

MINUTES OF REGULAR MEETING – FEBRUARY 9, 2015

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 February 9, 2015 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 and Water Quality Burton, Executive Director of Finance Clary, Executive Director of Operations Shields, Executive Director of Water Policy Weghorst, Director of Human Resources Roney, Legal Counsel Arneson, Secretary Bonkowski, Mr. Ray Bennett, Ms. Christine Compton, Mr. Jim Reed, Mr. Lars Oldewage, Mr. Dane Johnson, Ms. Amy McNulty, Mr. Barkev Maserlian, Mr. Joe Constantino, Mr. Bruce Newell and other members of the public and staff.

WRITTEN COMMUNICATION: None.

ORAL COMMUNICATION: None.

CONSENT CALENDAR

On MOTION by Withers, seconded and unanimously carried, CONSENT CALENDAR ITEMS 3 THROUGH 13 WERE APPROVED AS FOLLOWS:

3. MINUTES OF BOARD MEETINGS

Recommendation: That the minutes of the January 12, 2015 Regular Board Meeting and the January 26, 2015 Special 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, Peer Swan, and John Withers as described.

5. IRVINE RANCH WATER DISTRICT STRATEGIC MEASURES

Recommendation: That the Board receive and file the report.

6. 2015 INDEX TENDER NOTES REMARKETING

Recommendation: That the Board approve the 2015 Index Tender Notes Remarketing Statements and adopt the following resolution by title approving remarketing statements relating to unscheduled mandatory tenders (Refunding Series 2011-A-Land Refunding Series 2011-A-2).

CONSENT CALENDAR (CONTINUED)

RESOLUTION NO. 2015-3

RESOLUTION OF THE BOARD OF DIRECTORS OF
THE IRVINE RANCH WATER DISTRICT APPROVING
REMARKETING STATEMENTS RELATING TO
UNSCHEDULED MANDATORY TENDERS
(REFUNDING SERIES 2011 A-1 AND REFUNDING
SERIES 2011 A-2)

7. DECEMBER 2014 TREASURY REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report, the Monthly Interest Rate Swap Summary for December 2014, and Disclosure Report of Reimbursements to Board members and staff; approve the December 2014 Summary of Payroll Ach Payments in the total amount of \$1,490,778 and approve the December 2014 Accounts Payable Disbursement Summary of Warrants 354105 through 354854, Workers' Compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$28,226,339.

8. 2015 STATE LEGISLATIVE UPDATE

Recommendation: That the Board adopt a position in *support* of the State Water Resources Control Board (SWRCB) increasing the per project cap on recycled water grants above the current \$5,000,000 limit for Proposition 1 Funding; adopt a position in *support* of the SWRCB allocating a larger percentage of Proposition 1 recycled water funds to grants instead of loans; and continue to engage in discussions with the WaterReuse Association of California, decision makers at the SWRCB and key stakeholders on identifying a solution to storm-induced overflow restrictions on recycled water impoundments.

9. 2014 SEWER REHABILITATION FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the 2014 Sewer Rehabilitation, project 21166 (5098); 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.

10. WELL 115 REPLACEMENT WELL DRILLING AND EQUIPPING FINAL ACCEPTANCE

Recommendation: That the Board authorize the General Manager to accept construction of Well 115 replacement well drilling and equipping, project 11627 (3717); authorize the General Manager to file a Notice of Completion; and authorize the release of retention 35 days after filing of the Notice of Completion.

CONSENT CALENDAR (CONTINUED)

11. SYPHON RESERVOIR SLIDE GATE REPLACEMENT BUDGET ADDITION

Recommendation: That the Board authorize the addition of project 30530 (6055) in the amount of \$99,000 to the Fiscal Year 2014-15 Capital Budget for the Syphon Reservoir Slide Gate Replacement project.

12. AMENDMENT NO. 1 TO PETERS CANYON CHANNEL WATER CAPTURE AND REUSE PIPELINE PROJECT AGREEMENT

Recommendation: That the Board authorize the General Manager to execute Amendment No. 1 to the Peters Canyon Channel Water Capture and Reuse Pipeline Agreement with the cities of Irvine and Tustin, the County of Orange and the California Department of Transportation, subject to non-substantial changes.

13. BUREAU OF RECLAMATION WATERSMART GRANT APPLICATION

Recommendation: That the Board authorize staff to apply for a Bureau of Reclamation WaterSMART Grant with a maximum award of \$300,000 in total funding to improve water and energy use efficiency; commit to authorizing matching funds of at least 50% of the project cost; authorize the General Manager to execute a related agreement to receive funding; and adopt the following resolution by title authorizing submission of a grant application for the water and energy residential resource savings program to the Department of the Interior, Bureau of Reclamation, Policy and Administration.

RESOLUTION NO. 2015 - 4

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT AUTHORIZING
SUBMISSION OF A GRANT APPLICATION FOR
THE WATER AND ENERGY RESIDENTIAL RESOURCE
SAVINGS PROGRAM TO THE DEPARTMENT OF
THE INTERIOR, BUREAU OF RECLAMATION, POLICY
AND ADMINISTRATION

ACTION CALENDAR

ORDINANCE AMENDING REGULATIONS FOR WASTEWATER DISCHARGES TO IRWD SEWERAGE FACILITIES TRIBUTARY TO SOUTH ORANGE COUNTY WASTEWATER AUTHORITY FIRST READING AND INTRODUCTION

General Manager Cook reported that the current IRWD regulations to control industrial discharges to IRWD sewerage facilities tributary to the South Orange County Wastewater Authority (SOCWA) were last amended in 2011. Mr. Cook said that periodic amendments to these regulations are needed to incorporate the requirements of new state and federal pretreatment regulations to address changes in administrative procedures and/or as a result of regulatory audits.

He said the ordinance is a two-step process, and that tonight staff recommends the Board direct the District Secretary to read the Ordinance by title only, waive further reading of the Ordinance, and place the Ordinance on the agenda for the March 9, 2015 Board meeting for a second reading, hearing, and adoption. The notice of the hearing was published in the Orange County Register on February 2, 2015; posted on January 22, 2015 within the IRWD service area tributary to the South Orange County Wastewater Authority; and posted in the District office on January 21, 2015.

On MOTION by Matheis, seconded and unanimously carried, THE BOARD DIRECTED THE SECRETARY TO READ BY TITLE ONLY, WAIVED FURTHER READING OF THE ORDINANCE, AND DIRECTED THE DISTRICT SECRETARY TO PLACE THE ORDINANCE ON THE AGENDA FOR THE MARCH 9, 2015 MEETING OF THE BOARD OF DIRECTORS FOR A SECOND READING, HEARING AND ADOPTION. Secretary Bonkowski then read the title of the proposed Ordinance.

ON-CALL CONSTRUCTION INSPECTION SERVICES

General Manager Cook reported that the current construction inspection workload for capital, development and operational improvement projects continues to exceed a level that can be supported by the District's inspection staff. The District's construction inspection group has consisted of four staff inspectors and three on-call consultant inspectors from Anderson Penna. This team of seven inspectors is responsible for the inspection, field coordination, documentation and record-drawing preparation of over 280 active projects spread across the District. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH CIVILSOURCE IN THE AMOUNT OF \$815,360 FOR ON-CALL CONSTRUCTION INSPECTION SERVICES FOR TWO INSPECTORS FOR A TWO-YEAR PERIOD.

FOURTH AMENDMENT TO AGREEMENT FOR PARTICIPATION AND FUNDING IN SPECIFIED MWDOC REBATE PROGRAMS

General Manager Cook reported that the IRWD Water Conservation Plan includes a "Tactical Incentives" element to encourage customers to install water conservation devices. Mr. Cook said that incentive payments are based on IRWD's calculated avoided costs and are cost-effective for IRWD. As a result of a significant uptake in program participation, program funds will be depleted before the end of Fiscal Year (FY) 2014-15. Staff proposes adding \$650,000 in funding to the rebate program for the current fiscal year in order to prevent program disruptions and to maintain the same level of funding for rebated devices for IRWD customers.

Ms. Amy McNulty reported that IRWD provides funding for high efficiency toilets (HET) and high efficiency clothes washers (HECW) as part of the Regional Rebate Program. Ms. McNulty said that participation rates in the Residential Rebate Program have significantly increased this year due to Metropolitan Water District's program outreach campaign and IRWD's enhanced outreach efforts including workshops, presentations and other marketing campaigns that have been implemented in response to the drought. She said that as of January 12, 2015 only \$60,000 remained in the Residential Rebate Program budget. Compared to the same time period last fiscal year, application rates increased 300% for HETs and 142% for HECWs. She said that if participation during the remainder of the year occurs at the same rate experienced in July 2014 to January 2015, the total

projected need for additional IRWD tactical incentive funding for the Residential Rebate Program will be \$275,000 along with \$375,000 for the Commercial Rebate program. This would increase the total IRWD Residential and Commercial Rebate Program funding requirement for a total of \$650,000 respectively for FY 2014-15. Following the Board's inquiries, staff was asked to conduct an analysis on: 1) how many toilets and clothes washers have been retrofitted; 2) how many gallons of water have been saved per flush; and 3) effectiveness of UCI housing toilets. Director Swan suggested that since IRWD owns a number of commercial units, staff should also follow-up with these properties for retrofits.

Director Matheis reported that this item was reviewed and approved by the Water Resources Policy and Communications Committee on February 4, 2015. On MOTION by Matheis, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE A FOURTH AMENDMENT TO THE AGREEMENT FOR PARTICIPATION AND FUNDING BY IRVINE RANCH WATER DISTRICT IN SPECIFIED MUNICIPAL WATER DISTRICT OF ORANGE COUNTY REBATE PROGRAMS AND TO ADD \$650,000 IN FUNDING FOR FISCAL YEAR 2014-15 SUBJECT TO NON-SUBSTANTIVE CHANGES.

MICHELSON WATER RECYCLING PLANT BIOSOLIDS AND ENERGY RECOVERY FACILITIES CONTRACT CHANGE ORDER

Executive Director of Engineering and Water Quality Burton reported that Filanc/Balfour-Beatty (FBB) is constructing the Michelson Water Recycling Plant (MWRP) Biosolids and Energy Recovery Facilities (Biosolids Project). Mr. Burton said that staff has negotiated with FBB to resolve several items in Contract Change Order (CCO) No. 22. He provided a summary of the larger cost items and a listing of the remaining items as follows: 1) FBB's electrical and instrumentation subcontractor identified that the design included many conduits overfilled with electrical conductors. The cost related to these modifications is \$485,250.28; 2) The pre-negotiated price assumed a certain time period during which Andritz would design, manufacture, and deliver the equipment. The delivery date was not explicitly called out in the contract specifications but was assumed by Andritz to be in the summer of 2014 timeframe. FBB's schedule calls for delivery of the dryer in June 2015. IRWD and Andritz mutually agreed to an increase of their costs due to the later delivery date. The increased cost is based on the Producer Price Index increase over the prior three-year period, which was 2.36%. The total material escalation cost including tax and contractor markup is \$333,477.50; 3) During submittal review of the sludge density meters, it was discovered that the specified meters were not glass-lined. Glass-lining the 11 meters will provide a longer service life due to the abrasive nature of the sludge being measured before and after processing through the centrifuges. The cost of lining the meters is \$71,010.74; 4) During submittal review it was discovered that FBB did not bid Switchgear-16 with a painted steel enclosure. The Contract Documents were not clear on the enclosure requirements which led to this situation. The cost of the enclosure is \$56,882.30. Mr. Burton further reported on the time extension for this project within the change order which is extended 5.5 months for Milestone 1 and 2 and another six months for Milestone 3.

Following discussion, Director Reinhart said that this item was reviewed and approved by the Engineering and Operations Committee on January 20, 2015. On **MOTION** by Reinhart, seconded and unanimously carried, **THE BOARD APPROVED CONTRACT CHANGE ORDER NO. 22 IN THE AMOUNT OF \$964,324.51 FOR MODIFICATIONS TO THE ELECTRICAL CONDUIT OVERFILL, MATERIAL ESCALATION COSTS RELATED TO THE HEAT DRYER, ADDITION OF GLASS-LINING TO DENSITY METERS, ADDITION OF AN ENCLOSURE TO SWITCHGEAR-16, AND VARIOUS OTHER PROJECT-RELATED ITEMS WITH FILANC/BALFOUR-BEATTY FOR THE MWRP BIOSOLIDS AND ENERGY RECOVERY FACILITIES, PROJECT 20847 (1617).**

DROUGHT RELIEF PROJECT COST SHARING AGREEMENT AND STRAND OPERATING AGREEMENT AMENDMENT NO. 1

A PowerPoint presentation was placed before each Director. Executive Director of Water Policy Weghorst provided an overview of the drought relief project which will include the construction of 11 wells and associated conveyance facilities within the Rosedale service area. Mr. Weghorst said that three of the wells will be for IRWD's use in conjunction with the Strand Ranch Integrated Banking Project and will be included within the Superior East and Superior West Well Fields comprising six wells in the Drought Relief Project. Rosedale will design and construct the well fields, and IRWD and CLWA each will each have first priority access to three wells or one-half of the total developed recovery capacity of six wells. Rosedale will also design and construct conveyance facilities to deliver recovered water to the Cross Valley Canal (CVC) and will construct its own wells as part of the Project. The well and wellhead facilities that will be constructed for IRWD's use will meet IRWD specifications and the conveyance facilities to the CVC will be oversized to accommodate flows from four additional wells.

Mr. Weghorst said that revised drafts of the Agreement were reviewed with the Committee on December 16, 2014 and on January 27, 2015. At these meetings, the Committee also reviewed the draft Amendment No. 1 to the Strand Operating Agreement which establishes the framework for operations of IRWD's capacities in the Drought Relief Project facilities to be consistent with existing Strand Operating Agreement. Staff has worked closely with Rosedale in addressing the detailed operation of the proposed facilities in the draft Amendment No. 1.

Mr. Weghorst then reviewed the key provisions to the Cost Sharing Agreement which include: 1) Rosedale shall prepare the plans and specifications; 2) IRWD and CLWA will provide input on design criteria; 3) Rosedale's operation and maintenance of IRWD's portion of the Drought Relief Project facilities will be consistent with the Strand Operating Agreement including the Amendment No. 1 to the Agreement; 4) Rosedale will pursue ownership of the sixth site anticipated to be at no cost; 5) termination provisions are included at the basis of design and bid phases that allow each agency an opportunity to assess the feasibility and cost of the project facilities prior to committing to construction; 6) equipping of the six wells to be constructed for CLWA and IRWD will be addressed under a separate agreement among the parties or an amendment to the Cost Sharing Agreement; 7) IRWD's approval will be necessary for any construction change order that exceeds \$100,000 or that causes the total costs of the project to exceed 15% of the contract price; 8) within 30 days of the execution of the Cost Sharing Agreement, IRWD will make a payment to Rosedale of \$1,000,000 to establish a cash flow account for IRWD's portion of the project; 9) Rosedale will invoice IRWD monthly with supporting documentations for actual costs attributed to IRWD's portion of the project; and 10) any litigation costs associated with CEQA challenges will be paid by the parties benefitting.

Mr. Weghorst reviewed the key provisions of the Amendment No. 1 to the Strand Operating Agreement are as follows: 1) specifies IRWD's rights to well and pipeline capacities; 2) incorporates Rosedale's interim/Long Term Project Recovery Operations Plan; 3) requires Rosedale to cooperate to exchange water to facilitate IRWD recovery rights at no cost; 4) Rosedale will make best efforts to provide peaking capacity to IRWD above 40 cfs from the Strand Ranch; and 5) if the Strand Operating Agreement is not extended, Rosedale will reimburse IRWD for underpreciated value.

Mr. Weghorst further reviewed the sharing of costs associated with the equipping of the six Superior East and West wells for IRWD and CLWA and the construction of all water conveyance facilities which will be addressed under an amendment to the Cost Sharing Agreement once refined designs and engineers' estimates for these facilities are available. He said staff expects that Rosedale will go out to bid for the equipping of the Superior East and West wells and the construction of conveyance pipelines for IRWD and CLWA in mid to late 2015. A contract for the construction of the Central Intake Pipeline conveyance will not be awarded until after the Stockdale EIR is certified which is expected to occur in late May 2015.

Director Swan said that this item was reviewed and approved by the Water Banking Committee on January 27, 2015. On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE THE DROUGHT RELIEF PROJECT COST SHARING AGREEMENT SUBJECT TO NON-SUBSTANTIVE CHANGES; APPROVE THE ADDITION OF PROJECT 11812 (6023) TO THE FY 2014-15 CAPITAL BUDGET IN THE AMOUNT OF \$4,229,500 FOR IRWD'S SHARE OF COSTS FOR PROJECT ADMINISTRATION, ENVIRONMENTAL COMPLIANCE, SECURING RIGHTS OF WAY AND EASEMENTS, DESIGN, WELL DRILLING AND WELL CONSTRUCTION FOR THE ROSEDALE DROUGHT RELIEF PROJECT; AND AUTHORIZE THE GENERAL MANAGER TO EXECUTE AMENDMENT NO. 1 TO THE AGREEMENT BETWEEN ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT AND IRVINE RANCH WATER DISTRICT FOR A WATER BANKING AND EXCHANGE PROGRAM SUBJECT TO NON-SUBSTANTIVE CHANGES.

OTHER BUSINESS

GENERAL MANAGER'S REPORT

General Manager Cook reported on Orange Park Acres' annual meeting where IRWD staff provided information relative to the OPA's transition into IRWD's rate structure this fiscal year.

DIRECTORS' COMMENTS

Director Withers reported on his attendance at an OCSD Legislative Committee meeting where they discussed Board member orientation and a MWDOC Policy dinner. He said that he will be attending a LAFCO meeting this Wednesday relative to the EOCWD Municipal Service Review. He further noted that later this month he will be attending the City of Irvine's State of the City address.

Director Swan reported on his attendance at a WACO monthly meeting; a MWDOC Water Policy forum; OCWD meetings; a meeting with IRWD staff relative to cost of service; an ACWA Board meeting, and a Southern California Dialogue meeting. He further said that he will be attending an ACWA Region 10 Board meeting tomorrow.

Director Reinhart reported on his attendance at a WACO monthly meeting, a MWDOC Water Policy Forum meeting, a SOCWA Board meeting where biosolids were discussed, and a MWDOC Board workshop.

Director Matheis reported that she attended a quarterly Shadetree Partnership Board meeting and complimented both Mr. Tom Bonkowski and Mr. Dave Asman on the success of the nursery where they have orchestrated the growing of over 7,000 nursery stock for the MWRP Phase II expansion along with growing and providing stock to various IRWD sites on an ongoing basis. She also noted how successful the volunteer effort is at its nursery along with Eagle Scout programs constructing various improvements.

Ms. Matheis further reported on her attendance at the MWDOC Water Policy Forum meeting, a WACO meeting, a meeting with State Assembly Member Bill Brough; and a City of Orange Board meeting that she and General Manager Cook attended.

Director LaMar reported on his attendance at a COAST meeting at the Orange County Fire Authority where they discussed a gold-spotted beetle which is devastating a large number of trees in San Diego county; a MWDOC Water Policy Forum meeting, a monthly WACO meeting, an OCBC meeting, and a meeting with State Assembly Member Bill Brough.

IRWD's Consultant Bruce Newell reported on his attendance at a Canyon League meeting on behalf of IRWD.

IRWD's consultant Jim Reed reported on his attendance at an OCWA luncheon, a SOCWA Board meeting, an ISDOC quarterly meeting, a WACO monthly meeting, and a City of Lake Forest Council meeting on behalf of IRWD.

RECESS – President LaMar recessed the Board meeting at 6:25 p.m. to hold Special Corporation meetings for Bardeen Partners, Inc., Improvement Corporation, and Water Services Corporation LLC.

RECONVENE - President LaMar reconvened the Board meeting with all Directors present.

CLOSED SESSION

President LaMar then said that the Board would hold the following Closed Sessions:

- 1) CONFERENCE WITH LEGAL COUNSEL RELATIVE TO INITIATION OF LITIGATION - Government Code Section 54956.9(d)(4) - one potential case.

- 2) CONFERENCE WITH LEGAL COUNSEL RELATIVE TO ANTICIPATED LITIGATION – Government Code Section 54956.9(d)(2) – significant exposure to litigation (one potential case – BKK Working Group notification to IRWD of potential liability, claim and/or litigation on file with the District).
- 3) CONFERENCE WITH REAL PROPERTY NEGOTIATOR RELATIVE TO Government Code Section 54956.8

Property: OCSD Service Area 7 Sewer Infrastructure
Agency Negotiator: Paul Cook, General Manager
Purpose of Negotiations: Proposed Acquisition of Property - Price and terms

OPEN SESSION

Following the Closed Session, the meeting was reconvened with all Directors present. President LaMar said that there was no action to report from the Closed Session items Nos. 1 and 2.

For item No. 3 relative to Government Code Section 54956.8 with CONFERENCE WITH REAL PROPERTY NEGOTIATOR, on MOTION and unanimously carried, THE BOARD AUTHORIZED STAFF TO SUBMIT AN APPLICATION TO THE ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION TO EXPAND THE IRVINE RANCH WATER DISTRICT'S SPHERE OF INFLUENCE AND DISTRICT BOUNDARY FOR THE PURPOSES OF OWNERSHIP AND OPERATIONS OF SEWER COLLECTION FACILITIES IN THE ORANGE COUNTY SANITATION DISTRICT'S SERVICE AREA NO. 7."

ADJOURNMENT

There being no further business, President LaMar adjourned the meeting at 8:00 p.m.

APPROVED and SIGNED this 9th day of March, 2015.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson,
Wiles & Giannone