

MINUTES OF REGULAR MEETING – June 24, 2013

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 June 24, 2013 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None.

Also Present: General Manager Cook, Executive Director of Finance Clary, Executive Director of Engineering Burton, Executive Director of Operations Sheilds, Director of Public Affairs Beeman, Executive Director of Water Policy Heiertz, Director of Risk Management and Treasury Jacobson, Director of Water Resources Weghorst, Assistant Director of Conservation Sanchez, Legal Counsel Arneson, Secretary Bonkowski, Ms. Gretchen Maswadeh, Mr. Ian Swift, Mr. Christopher Smithson, Mr. Carl Spangenberg, Mr. Eric Akiyoshi, Mr. Mike Hoolihan, Mr. Steve Malloy, Ms. Christine Compton, Ms. Tina Bertsch, Mr. Chris Fike, Ms. Jane Shafer, Ms. Roberta Sitzler, Mr. Jim Reed, Mr. Bruce Newell, Ms. Lisa Ohlund, Mr. John Jaeger, and other members of the public and staff.

WRITTEN COMMUNICATION: None.

ORAL COMMUNICATION

1) 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 4, C-8, C-9, 10, 12, 13, 14, 15 and 17 will operate in accordance with the District's annual pumping plan. Wells 1, 2, 3, 5, 6, 7, 11 16 and 18 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.

- 2) Mr. John Jaeger relative to Item No. 3 regarding proposed changes to the water rates (see page 3).

ITEMS TOO LATE TO BE AGENDIZED: None.

PUBLIC HEARING

PROPOSED CHANGES TO THE SCHEDULE OF RATES AND CHARGES EFFECTIVE JULY 1, 2012

General Manager Cook reported that pursuant to the requirements of Proposition 218, a Public Hearing on the rates and charges is required. Following the Public Hearing, staff recommends that the Board adopt the proposed changes to the Schedule of Rates and Charges required to fund operating expenses.

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

Secretary Bonkowski reported that the hearing was noticed by an independent processing firm, PSB Integrated Mark, by mail. She then presented the affidavit of mailing to be received and filed.

On MOTION by Swan, seconded and unanimously carried, THE AFFIDAVIT OF MAILING BY AN INDEPENDENT PROCESSING FIRM AS PRESENTED BY THE SECRETARY WAS RECEIVED AND FILED.

President Reinhart 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 and 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 Reinhart requested a staff report from Executive Director of Finance Clary on the proposed rates and charges, and inquired whether there had been any written communications.

Ms. Clary said for the noticing procedure, on May 6, 2013, notices were mailed including separate notices for the Irvine rate area for residential, commercial, and landscape customers; for the Los Alisos rate area for residential, commercial, and landscape customers; and for the Orange Park Acres rate area. She said that as of today, there is a total of 10 responses received, of which the last two responses had been placed before each Board member. She said that the protests represented 0.01% of the 87,114 notices sent, and under Proposition 218, more than 50% of the IRWD customers would have had to protest in order to prevent the Board from adopting the proposed rates and charges. She further said that the proposed changes were reviewed at three Finance and Personnel Committee meetings and two Board workshops.

Using a PowerPoint presentation, Mr. Christopher Smithson reviewed the proposed rate adjustments and made a comparison from the current to the proposed charges in the various rate areas for water, sewer/recycled service for the three rate areas. He then reviewed a typical residential customer's rates from the current rate to the proposed rate for FY 2013-14 for the three separate rate areas.

President Reinhart inquired whether there was anyone present who wished to address the Board regarding the proposed changes to the rates and charges. Mr. John Jaeger suggested that the District forego this year's rate increase and instead take funds from the District's reserves. He further commented that Orange Park Acres (OPA) has the same rates for all of its meters and that homeowner associations pay for oversized meters they do not need. Director Swan said that once the acquisition agreement term ends with OPA, the District will adjust the rate for these meters, and further said that large meters for homeowner associations can easily be changed out if requested by an association. Director Matheis said that she read the protest letters received, that the District has responded very well to questions received from the public, and that she was planning to vote in favor of the rate increase. President Reinhart said that it was prudent to fiscally balance the budget annually and would not want to postpone the one or two percent increases to a future year. Following discussion, President Reinhart inquired whether there are any further comments or questions from members of the Board of Directors. There were none.

On MOTION by Swan, seconded by LaMar, and unanimously carried, THE HEARING WAS CLOSED AND THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2013 - 23

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 RECLAIMED WATER SERVICE

PRESENTATIONS

ORANGE COUNTY TRANSPORTATION AUTHORITY BLUE DIAMOND RIDESHARE
AWARD

Ms. Gretchen Maswadeh presented to the Board OCTA's 2012 Blue Diamond Rideshare Award for employee ridership participation that includes 20 vans for employees. Ms. Maswadeh also recognized Ms. Jane Shafer, Ms. Roberta Sitzler, Mr. John Dayer and Mr. Rick Perry for their efforts with this program. Director Swan said that he was very proud of the employees for making this program work using vanpools, carpools and bicycling to work. He further said that the District entered into its rideshare program when it was mandated; however, due to the District's size, the program became exempted. The District, however, decided to continue with the program to reduce emissions.

PRESENTATIONS (CONTINUED)

2013 DISTINGUISHED SERVICE AWARD FROM SOUTHWEST MEMBRANE OPERATORS ASSOCIATION

Mr. Eric Owens, President of the Southwest Membrane Operators Association, presented the 2013 Distinguished Service awards to the Board and Mr. Carl Spangenberg.

CONSENT CALENDAR

Director Swan asked that item No. 9, Strategic Measures Dashboard, be moved to the Action Calendar for discussion. There being no objections, this item was moved accordingly. On MOTION by Swan, seconded and unanimously carried, CONSENT CALENDAR ITEMS 6 THROUGH 8 AND 10 THROUGH 18 WERE APPROVED AS FOLLOWS:

6. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the June 10, 2013 Regular Board Meeting be approved as presented.

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, Doug Reinhart, John Withers and Peer Swan.

8. MAY 2013 TREASURY REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report and the monthly Interest Rate Swap Summary for May 2013; approve the May 2013 summary of payroll payments in the total amount of \$2,121,252 and approve the May 2013 Accounts Payable disbursement summary of Warrants 338887 through 339700, workers' compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$13,040,749.

10. QUITCLAIM OF REAL PROPERTY GRAYBEARD TOO, LLC SEWER PIPELINE EASEMENT PER TR. 15105 NEWPORT COAST

Recommendation: That the Board adopt the following resolution by title approving execution of a Quitclaim Deed to Graybeard Too, LLC.

RESOLUTION NO. 2013-24

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT APPROVING
EXECUTION OF THE QUITCLAIM DEED TO
GRAYBEARD TOO, LLC

CONSENT CALENDAR (CONTINUED)

11. INITIAL DISINFECTION FACILITY CHLORINE INJECTION LINE REPLACEMENT EXPENDITURE AUTHORIZATION

Recommendation: That the Board approve an Expenditure Authorization in the amount of \$152,300 for the Initial Disinfection Facility Chlorine Injection Line Replacement, project 11669 (4285).

12. PLANNING AREA 51 HERITAGE FIELDS EXPENDITURE AUTHORIZATION ALLOCATION ADJUSTMENTS

Recommendation: That the Board approve Expenditure Authorizations for projects 11660 (3977), 21660 (3980), and 31660 (3983) to update the allocation to Improvement Districts 112/212.

13. SANTIAGO CREEK DAM OUTLET TOWER SEISMIC EVALUATION BUDGET INCREASE, EXPENDITURE AUTHORIZATION, AND CONSULTANT SELECTION

Recommendation: That the Board authorize a budget increase in the amount of \$17,600, from \$133,100 to \$150,700, for project 30331 (1813); approve an Expenditure Authorization in the amount of \$90,700; and authorize the General Manager to execute a Professional Services Agreement with URS Corporation in the amount of \$59,000 for Phase 1 of the Santiago Creek Dam Outlet Tower Seismic Evaluation, project 30331 (1813).

14. FISCAL YEAR 2013-14 EXPENDITURE AUTHORIZATIONS

Recommendation: That the Board approve expenditure authorizations for FY 2013-14 in the amount of \$99,000 for Engineering Planning Study Reserve (water), project 11055 (1780); \$85,800 for Engineering Planning Study Reserve (sewer), project 21055 (1350); \$88,000 for Engineering Planning Study Reserve (recycled), project 31055 (1575); \$1,877,000 for OCSD CORF, project 20114 (1543); \$1,264,000 for OCSD Solids Handling, project 20811 (1400); \$165,000 for raise manholes to grade 13/14, project 20946 (4572); \$84,700 for Health Department fees, project 30400 (4463); \$145,800 for Recycled Conversions Off-site, project 30399 (4464); \$250,000 for Recycled Conversions On-site, project 30398 (4465).

15. WASTEWATER OPERATIONS FISCAL YEAR 2013-14 EXPENDITURE AUTHORIZATIONS

Recommendation: That the Board approve expenditure authorizations for project 11677 (4421) for \$400,000; project 21144 (4431) for \$350,000; project 30395 (4424) for \$350,000; project 20958 (4574) for \$275,000; project 20913 (4437) for \$264,000; project 21009 (4419) for \$210,000 and project 21052 (4573) for \$44,000.

CONSENT CALENDAR (CONTINUED)

16. WATER OPERATIONS FISCAL YEAR 2013-14 EXPENDITURE AUTHORIZATIONS

Recommendation: That the Board authorize the addition of Project 10391 (1214) for \$424,900 to the Fiscal Year 2013-14 Capital Budget and approve expenditure authorizations for; Project 11579 (1282) for \$294,100; Project 11584 (1295) for \$650,100; Project 31584 (1333) for \$206,800; Project 21584 (1491) for \$200,200; Project 11583 (1300) for \$203,500; Project 11581 (1292) for \$170,500; Project 31581 (1415) for \$170,500; Project 11580 (1277) for \$91,700, Project 30364 (1011) for \$120,500 and Project 11582 (1285) for \$135,300.

17. MICHELSON WATER RECYCLING PLANT PHASE 2 EXPANSION AND FLOOD PROTECTION IMPROVEMENTS VARIANCES

Recommendation: That the Board authorize the General Manager to execute Variance No. 3 in the amount of \$115,600 with EI&C Engineering, Inc. for engineering support services related to start-up activities for the MWRP Phase 2 expansion, projects 20214 (1599) and 30214 (1706), and authorize the General Manager to execute Variance No. 4 in the amount of \$22,800 with Borchard Surveying and Mapping for supplemental survey services for the MWRP Phase 2 and Flood Protection Improvements, projects 20214 (1599), 20542 (1150), 30214 (1706), and 30542 (1118).

18. AGREEMENT FOR RELOCATION OF THE MICHELSON PARK PLACE SEWER LIFT STATION

Recommendation: That the Board authorize the General Manager to execute the agreement for relocation of the Michelson Park Place Sewer Lift Station and the subsequent dismantling and quitclaiming of the existing site and pipeline easements to LBA IV-PPI, LLC, subject to non-substantial changes and at LBA's sole cost and expense.

ACTION CALENDAR

STRATEGIC MEASURES DASHBOARD

Following discussion of the reasons for lower water levels for both the San Joaquin and Sand Canyon reservoirs than what is recommended in the operational plan, on MOTION by Swan, seconded and unanimously carried, THE BOARD RECEIVED AND FILED THE STRATEGIC MEASURES DASHBOARD AND INFORMATIONAL ITEMS.

VAULT AND VAULT LID REPLACEMENT CONSTRUCTION AWARD

General Manager Cook reported that the Vault and Vault Lid Replacement Project will replace broken or heavy, unhinged vault lids at four valve vault sites and will replace three small valve and meter vaults with larger vaults throughout the IRWD service area. On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED A BUDGET INCREASE IN

THE AMOUNT OF \$188,100, FROM \$297,600 TO \$485,700, FOR PROJECT 11358 (1800); APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$331,100 FOR PROJECT 11358 (1800); AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH PAULUS ENGINEERING, INC. IN THE AMOUNT OF \$211,575 FOR THE VAULT AND VAULT LID REPLACEMENT, PROJECT 11358 (1800).

ORANGE PARK ACRES RESERVOIR DEMOLITION CONSTRUCTION AWARD

General Manager Cook said that due to the completion of the Orange Park Acres transmission main project in October 2012, the 1928 reservoir in the Orange Park Acres is no longer necessary for domestic water service. Mr. Cook said that he would like to amend staff's recommendation to proceed with the project without Schedule "B" which would have demolished and removed East Orange County Water District's items including the removal and salvage of its appurtenances which will now be cordoned off until the issues are resolved. In response to President Reinhart's inquiry, Mr. Cook said that once the reservoir is demolished, the contractor will be filling the reservoir with soils and at the time, if not sooner, staff will be resolving the issues with EOCWD with the possibility of relocation the appurtenances to another location. Both Directors Reinhart and LaMar said that the District needs to maximize that property by selling it. Following discussion of the location of these appurtenances, on MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED A BUDGET INCREASE OF \$112,200, FROM \$275,000 TO \$387,200 FOR PROJECT 11416 (1337); APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$387,200 FOR PROJECT 11416 (1337); AND SUBJECT TO THE OMISSION OF SCHEDULE "B" FROM THE CONTRACT'S SCOPE OF WORK UNTIL THE ISSUE WITH APPURTENANCES IS RESOLVED WITH THE EAST ORANGE COUNTY WATER DISTRICT, AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH SCHULER ENGINEERING, INC. IN THE AMOUNT OF \$255,121 FOR THE ORANGE PARK ACRES RESERVOIR DEMOLITION, PROJECT 11416 (1337)

NON-POTABLE WATER SYSTEM HYDRAULIC MODEL CONSULTANT SELECTION

General Manager Cook reported that the 2013 Non-Potable Water System Hydraulic Model project will provide an important tool to more efficiently plan, manage, and operate the District's non-potable water distribution system. Major components of the project include a calibrated, extended period simulation, existing system model and an "ultimate" (in 2035) system model. The model will include operating scenarios for peak summer demand operations and low winter demand operations during seasonal storage fill periods.

Executive Director of Engineering Burton reported that a Request for Proposal was issued to six consulting firms including AKM, Brown & Caldwell, Dudek and Associates, HDR, Inc., Carollo, and Stantec. Mr. Burton said that proposals were received from AKM, Brown & Caldwell, HDR, Carollo, and Stantec. He said that the proposals were reviewed and ranked based on project understanding, technical approach, project team qualifications and experience, with the intent of interviewing the top two or three ranked consultants. He said that based on the proposal evaluations, AKM, Carollo, and Stantec were selected for interviews. All three teams were given an opportunity to present their approaches for model development, model calibration, and working with and training District staff on model usage. He further said that staff

recommends that the project be awarded to AKM as they demonstrated understanding of the District's system and the project, they have a local presence with their office located within five miles of the District's office, and the approach to collaborate, train, along with data collection will fit well with the needs and culture of the District. AKM demonstrated how this can be accomplished with minimal impacts to the project schedule and budget.

Director Withers said that this item was reviewed and approved by the Engineering and Operations Committee on June 18, 2013. Following discussion on adaptability of new facilities to be simulated, on MOTION by Withers, seconded and unanimously carried, THE BOARD APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$467,500 FOR PROJECT 31384 (1106) AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH AKM CONSULTING ENGINEERS, IN THE AMOUNT OF \$299,640, FOR DEVELOPMENT OF THE NON-POTABLE WATER SYSTEM HYDRAULIC MODEL, PROJECT 31384 (1106).

IRWD 2013 SEWER SYSTEM MANAGEMENT PLAN

General Manager Cook reported that the State Water Resources Control Board (SWRCB) is the permitting agency for sewage collection systems throughout California and requires that the owner of a sewage collection system develop and implement a Sewer System Management Plan (SSMP). Mr. Cook said that as part of the implementation of the SSMP, the SWRCB also requires that the governing body of the agency that owns the sewer system certify the SSMP stating that the District is in compliance with the general waste discharge requirements (WDS).

Executive Director of Operations Shields said that the SSMP is designed and maintained to prevent sewer system overflows and the plan contains a Spill Response Plan that establishes standard procedures for immediate response to a sewer system overflow (SSO) in a manner designed to minimize health and water quality impacts, along with potential nuisance conditions. Additionally, the SSMP must be updated every five years and include any significant program changes. In accordance with the SWRCB's WDRs, the District is required to self-audit its SSMP a minimum of once every two years. Certification by the governing board of the District is required in accordance with D.14 of the WDRs when significant updates to the SSMP are made. Once the Board has certified the SSMP, staff will complete the certification process by entering the required data into the CIWQS SSO database; post a certified copy of the SSMP on the IRWD website; and mail a certified hard copy to the SWRCB.

On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO RECEIVE AND FILE THE 2008-2011 SEWER SYSTEM MANAGEMENT PLAN AUDIT REPORT AND CERTIFY THE IRWD 2013 SEWER SYSTEM MANAGEMENT PLAN.

SETTING CONNECTION FEES AND PROPERTY TAX RATES FOR 2013-14

General Manager Cook reported that staff is currently in the process of reviewing the existing long-term capital funding plan (LTFP) and considering adjustments that will make the plan more practical as the District nears build-out and transitions its focus to ongoing operations and maintenance activities. Mr. Cook said that the District continues to work closely with local stakeholders to determine the impact on existing rate setting practices including the possible

consolidation of existing improvement districts (IDs) as well as the impact on future connection fees and property taxes. Much progress has been made to date and more will be required before changes can be implemented. Based on the progress made to date and work that remains to be completed, staff recommends taking an interim step in the connection fee and property tax rate setting for Fiscal Year (FY) 2013-14.

Executive Director of Finance Clary said that based on the existing enterprise model with no changes in the IDs, preliminary estimates identify a need to increase connection fees to fund future capital requirements. Ms. Clary said that staff recommends that the Board consider adopting the intermediate increase ranging from \$185-\$332 per unit in developing improvement districts for FY 2013-14 and holding the property tax rates as established in FY 2012-13.

Director Swan said that this item was reviewed and approved by the Finance and Personnel Committee on June 6, 2013. On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED A 5.0% INCREASE IN CONNECTION FEES AND ADOPTED THE FOLLOWING RESOLUTIONS BY TITLE:

RESOLUTION NO 2013-25

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 2013-26

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA ESTABLISHING AD VALOREM TAX REVENUES FOR FISCAL YEAR 2013-14

RETIREMENT BENEFIT FUNDING TRUST AGREEMENT AND FUNDING APPROVAL

General Manager Cook said at its May 13, 2013 meeting, staff provided the Board with information regarding a retirement trust structure to facilitate the investment of District assets for future funding of the District's CalPERS unfunded liability, and potentially Other Post Employment Benefit (OPEB) obligations. Mr. Cook said that staff recommends approval of a Section 115 Trust Agreement (115 Trust) and related Retirement Board to facilitate funding of future retirement obligations.

Using a PowerPoint presentation, Executive Director of Finance Clary reviewed the expected benefits offered by a separate retirement funding trust include: 1) increased risk diversification of District retirement contributions through additional / different asset management; 2) oversight and control of fund management selection, monitoring of performance and ability to replace fund management based on performance criteria; 3) increased flexibility on use of trust assets (if also

used for OPEB obligations); and 4) potential for positive rating agency and investor consideration.

Ms. Clary reviewed the 115 trust structure which: 1) is currently used by other public agencies for other post employment benefits (OPEB) obligations; 2) legal counsel has provided its opinion - the structure is also suitable for pensions (to fund CalPERS obligation); 3) staff/counsel will apply for IRS tax-exempt determination; and 4) it will be structured as an irrevocable trust (unless unfavorable IRS ruling is received).

Ms. Clary reviewed the retirement Board's responsibilities and structure noting that the 115 Trust structure requires that a Retirement Board be established to act as the plan Trustee and that the voting members of the Board assume fiduciary responsibility for ongoing prudent investment of the Trust assets. As Trustee, the Retirement Board's responsibilities will include implementing and updating the Investment Policy, defining the Trust's investment strategy (asset allocation, risk tolerance, etc.), selection of consultants including an investment advisor and fund manager and ongoing monitoring of the Trust's performance. The proposed retirement Board will consist of the two appointed members of the Finance and Personnel Committee and the District's General Manager as voting members, with the District's Executive Director of Finance and the Treasurer providing analyses and recommendations to the Retirement Board.

Ms. Clary reviewed the initial trust funding considerations. She said that based on discussions with the Finance and Personnel Committee, initial recommended funding is for an amount of \$35 million. Following establishment and initial funding of the IRWD Trust, next steps for the Retirement Board shall include: 1) selecting an Investment Advisor to assist the District in developing the trust's investment policy and asset allocation strategy; 2) identifying the appropriate investment fund management types (based on the trust's asset size, asset allocation strategy, etc.); and 3) evaluating, interviewing and selecting the fund manager(s).

Director Swan reported that establishing and funding a retirement benefit trust was discussed with the Finance and Personnel Committee at multiple meetings and most recently on June 6, 2013, and that the Committee concurs with the staff recommendation. Director LaMar complimented Director Swan as he said that the trust was his initial idea. He said that following careful analysis, that he believed the fund will be beneficial to the District. Directors LaMar and Matheis thanked staff for their efforts in accomplishing this item in a short time frame. In response to President Reinhart's comment, Ms. Clary said that she will verify that the Board will be insured for its fiduciary activities. There being no further comments, on MOTION by Swan, seconded by LaMar, **THE BOARD AUTHORIZED THE FUNDING OF THE IRVINE RANCH WATER DISTRICT POST-EMPLOYMENT BENEFITS TRUST FOR AN AMOUNT UP TO \$35 MILLION. AND ADOPTED THE FOLLOWING RESOLUTION BY TITLE:**

RESOLUTION NO. 2013-27

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE IRVINE RANCH WATER DISTRICT
APPROVING DECLARATION OF TRUST FOR THE
IRVINE RANCH WATER DISTRICT
POST-EMPLOYMENT BENEFITS TRUST

LETTER OF CREDIT EXTENSIONS AND REMARKETING REALLOCATION

Staff is recommending the Board approve the extension of the letters of credit on the Series 1995 and Series 2008-A bonds with Sumitomo Mitsui Banking Corporation (Sumitomo) until April 2017, the Series 2009-A bonds with US Bank until November 2016, and the Series 2009-B bonds with Bank of America until December 2016, which will result in a \$1.9 million savings in letter of credit (LOC) fees over four years. Additionally, staff recommends the Board approve reallocating the Series 2009-A bonds from Goldman Sachs as remarketing agent to US Bank as remarketing agent, and convert the interest rate mode from weekly interest rate mode to daily reset; and replace JP Morgan with Goldman Sachs as remarketing agent on the 2009-B bonds. The remarketing agent restructuring will result in an average annual remarketing fee savings of \$31,250. On MOTION by Swan, seconded and unanimously carried, THE BOARD ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2013-28

RESOLUTION OF THE BOARD OF DIRECTORS OF
THE IRVINE RANCH WATER DISTRICT AUTHORIZING
CERTAIN ACTIONS IN CONNECTION WITH EXTENSIONS
OF LETTERS OF CREDIT, CONVERSION OF INTEREST
RATE MODE AND SUBSTITUTION OF REMARKETING AGENTS
(CONSOLIDATED SERIES 1995, CONSOLIDATED
REFUNDING SERIES 2008A, CONSOLIDATED
SERIES 2009A AND CONSOLIDATED SERIES 2009B)

GENERAL MANAGER'S COMMENTS

General Manager Cook reported that he will be presenting an overview of IRWD's rate structure at an MWD workshop on Wednesday. Director Reinhart suggested that at a future ACC-OC meeting for staff to educate the city councils on IRWD's rate structure allocations.

DIRECTORS' COMMENTS

Director Matheis reported on her attendance at a meeting with El Toro Water District staff relative to mutual interests.

Director Swan reported on his attendance at various OCWD meetings including a Water Issues Committee meeting, an annexation meeting, and an Ad Hoc meeting. He also said that he attended a WACO planning meeting and an OCWD 80th anniversary meeting where he spoke with Colonel Toy who believes that there are still opportunities to obtain CORPS funding for the Prado Dam if there is a local match.

Director LaMar reported that he attended the second O.C. Fire Authority meeting where they discussed improvements on reaction times to wild land fires, and a Southern California Water Committee meeting on storm water capture. He also attended an NROC Quarterly Board meeting and said he is continually impressed with its new Executive Director Jim Sulentic.

Director Matheis said that the Urban Water Institute is holding a meeting on June 26 in Long Beach, and if any of the Board is interested in attending, to let her know.

Director Reinhart said that he attended an OCWD Ad Hoc Committee meeting and a meeting with Director Matheis and General Manager Cook with ETWD relative to mutual issues.

CLOSED SESSION

President Reinhart said that a Closed Session would be held with legal counsel relative to: Anticipated litigation - Government Code Section 54956.9(b) - significant exposure to litigation – 1 claim filed under the Tort Claims Act, on file with the District.

OPEN SESSION

The meeting was reconvened with LaMar, Matheis, Reinhart, Withers and Swan present. President Reinhart said that no action was reported from the Closed Session.

ADJOURNMENT

There being no further business, President Reinhart adjourned the meeting to June 28, 2013 at 11:00 a.m. to the District's multi-purpose room to hold a Strategic Planning Workshop.

APPROVED and SIGNED this 8th day of July, 2013.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone