there is a lack of District-wide IT governance. He said that its recommendation include adding three full-time employees over time to support District software applications; developing a detailed succession plan and training, recruiting and/or contracting personnel to fill IT skill gaps; establishing an IT service desk supported by modern help desk automation; introducing a more structured approach – without imposing more overhead – to IT governance at the District; and adding information technology as a quarterly agenda item for the District's senior staff meetings and utilizing this forum to address key decisions (e.g., scope boundaries for the new EAM) and policy setting (e.g., adoption of cloud-based technologies).

Director Swan reported that this item was reviewed and approved by the Finance and Personnel Committee on September 4, 2012. Director Withers suggested that a future item be submitted to the Finance and Personnel Committee relative to key milestones as well as a listing of accomplishments. On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED THE ADDITION OF THREE FULL-TIME REGULAR POSITIONS, TWO POSITION UPGRADES, AND ONE TITLE CHANGE; AUTHORIZED AN INCREASE OF \$291,000 FOR SALARY AND BENEFITS TO THE CURRENT FISCAL YEAR 2012-13 OPERATING BUDGET; AND ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2012- 38

RESOLUTION OF THE BOARD OF DIRECTORS  
OF IRVINE RANCH WATER DISTRICT,  
RESCINDING RESOLUTION NO. 2012-22 AND  
ESTABLISHING A REVISED SCHEDULE OF POSITIONS  
AND SALARY RATE RANGES

ENTERPRISE RESOURCES PLANNING SYSTEM IMPLEMENTATION UPDATE,  
CONSULTANT VARIANCE AND EXPENDITURE AUTHORIZATION APPROVALS

General Manager Cook reported that the District is currently operating the first wave of implementation of the Oracle Enterprise Resource Planning (ERP) software which focuses on financial management and human resources as well as the second wave which focuses on payroll, employee self-service and benefits administration. Mr. Cook said that the ERP system is now functioning on a transactional basis and that it has resolved many stabilization issues and continues to work toward optimization through business intelligence and reporting capabilities to achieve the District's expected results.

Assistant Controller Smithson reported that AST Corporation is the system's implementation consultant engaged by the District in August 2010 to design and implement Waves 1 and 2 in the sum of \$3,425,440. In February 2011, the Board approved Variance No. 1 in the sum of \$401,874 to implement hardware and software to ensure high-availability of the ERP system so that system users would not be impacted by a computer failure as well as a comprehensive data protection, data availability, and disaster recovery solution for the Oracle database. In November 2011 the Board approved a second variance in the sum of \$486,500 to provide additional Waves 1 and 2 stabilization services working with District staff and Oracle on various transactional items as well as the design and implementation of additional data elements and dashboard reporting for the Oracle Business Intelligence system which will ultimately become the primary source of reporting on financial and other data.

Mr. Smithson said that the District currently requires variances to both existing AST contracts for additional services which include: 1) Variance No. 2 in the sum of \$84,000 for Remote Managed Services will provide additional resources to resolve Oracle application and database issues as well as working with the staff to achieve consistent database optimization; and 2) Variance No. 3 in the total sum of \$136,000 for implementation services to provide additional Wave 1 and Wave 2 stabilization services to work with staff and Oracle on various transactional items; and.

Director Swan reported that this item was reviewed and approved by the Finance and Personnel Committee on September 4, 2012. On MOTION by Swan, seconded and unanimously carried, **THE BOARD APPROVED VARIANCE NO. 2 WITH AST CORPORATION FOR ITS REMOTE MANAGED SERVICES CONTRACT IN THE AMOUNT OF UP TO \$84,400; APPROVED VARIANCE NO. 3 WITH AST CORPORATION FOR IMPLEMENTATION SERVICES IN THE AMOUNT OF UP TO \$136,100; APPROVED EXPENDITURE AUTHORIZATIONS FOR PROJECTS 1278 AND 1660, IN THE SUM OF \$110,000 EACH; AND APPROVED ADDITIONS TO THE FY 2012-13 CAPITAL BUDGET FOR PROJECTS 1278 AND 1660, IN THE SUM OF \$110,000 EACH.**

#### REVISED PERSONNEL POLICIES AND PROCEDURES

General Manager Cook reported that staff has developed the Personnel Policies and Procedures to consistently address personnel-related issues at the District. Mr. Cook said that to keep current with state and federal law, implement best practices in administering Human Resource policies, and correctly reflect practices in conducting District business, it is necessary to update these policies periodically. He said that staff recommends that the Board adopt a resolution establishing revised personnel policies and rescinding Resolution No. 2011-28 dated September 12, 2011 which includes changes to the following policies: Policy No. 2 – General Policies; Policy No. 8 – Salary; Policy No. 18 – Vacation; Policy No. 33 – Injury and Illness Prevention Program; Policy No. 34 – Employee Personal Computer Purchase Plan; Policy No. 36 – Performance Recognition Program; Policy No. 37 – Commuter Trip Reduction (Ridesharing) Plan; Policy No. 38 – Safety Shoe and Prescription Safety Eyewear; Policy No. 41 – Flexible Advantage Plan; and Policy No. 45 – Conflict of Interest.

Mr. Cook said the revision to Policy No. 36 – Performance Recognition Program is included in this resolution revising the above-mentioned policies which has been the subject of multiple discussions at past Board and Finance and Personnel Committee meetings. New language is being proposed for Policy No. 36 to clarify how this policy is administered by staff.

Director Swan reported that this item was reviewed by the Finance and Personnel Committee on September 4, 2012 and that all of the policies were recommended for the Board’s approval with the exception of Policy No. 36 - Performance Recognition Awards. He provided an overview of how he would like to see the policy managed with oversight by the Board prior to distribution before the end of the fiscal year or that no single award exceed \$1,000. Director LaMar reported that there was a discussion at the Committee meeting and he believes it is the Board’s role to set policy with the General Manager distributing the awards accordingly. Director Withers concurred with Director LaMar’s position. Following discussion, and on MOTION by LaMar, seconded and carried (LaMar, Matheis, and Withers voting aye, Swan voting no but stated that he supported all of the policies with the exception of Policy No. 36, and Reinhart absent), **THE BOARD ADOPTED THE FOLLOWING RESOLUTION BY TITLE:**

RESOLUTION NO. 2012-39

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH  
WATER DISTRICT, RESCINDING RESOLUTION NO. 2011-28  
AND ESTABLISHING REVISED PERSONNEL POLICIES  
(FOR POLICY NOS. 2, 8, 18, 33, 34, 36, 37, 38, 41, AND 45)

ESTABLISHING CONNECTION FEES IN IMPROVEMENT DISTRICTS 184/284

General Manager Cook reported that the District will need to establish and adopt a connection fee for redevelopment in Improvement Districts (IDs) 184/284 for a commercial development that will be converting to a residential development in the Foothill Ranch area (Project).

Assistant Controller Smithson reported that a property owner within IDs 184/284 is converting the property from a commercial to a residential development and has requested a connection fee for this redevelopment which represents a credit for the initial connection fee paid and addresses the increased demands identified in the development. Mr. Smithson said that the Foothill Ranch development is unique in that an agreement was executed in 1988 with the District that provided for the developer to pay 50% of the “Project” cost as identified in the Plan of Works. The agreement also called for 50% of any remaining funds to be returned to the developer 30 days after acceptance by IRWD of all components of the Project. In February 2002, an agreement was reached with the Foothill Ranch company that reimbursed the developer \$800,000 and entitled the District to utilize the collection of connection fees, user rates, standby or acreage assessments and any other fees or charges permitted by law to provide funding for future capital costs. The reimbursement utilized the cash runs to identify fund balances at ultimate development to identify a sharing of the remaining balance.

The District has previously had redevelopment conversions from commercial to residential in other IDs. When proof of the initial connection fee was available, credit for the demands already

funded was taken into consideration. Because these IDs are unique, staff recommends establishing a connection fee for the commercial IDs of the Foothill Ranch development.

Mr. Smithson reviewed factors that play a significant role in the generation of the proposed residential redevelopment rate in IDs 184/284. Because the connection fee was for the Project, the contribution will be allocated to all parcels based on their demand requirements.

Director Swan reported that this item was presented to the Finance and Personnel Committee on September 4, 2012. Following an inquiry by Director Swan relative to regional allocations, on MOTION by Swan, seconded by LaMar, THIS ITEM IS CONTINUED FOR DISCUSSION AT THE OCTOBER 2, 2012 FINANCE AND PERSONNEL COMMITTEE.

### OPERATIONS CENTER CHILLER REPLACEMENT – EXPENDITURE AUTHORIZATIONS AND CONSTRUCTION AWARD

Executive Director of Operations Pedersen reported that the 18 year-old chiller unit for the Operations Center is nearing the end of its service life as it has suffered numerous refrigerant leaks on three of the four integrated compressors, and multiple repairs have been required on the two copper inlet supply lines and the heat exchanger tubing. Mr. Pedersen said that the proposed replacement chiller increases the building's cooling capacity to 170 tons, and substitutes two modern energy efficient screw compressors for the existing four reciprocating compressors which will result in an energy savings of 633 kilowatt-hours per year. In addition, the replacement chiller will qualify for a one-time rebate of \$2,700 from the Southern California Edison Business Solutions Program.

Mr. Pedersen said that staff invited four contractors with suitable heating, ventilation and air conditioning experience to submit bids for the project. Three contractors submitted bids: Ram Air Engineering, Inc., Mesa Energy Systems, Inc. and Air Control Systems, Inc. The apparent low bidder is Air Control Systems, Inc. with a bid of \$205,800. Air Control Systems, Inc. has 34 years of experience handling heat, ventilation and air conditioning projects and is well qualified for the project. On MOTION by LaMar, seconded and unanimously carried, THE BOARD APPROVED EXPENDITURE AUTHORIZATIONS IN THE AMOUNTS OF \$114,600 FOR PROJECT 11588 (1316), \$109,600 FOR PROJECT 21588 (1499) AND \$25,000 FOR PROJECT 31588 (1319) AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH AIR CONTROL SYSTEMS, INC. IN THE AMOUNT OF \$205,800 FOR THE OPERATIONS CENTER CHILLER REPLACEMENT PROJECTS 11588 (1316), 21588 (1499) AND 31588 (1319).

### GENERAL MANAGER'S REPORT

General Manager Cook reported that as mentioned in last week's Weekly Report to the Board, the alternative IRWD Logo design which was trademarked in 2007 will be expiring soon, and staff will forego reregistering it.

Mr. Cook reminded the Board of the upcoming September 21, 2012 Strategic Planning Workshop.

He further said that he will be traveling to Bakersfield with staff on Wednesday relative to groundwater recharge matters.

#### DIRECTORS' COMMENTS

Director LaMar reported on his attendance at a recent MWDOC Board meeting with an update by Mr. Jeff Kightlinger on the Bay Delta as well as a WACO meeting.

Director Swan reported on his attendance at a WACO meeting. He further reported on his attendance at a MWDOC/OCWD Joint Committee meeting and noted discussion on the Bay Delta Conservation Plan.

Director Matheis said she is looking forward to attending the upcoming CSDA conference in San Diego this month.

#### CLOSED SESSION

President Matheis said that a Closed Session will be held as follows:

CONFERENCE WITH LABOR NEGOTIATORS – Government Section 54957.6.  
Agency Designated Representatives: Paul Cook, Janet Wells, Jim Moss and Jim Payne.  
Employee Organization: Irvine Ranch Water District Employees Association

#### OPEN SESSION

Following the Closed Session, the meeting was reconvened with Directors Swan, LaMar, and Matheis present (Director Withers left at 7:00 p.m.) and Reinhart absent. No action was reported.

#### ADJOURNMENT

President Matheis adjourned the meeting.

Approved and signed this 24th day of September, 2012.

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President, IRVINE RANCH WATER DISTRICT

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Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

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Legal Counsel - Bowie, Arneson, Wiles and Giannone