

MINUTES OF REGULAR MEETING – OCTOBER 13, 2014

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 October 13, 2014 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None.

Also Present: General Manager Cook, Executive Director of Engineering Burton, Executive Director of Finance Clary, Executive Director of Operations Sheilds, Executive Director of Water Policy Weghorst, Director of Treasury and Risk Management Jacobson, Director of Administration Mossbarger, Director of Public Affairs Beeman, Director of Human Resources Roney, Assistant Director of Water Operations Roberts, Legal Counsel Arneson (by teleconference), Secretary Bonkowski, Mr. Ray Bennett, Mr. Steve Malloy, Mr. Ian Swift, Ms. Christine Compton, Mr. Jim Reed, Mr. Justin Cox 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 2, 4, 6, C-8, C-9, 10, 11, 12, 13, 14, 15, and 17 will operate in accordance with the District's annual pumping plan and that wells 1, 3, 5, 7 and 16 will be off. This was confirmed by Mr. Cook, General Manager of the District.
- 2) Mr. Justin Cox, a resident of Santa Ana Heights, thanked conservation staff for their assistance and support relative to water quality issues from runoff going into the Upper Newport Bay.

ITEMS TOO LATE TO BE AGENDIZED: None.

CONSENT CALENDAR

Director Reinhart asked that Item No. 13, Michelson Water Recycling Plant Protective Coasting Final Acceptance on the Consent Calendar be moved to the Action Calendar for discussion. There being no objection, this item was moved accordingly. There being no further comments, on MOTION by Matheis, seconded and unanimously carried, **CONSENT CALENDAR ITEMS 3 THROUGH 12 AND 14 WERE APPROVED AS FOLLOWS:**

CONSENT CALENDAR (CONTINUED)

3. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the September 8, 2014 Regular Board meeting and September 19, 2014 Adjourned Regular Board meeting be approved as presented.

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

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

5. 2014 STATE LEGISLATIVE UPDATE

Recommendation: Receive and file.

6. AUGUST 2014 TREASURY REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary report, the Monthly Interest Rate Swap Summary for August 2014, and Disclosure Report of Reimbursements to Board members and staff; approve the August 2014 Summary of Payroll ACH payments in the total amount of \$1,474,933 and approve the August 2014 accounts payable Disbursement Summary of warrants 351010 through 351647, Workers' Compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$16,506,738.

7. ANNUAL MICROSOFT ENTERPRISE AGREEMENT SOFTWARE MAINTENANCE RENEWAL

Recommendation: That the Board authorize staff to renew the annual Microsoft Enterprise Agreement effective December 1, 2014 through November 30, 2015 in the amount of \$107,000.

8. AUGMENTATION OF THE EXISTING PET CONTROL PROGRAM FOR VIREO AT PARK PLACE APARTMENT HOMES

Recommendation: That the Board approve SARES-REGIS Group's request for IRWD to concur with a City of Irvine waiver of the conditional ban on pets for up to 156 units at the Vireo at Park Place Apartment Homes (Vireo); accept \$8,112 in funding to support the San Joaquin Marsh Feral Animal Monitoring and Trapping Program; authorize the General Manager to approve pet restriction language in the tenant disclosure statements in lease agreements; and inform the SARES-REGIS Group that IRWD reserves the right to rescind its concurrence with the waiver of the conditional ban on pets if the number of units with pets at Vireo exceeds 156 units, if animal control becomes an issue in the future or if Feral Animal Program costs exceed the designated funding.

CONSENT CALENDAR (CONTINUED)

9. COST OF SERVICE AND RATE STUDY CONSULTANT SELECTION

Recommendation: That the Board authorize the General Manager to execute a Professional Services Agreement with Carollo Engineers, Inc. in the amount of \$99,200 for the Cost of Service and Rate Study.

10. 2014 DEFERRED COMPENSATION PLAN PROVIDER CONTRACT RENEWAL AND INVESTMENT REVIEW

Recommendation: That the Board approve the retention of Great-West Retirement Services as record-keeper for the District's deferred compensation plan for a period of 10 years at a total fee not to exceed 0.11%, calculated on the average annual assets in the plan.

11. PORTOLA SPRINGS 16-INCH RECYCLED WATER PIPELINE FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Portola Springs 16-inch Recycled Water Pipeline, project 30433 (4951); authorize the General Manager to file a Notice of Completion; and authorize the payment of the retention 35 days after the date of recording the Notice of Completion.

12. SAN JOAQUIN MARSH CAMPUS PAVING BID REJECTION AND BUDGET INCREASE

Recommendation: That the Board reject all bids received on September 3, 2014, for the San Joaquin Marsh Campus paving project and authorize a budget increase in the amount of \$83,600, from \$231,000 to \$314,600, for the San Joaquin Marsh Campus Paving, project 11788 (5226).

14. BAKER PIPELINE CATHODIC PROTECTION UPGRADES CAPITAL BUDGET ADDITION

Recommendation: That the Board authorize the addition of project 11802 (5530) to the Fiscal Year 2014-15 capital budget in the amount of \$574,700 for the Baker Pipeline Cathodic Protection Upgrades, project 11802 (5530).

ACTION CALENDAR

MICHELSON WATER RECYCLING PLANT PROTECTIVE COATINGS FINAL ACCEPTANCE

In response to Director Reinhart comment, General Manager said that for future Final Acceptance of Facilities that staff will include additional background information on what change orders to the project had occurred. There being no further comments, on MOTION by Reinhart, seconded and unanimously carried, THE BOARD ACCEPTED CONSTRUCTION OF THE MICHELSON WATER RECYCLING PLANT PROTECTIVE COATINGS, PROJECT

21123 (3799); AUTHORIZED THE GENERAL MANAGER TO FILE A NOTICE OF COMPLETION; AND AUTHORIZED THE PAYMENT OF THE RETENTION 35 DAYS AFTER THE DATE OF RECORDING THE NOTICE OF COMPLETION.

BAKER WATER TREATMENT PLANT CONSTRUCTION PHASE SERVICES VARIANCE

Executive Director of Engineering Burton reported that the construction of the Baker Plant was awarded to PCL Construction, Inc. on January 6, 2014 and construction is well underway. Construction phase services are currently being performed by a blended team comprised of staff and consultants from multiple engineering firms. During the budgeting process for the construction management of the project, staff determined that two construction inspectors would be necessary to provide adequate inspection coverage of the project. The first construction inspector was anticipated to be required immediately upon start of construction, and the second construction inspector was anticipated to be required once the contractor was fully mobilized and progressing with simultaneous construction activities in multiple process areas.

Mr. Burton said that staff selected the first construction inspector from HDR through a Request for Proposals procurement process. Staff deferred the selection of the second inspector to a later date as the availability of the second inspector could not be guaranteed at the time of the initial selection process.

Mr. Burton said that in July 2014, PCL began simultaneous construction work in multiple process areas. PCL recently added discipline-specific supervisors to the onsite staff, including a dedicated concrete supervisor and pipeline supervisor in addition to their overall project superintendent and project manager in an effort to advance more work simultaneously. He said the increased work efforts and increased contractor requests for inspection have established an increased demand on the first construction inspector, resulting in the need to fill the second construction inspector role.

Mr. Burton said that staff requested the consulting firms currently providing construction management services for the project to submit proposals for potential candidates for the second construction inspector position. He said that Arcadis, Jacobs Project Management Company, and HDR each submitted proposals presenting one or more candidates for the position. Staff reviewed each of the proposals and recommends selection of a candidate from HDR based on the candidate's extensive experience and commitment to the project.

Director Reinhart said that this item was reviewed by the Engineering and Operations Committee on September 23, 2014 and they concur with the staff recommendation. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE VARIANCE NO. 1 IN THE AMOUNT OF \$412,375 WITH HDR ENGINEERING, INC. FOR THE BAKER WATER TREATMENT PLANT, PROJECT 11747 (5027).

PETERS CANYON CHANNEL WATER CAPTURE AND REUSE PIPELINE PROJECT
ENVIRONMENTAL COMPLIANCE VARIANCE NO. 1

General Manager Cook reported that on November 25, 2013, the Board authorized a Professional Services Agreement with Environmental Science Associates (ESA) to prepare an Initial Study/Mitigated Negative Declaration (IS/MND) for the Peters Canyon Channel Water Capture and Reuse Pipeline Project. The project will divert nuisance surface and groundwater flows with high selenium concentrations from selected tributaries to Peters Canyon Channel and deliver flows to the Orange County Sanitation District (OCSD) for treatment and reuse. Mr. Cook said that additional environmental compliance work is needed beyond the original budgeted scope of work to fully evaluate project impacts and to develop mitigation strategies for the operation of the San Joaquin Marsh.

Using a PowerPoint presentation, Mr. Ray Bennett discussed the need for selenium control pursuant to the 2002 Environmental Protection Agency declaration which stated that the Newport Bay/San Diego Creek watershed was impaired and therefore had established a Total Maximum Daily Load (TMDL) for selenium. Mr. Bennett said that in 2013, the Board approved an agreement with the City of Irvine, City of Tustin, Orange County Flood Control District, County of Orange and the California Department of Transportation, collectively referred to as the "Funding Parties" to develop a feasible project to reduce discharges with high concentrations of selenium into the watershed. Currently the most highly concentration flows are discharged to Peters Canyon Channel (a tributary to San Diego Creek), while CalTrans currently discharges its flows to an IRWD sewer under a temporary special discharge permit. He said that the Funding Parties established the terms for the design, construction, operation and maintenance of the Peters Canyon Pipeline Project as follows: 1) The Funding Parties will pay all project related capital costs which include all environmental review, design and construction costs; 2) IRWD will provide an annual funding contribution for operation and maintenance of the project up to \$60,000 per year (in 2013 dollars) and any costs greater than IRWD's commitment, including environmental mitigation, which will be paid by the Funding Parties; 3) IRWD will design, construct, own, operate and maintain the project for 20 years; 4) IRWD will receive 32% of the project's selenium credits to offset the District's selenium discharges to the San Diego Creek watershed including the Marsh; 5) IRWD will be the lead agency for performing environmental review in compliance with the California Environmental Quality Act (CEQA) and will be responsible for securing the necessary permits and rights-of-way for the project; and 6) IRWD will not be responsible for any consequences, including the loss of grant funding, which may occur as a result of any delays to the project.

Mr. Bennett said that the project would provide the following benefits to IRWD and the Funding Parties: 1) Compliance with the RWQCB requirement to limit point discharges of selenium within the San Diego Creek/Newport Bay Watershed during low flows; 2) The generation of selenium credits which can be used throughout the San Diego Creek watershed including the Marsh; 3) Elimination of CalTrans discharges with high selenium concentrations to the Michelson Water Recycling Plant; 4) Eligibility for treatment through the OCSD Urban Runoff Program at no cost (except flows from CalTrans); 5) A supplemental water supply for reuse by OCWD in recharging the Orange County groundwater basin; 6) Ability to make use of \$4,300,000 in grants that have been secured for implementation of the project; and 7) Lower concentrations of selenium in flows diverted to the Marsh.

Mr. Bennett said that the project will have potential impacts on the Marsh if not adequately mitigated and are associated with reduced flows being available in San Diego Creek for diversion to the Marsh. They include: 1) IRWD's forbearance of its non-consumptive 5 cfs water right in order to maximize project diversions during low flow periods; 2) Reduced flows in and out of the wetland facilities; 3) Changes in water quality; 4) Increased residence times of flows through the ponds; 5) Unknown changes in selenium sequestration and bioavailability; and 6) Unknown impacts to fish, wildlife and habitat. He said that the complex and interrelated combination of project benefits and potential impacts have resulted in the need to perform additional environmental evaluations and to develop flexible mitigation strategies that will maximize project benefits while protecting the Marsh.

Mr. Bennett said that staff has identified the need for ESA to perform additional work to more fully evaluate the project and to develop mitigation strategies for impacts on the operations of the Marsh. These additional work activities include an estimate of selenium and nitrogen loading to the Marsh; a refinement of the diversion estimates, an impact analysis at the Marsh, and the development of an adaptive management plan. He said that ESA's original scope of work did not include time and resources associated with addressing the above work, and at staff's request, ESA has submitted a variance for the additional work. Staff has negotiated several cost reductions with ESA in the variance scope of work and staff considers the resulting costs to be reasonable. Director Swan commented that he did not support doing a study on sequestration at this time given the current drought conditions, that Marsh operations have historically responded to varying and seasonal conditions as they arise and the study could cause a delay impacting the grant funding and asked if this is legally required. Legal Counsel Arneson and Executive Director of Water Policy Weghorst discussed the CEQA requirement that the environmental document not defer the development of mitigation measures, and the use of adaptive management measures to meet this requirement. President LaMar said he recommended approval of this item and would request that a progress report be submitted to the San Joaquin Marsh Ad Hoc Committee. Director Swan made a motion to move forward with the project which is linked to the \$3.2 million grant funding and reject hiring a consultant to prepare an adaptive management plan. His motion failed as it did not receive a second. Director Withers left the Board room at 5:52 p.m. Mr. Weghorst reiterated that a plan is required to identify the selenium load and determine how the load will affect the water quality. Following discussion, Director Reinhart said he would make a motion to approve the item with the caveat that the adaptive management plan work in progress would be submitted to the San Joaquin Marsh Ad Hoc Committee. On MOTION by Reinhart, seconded and carried. on a 3-1-1 vote (Reinhart, LaMar and Matheis voting aye, Swan voting no, and Withers absent), **THE BOARD AUTHORIZED THE GENERAL MANAGER TO APPROVE AN INCREASE TO THE FY 2014-15 CAPITAL BUDGET IN THE AMOUNT OF \$96,200 TO PROJECT 21163 (4985) FOR ADDITIONAL ENVIRONMENTAL REVIEW WORK, AUTHORIZED THE GENERAL MANAGER TO EXECUTE VARIANCE NO. 1 IN THE AMOUNT OF \$91,664 WITH ENVIRONMENTAL SCIENCE ASSOCIATES, AND STAFF WAS DIRECTED TO SUBMIT PROGRESS REPORTS ON THE ADAPTIVE MANAGEMENT PLAN TO THE SAN JOAQUIN MARSH AD HOC COMMITTEE.**

UTILITY BILLING SYSTEM MANAGED SUPPORT SERVICES

General Manager Cook reported that the District successfully went “live” with its new Oracle Customer Care and Billing (CC&B) utility billing software solution in August 2014. The post go-live support period of three months is nearing completion at the end of October. Mr. Cook said that while IRWD staff has been trained to operating the system, additional staff training is required to provide the technical support required to keep the system running efficiently. He said that additional support and training would be for the period of November 1, 2014 through July 31, 2015.

Director Swan said that this item was reviewed by the Finance and Personnel Committee on October 7, 2014 and that the Committee reviewed the costs and additional work required, and concur with the staff recommendation. Following discussion, on MOTION by Swan, seconded and carried, on a 3-1 vote (Reinhart, LaMar, Swan, and Matheis voting aye, and Withers absent), **THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT FOR AN AMOUNT NOT TO EXCEED \$595,000 WITH INFOSYS LIMITED.**

2015-2016 STATE LOBBYING AND ADVOCACY SERVICES

General Manager Cook reported that IRWD continues to be a leader in water resources public policy and governance. During the 2013-2014 legislative session, the District engaged in a number of state policy discussions regarding water infrastructure, supply reliability and governance. Many of these discussions are expected to carry over into the 2015-2016 legislative session. The services to be provided by O’Haren Government Relations would allow the District to maintain continuity in its current Sacramento representation throughout the entire 2015-2016 legislative session.

Director Matheis said that this item was reviewed and approved by the Water Resources Policy and Communications Committee on October 6, 2014. On MOTION by Matheis, seconded and carried on a 4-1 vote (Matheis, LaMar, Reinhart and Swan voting aye and Withers absent), **THE BOARD APPROVED A SOLE-SOURCE 24-MONTH PROFESSIONAL SERVICE AGREEMENT, FROM JANUARY 1, 2015, THROUGH DECEMBER 31, 2016, WITH O’HAREN GOVERNMENT RELATIONS FOR \$6,500 PER MONTH PLUS REIMBURSABLE DIRECT EXPENSES WITH A MAXIMUM OF \$3,900 PER YEAR FOR A TOTAL CONTRACT AMOUNT NOT TO EXCEED \$163,800.**

2015-2016 FEDERAL LOBBYING AND ADVOCACY SERVICES

General Manager Cook reported that IRWD continues to be a leader in water resources public policy and governance. During the 113th congressional session, the District engaged in a number of federal policy discussions regarding water infrastructure, water supply reliability and the Water Resources Reform and Development Act. Many of these discussions are expected to carry over into the 114th Congress. The services to be provided by The Furman Group would allow the District to maintain continuity in its current federal representation throughout the entire 114th Congress.

On MOTION by Swan, seconded and carried on a 4-1 vote (Matheis, LaMar, Reinhart and Swan voting aye and Withers absent), THE BOARD APPROVED A SOLE-SOURCE 24-MONTH PROFESSIONAL SERVICES AGREEMENT, FROM JANUARY 1, 2015, THROUGH DECEMBER 31, 2016, WITH THE FURMAN GROUP FOR \$11,500 PER MONTH PLUS REIMBURSABLE DIRECT EXPENSES FOR THE FIRST YEAR OF THE CONTRACT AND \$12,500 PER MONTH PLUS REIMBURSABLE DIRECT EXPENSES FOR THE SECOND YEAR OF THE CONTRACT FOR A TOTAL CONTRACT AMOUNT NOT TO EXCEED \$324,000.

WATER SHORTAGE CONTINGENCY PLAN REVISIONS

General Manager Cook reported that on September 8, 2014, the Board directed staff to revise the District's Water Shortage Contingency Plan (WSCP) to be consistent with existing practices that encourage neighbors to work together to save water and to call IRWD's water use efficiency experts for assistance. Mr. Cook then read the modified language in the Voluntary Measures section of the WSCP to the Board. The Board did not ask for any further refinements to the language in the Plan.

Director Matheis said that this item was reviewed and approved by the Water Resources Policy and Communications Committee on October 6, 2014. On MOTION by Matheis, seconded and carried on a 4-1 vote (Matheis, LaMar, Reinhart and Swan voting aye and Withers absent), THE BOARD ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2014-46

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT ADOPTING AMENDED WATER SHORTAGE CONTINGENCY PLAN

GENERAL MANAGER'S REPORT

General Manager Cook reported on discussions relative to OCWD's implementation of Sustainable Groundwater Management Act and said that IRWD is working with OCWD staff on this issue. He said that an update will be submitted to the November Water Resources Policy and Communications Committee.

Directors Withers returned to the Board room at 6:20 p.m.

Mr. Cook reported that IRWD received the 2014 Cool Plant Award for Water and Wastewater achieving 6 million kWh in energy savings through various programs with SCE with Mr. Thomas Bonkowski and Mr. Patrick Sheilds accepting the award for IRWD.

Mr. Cook said that he was learned that IRWD along with other agencies have been awarded the California LAFCO Government Leadership award for the annexation process with the awards presentation scheduled for October 16, 2014.

DIRECTORS' COMMENTS

Director Matheis reported on her attendance at the CSDA annual conference.

Director Withers reported on his attendance at a Great Park groundbreaking event and IRWD's Open House with NBC 4 News relative to the drought which he said went very well. He said that he will be attending a California LAFCO conference this Wednesday through Friday, an NWRI Operations Committee meeting, and next Monday an OCWD Legislative and Public Affairs Committee meeting.

Director Reinhart reported that he attended a MWDOC Board meeting, an IRWD Outreach Luncheon, a Water Policy Forum, a SOCWA Board meeting, and a WACO meeting.

Director Swan reported on his attendance at an OCWD Water Issues meeting, a Southern California Dialogue meeting, a WACO meeting, a Clean Tech conference and said he would like IRWD to become a member, and IRWD's Open House. He said he is planning to attend the upcoming ACC-OC event and an ACWA Region 5 tour and watershed reliability discussion.

Director LaMar reported on his attendance at IRWD's business outreach luncheon, a WACO Planning meeting, and IRWD's Open House event.

CLOSED SESSION

President LaMar said that the following Closed Sessions would be held this evening:

CLOSED SESSION CONFERENCE WITH LEGAL COUNSEL RELATIVE TO ANTICIPATED LITIGATION - Government Code Section 54956.9(d)(4) – initiation of litigation (two potential cases);

CLOSED SESSION: CONFERENCE WITH LEGAL COUNSEL RELATIVE TO ANTICIPATED LITIGATION - Government Code Section 54956.9(d)(2) - significant exposure to litigation re Serrano Summit development agreement (one potential case); and

CLOSED SESSION CONFERENCE WITH LEGAL COUNSEL RELATIVE TO ANTICIPATED LITIGATION - Government Code Section 54956.9(d)(2) - significant exposure to litigation (two potential cases) - claims filed under the Tort Claims Act, on file with the District.

OPEN SESSION

Following the Closed Session, the meeting was reconvened with Directors La Mar, Matheis, Reinhart, Swan, Withers present. No action was reported on the first and second closed session items.

With respect to the third of the above listed closed session items, President LaMar reported that on a motion made, seconded and carried 5-0, the administrative claim of Scherrie McCarthy was rejected.

ADJOURNMENT

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

APPROVED and SIGNED this 27th day of October, 2014.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:
Bowie, Arneson, Wiles & Giannone

Legal Counsel