

## MINUTES OF REGULAR MEETING – APRIL 13, 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 April 13, 2015 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Withers, Matheis, LaMar and Swan (arrived at 5:10 p.m.).

Directors Absent: Reinhart.

Also Present: General Manager Cook, Executive Director of Engineering and Water Quality Burton, Executive Director of Finance and Administration Clary, Executive Director of Operations Sheilds, Executive Director of Water Policy Weghorst, Director of Public Affairs Beeman, Director of Human Resources Roney, Director of Administration Services Mossbarger, Director of Water Resources Sanchez, Director of Treasury and Risk Management Jacobson, Assistant Director of Operations Roberts, Assistant Director of Recycling Operations Lee, Legal Counsel Arneson, Secretary Bonkowski, Safety Manager Zuniga, Mr. Christopher Smithson, Ms. Christine Compton, Mr. Barkev Meserlian, Ms. Gretchen Ronin, Mr. Christopher Smithson, Mr. Mike Hoolihan, Ms. Amy McNulty, Mr. Jim Reed, Mr. Bruce Newell, Mr. Ian Swift and other members of the public and staff.

Written and Oral Communications: None.

General Manager Cook asked that the Workshop items be moved to follow the Consent and Action Calendars as Director Swan said he would late to the Board meeting this evening and would like to be present for these items. There being no objection by the Board, the items were moved accordingly.

### CONSENT CALENDAR

On MOTION by Withers, seconded and carried by a 3-0 vote (Matheis, Withers and LaMar voting aye and Reinhart and Swan absent), CONSENT CALENDAR ITEMS 5 THROUGH 10 WERE APPROVED AS FOLLOWS:

5. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the March 23, 2015 Regular Board meeting be approved as presented.

6. 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, Douglas Reinhart, Peer Swan and John Withers.

CONSENT CALENDAR (CONTINUED)

7. SERIES 1993 BOND LETTER OF CREDIT SUBSTITUTION

Recommendation: That the Board adopt the following resolution by title approving the Remarketing Statement and certain other actions in connection with replacement of the Letter of Credit (Consolidated Series 1993).

RESOLUTION NO. 2015-9

RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE IRVINE RANCH WATER DISTRICT  
APPROVING REMARKETING STATEMENT AND  
AUTHORIZING CERTAIN ACTIONS IN CONNECTION  
WITH SUBSTITUTION OF LETTER OF CREDIT  
(CONSOLIDATED SERIES 1993)

8. NOMINATION OF STEVEN LAMAR AS BOARD MEMBER OF ACWA REGION 10 BOARD

Recommendation: That the Board adopt the following resolution by title nominating Director Steven LaMar to serve on the Association of California Water Agencies Region 10 Board for the remainder of the 2014-15 term.

RESOLUTION NO. 2015-10

RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
IRVINE RANCH WATER DISTRICT, ORANGE COUNTY,  
CALIFORNIA PLACING IN NOMINATION OF STEVEN LAMAR  
AS BOARD MEMBER OF THE ASSOCIATION OF CALIFORNIA  
WATER AGENCIES (ACWA), REGION 10

9. SILVERADO CANYON 12-INCH DOMESTIC WATER PIPELINE PROJECT CONTRACT CHANGE ORDER AND FINAL ACCEPTANCE

Recommendation: That the Board approve contract Change Order No. 5 with Sully-Miller Contracting Company in the credit amount of <\$99,586> for project 11743 (4919); accept construction of the Silverado Canyon 12-inch Domestic Water Pipeline, project 11743 (4919); 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.

## CONSENT CALENDAR (CONTINUED)

### 10. 2015 STATE LEGISLATIVE UPDATE

Recommendation: That the Board take a “SEEK AMENDMENTS” position on SB 551 (Wolk) and authorize staff to work with the author’s office, legislative staff and industry stakeholders to ensure that SB 551 recognizes the many factors that influence water supply and treatment decisions; take a “SUPPORT” position on AB 585 (Melendez); take a “SUPPORT” position on AB 603 (Salas); and take a “SUPPORT AND SEEK AMENDMENTS” position on AB 606 (Levine).

## ACTION CALENDAR

### WATER SUPPLY ASSESSMENTS FOR EL TORO AND WEST ALTON DEVELOPMENT PLANS

Principle Engineer Hoolihan reported that staff received two requests from the County of Orange to complete Water Supply Assessments (WSAs) for the El Toro and West Alton Development Plans. He said that these projects located within the former Marine Corps Air Station (MCAS) El Toro Base within the City of Irvine’s Planning Area 51 and outside of the City’s Orange County Great Park (Great Park) boundary. The El Toro project is comprised of 107 acres located on the south west edge of the former MCAS and includes 2,103 dwelling units and 2.1 million square feet of commercial use including one hotel. The West Alton project is comprised of 32 acres located northwest of the Great Park and includes 970 dwelling units.

Mr. Hoolihan said that separate WSAs have been completed for these projects based on information from the IRWD Water Resources Master Plan and the Sub Area Master Plan for Planning Area 51. Estimates show an increase in IRWD potable water demands for the El Toro project of 550 acre-feet per year (AFY) and 77 AFY of non-potable demand. The West Alton project includes an estimated increase of 155 AFY of potable demand and 34 AFY of non-potable demand. Each WSA concludes that the total water supplies available to IRWD during normal, single-dry and multiple-dry years within a 20-year projection will meet the projected water demand of the project in addition to the demand of existing and other planned future uses, including, but not limited to, agricultural and manufacturing uses. Director Swan arrived at 5:10 p.m.

Director Matheis reported that this item was reviewed and approved by the Water Resources Policy and Communications Committee on April 2, 2015. On MOTION by Matheis, seconded and unanimously carried (4-0) Matheis, Swan, Reinhart and LaMar voting aye and Reinhart absent), THE BOARD APPROVED THE WATER SUPPLY ASSESSMENT FOR THE EL TORO DEVELOPMENT PLAN AND THE WATER SUPPLY ASSESSMENT FOR THE WEST ALTON DEVELOPMENT PLAN.

### GREEN ACRES PROJECT PIPELINE SEGMENT CATHODIC PROTECTION SYSTEM UPGRADES CONSTRUCTION AWARD

General Manager Cook reported that this project will install a cathodic protection system to protect a 1,310 linear foot segment of the Green Acres Project (GAP) pipeline on University Drive in Newport Beach. On MOTION by Withers, seconded and unanimously carried, THE BOARD AUTHORIZED A BUDGET INCREASE IN THE AMOUNT OF \$231,000, FROM \$121,000 TO \$352,000, FOR PROJECT 30415 (4396); AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH FARWEST CORROSION CONTROL COMPANY IN THE AMOUNT OF \$154,275 FOR THE GREEN ACRES PROJECT PIPELINE SEGMENT CATHODIC PROTECTION SYSTEM UPGRADES, PROJECT 30415 (4396).

### ANNUAL ORACLE SOFTWARE MAINTENANCE AND SUPPORT AGREEMENT RENEWAL

General Manager Cook reported that the Oracle Software Maintenance and Support Agreements which provides for upgrades and maintenance of the District's Oracle Customer Care and Billing (CC&B) software, Oracle eBusiness Suite (EBS) Financial software, and Oracle Technology software will expire in May 2015. Mr. Cook said that these agreements provide pricing for software maintenance and licenses contained in the Unlimited License Agreement (ULA) executed with Oracle in May 2014 as well as the EBS Financial Software Agreement executed with Oracle in May 2010.

Director Swan reported that this item was reviewed and approved by the Finance and Personnel Committee on April 6, 2015. On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED RENEWAL OF IRWD'S ANNUAL ORACLE SOFTWARE MAINTENANCE AND SUPPORT AGREEMENTS AND ADDITIONAL LICENSES AND SUPPORT IN THE AMOUNT OF \$928,572.

### PROPOSED IRWD WATER AND ENERGY EFFICIENCY POLICY PRINCIPLES

Executive Director of Water Policy Weghorst reported that the conveyance, treatment, distribution, and heating of potable water, along with the treatment of sewage, are among the state's largest consumptive uses of electricity. Mr. Weghorst said that the production of electricity typically requires large volumes of water. He said that legislation is now being considered that would establish a water and energy efficiency policy for the state that would declare that water use and water treatment shall be as energy efficient as is feasible and that energy generation shall be as water efficient as possible.

Mr. Weghorst said that the California Public Utilities Commission (CPUC) has authorized a series of pilot programs to determine if energy savings can be realized through water conservation measures. He said that IRWD is a participant in one such program that will leverage IRWD's experience in energy planning to develop targeted water conservation programs and other projects that will save energy. IRWD is in a unique a position to help shape state policy and to provide input to the formation of future CPUC programs to incentivize water and energy efficiency.

Mr. Weghorst said that to guide the District's advocacy efforts on water and energy efficiency issues and IRWD participation in existing and future efficiency incentive programs, staff has proposed an IRWD Water and Energy Efficiency Policy Principles paper. He further reviewed the key points of the principles.

Director Matheis said that item was reviewed and approved by the Water Resources Policy and Communications Committee on April 2, 2015. On MOTION by Matheis, seconded and unanimously carried, **THE BOARD ADOPTED THE PROPOSED IRWD WATER AND ENERGY EFFICIENCY POLICY PRINCIPLES PAPER.**

ORANGE COUNTY SANITATION DISTRICT SERVICE AREA 7 RESOLUTION FOR ANNEXATION

General Manager Cook reported that a revised resolution had been placed before each Director. Mr. Cook said that on February 9, 2015 the IRWD Board authorized staff to submit an application to Orange County Local Agency Formation Commission (LAFCO) to expand IRWD's sphere of influence and boundary for the purposes of ownership and operations of sewer collection facilities in the Orange County Sanitation District's (OCSD) Service Area 7. He said that on March 23, 2015, staff submitted an application to LAFCO to provide sewer service to Service Area 7. He said a legal description for the proposed annexation area of Service Area 7 is being completed by an IRWD consultant with an expected completion date of late April 2015.

On MOTION by Swan, seconded and unanimously carried, **SUBJECT TO NONSUBSTANTIVE CHANGES ON THE RESOLUTION, THE BOARD ADOPTED THE FOLLOWING RESOLUTION BY TITLE:**

RESOLUTION NO. 2015-11

RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
IRVINE RANCH WATER DISTRICT MAKING APPLICATION  
TO THE LOCAL AGENCY FORMATION COMMISSION FOR  
THE ANNEXATION OF TERRITORY (ANNEXATION NO. 29  
TO IRVINE RANCH WATER DISTRICT)

WORKSHOPS

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA WATER SUPPLY ALLOCATION IMPACT TO IRWD

Using a PowerPoint presentation, Ms. Fiona Sanchez reported on Metropolitan Water District of Southern California's proposed Water Supply Allocation Plan Level 3 condition, a 15% regional shortage. Ms. Sanchez reviewed the Municipal Water District of Orange County's plan which is "needs-based" and includes: 1) creating equity among the MWDOC agencies; 2) depending on local supply, determining conservation, growth, imported dependence and other relevant adjustment factors; and 3) seeking opportunities within MWDOC's service area to provide mutually beneficial shortage mitigation. She said that staff is developing a Drought Action Plan with implementation programs and expanded customer assistance. Ms. Sanchez further reviewed the next steps with the State Water Resources Control Board which will adopt

regulations in early May. The Board suggested that staff look at large water users including golf courses and school districts as well as determine impacts for industrial and commercial users.

## FISCAL YEAR 2015-16 OPERATING BUDGET AND PROPOSED RATES AND CHARGES

Using a PowerPoint presentation, Executive Director of Finance and Administration Clary reported that staff has been working on the budget making changes due to the Governor's Executive Order. Ms. Clary said that the State Water Resources Control Board (SWRCB) has identified each agency's requirements to meet the Governor's target and that IRWD's gallons per capita per day target (GPCD) requires a 20% reduction in potable usage which staff has taken into consideration in preparing the rate recommendations for the budget.

Ms. Clary said that prior to the issuance of the SWRCB draft restrictions, the proposed Fiscal Year (FY) 2015-16 Operating Budget for Irvine Ranch Water District was \$147.7 million, representing an increase of \$17.0 million, or 13.0%, when compared to the Operating Budget for FY 2014-15; however, these amounts will be revised as IRWD receives more clarity from the SWRCB later this month.

Ms. Clary said that it is anticipated that the restrictions imposed by SWRCB will significantly reduce the amount of water sales in the over-allocation tiers and reduce some usage in the base tiers. The initial SWRCB proposal would reduce potable usage over the FY 2014-15 budget by 3,285 acre-feet. The commodity rate setting methodology continues to utilize the five tiers beginning with a low volume tier, a base rate and three over-allocation tiers.

Ms. Clary said that rate increases are necessary to fund anticipated shortfalls in the water and sewer/recycled water systems. She said that it is anticipated that the Orange Park rate area will be merged into the Irvine Ranch rate area effective July 1, 2015. In the Irvine Ranch rate area, the proposed adjustment to the base commodity rate is \$0.06 per hundred cubic feet (ccf) with a \$0.20 reduction per month in the fixed water service charge. The proposed increase to the fixed sewer charge is \$1.95 per month for the typical residential customer. In the Los Alisos rate area, the proposed adjustment to the base commodity rate is \$0.03 per ccf, with a \$0.20 reduction per month in the fixed water service charge. The proposed increase to the sewer fixed charge is \$1.95 per month for a typical residential customer based on the average use of 12 ccf per month. Based on the recommended increases, the Irvine Ranch rate area will experience an increase to the average residential customer of \$2.32 or 5.3%, from \$44.18 to \$46.50 per month, and the Los Alisos rate area will experience an overall rate increase to the average residential customer of \$2.11 or 3.9%, from \$54.12 to \$56.23 per month.

Ms. Clary reviewed other key assumptions for the budget including salaries and benefits, electricity, repairs and maintenance, and pumping surcharges amounting to \$127.7 million. She further reviewed the current uses for over-allocation fund.

Using charts, Mr. Christopher Smithson reviewed: 1) the proposed rates for the Irvine Ranch rate area as well as the Los Alisos rate area; 2) a comparison of Irvine Ranch and Los Alisos rate areas compared with neighboring agencies; 3) a 10-year history of District rate increases; 4) changing customer allocations based on the initial SWRCB's direction; and 5) non-operating

sources and uses of funds. Following discussion, staff was asked to schedule a Special Finance and Personnel Committee meeting relative to allocation scenarios.

### GENERAL MANAGER'S REPORT

General Manager Cook introduced Ms. Emilyn Zuniga, the District's new Safety and Security Manager.

Mr. Cook reported on the San Juan Capistrano rate case noting that the Appellate Court has until April 21, 2015 to state its case. He said that staff is coordinating efforts with other agencies and currently drafting website and other public information.

Mr. Cook reported that IRWD is a finalist for ACWA's Clair Hill Award for the District's Strand Ranch Water Banking project.

He further presented the Board with an award received from both the Pan Pacific and Water Meeters Toastmasters groups for hosting its organization for the past 20+ years at the District's facility.

### DIRECTORS' COMMENTS

Director Withers reported on his attendance at the County of Orange's Open House for newly-appointed Supervisors Steel and Do, a meeting with newly-elected council members Gardner and Cagley along with Director Reinhart and General Manager Cook, and an El Toro Water District Recycling Plant dedication.

Director Swan reported on his attendance at the El Toro Water District Recycling Plant dedication, a WACO meeting, a Southern California Dialogue meeting, a Newport Chamber of Commerce meeting, and an ACC-OC meeting. He said that IRWD will be receiving an environmental award from the Orange County League of Conservation Voters and that he will be attending this event on May 15, 2015.

Director Matheis said that she attended an OCBC Chairman's Leadership Breakfast meeting along with Director LaMar, an ISDOC Executive Committee meeting, along with a mountain counties tour where she saw damage caused by past fires.

Director LaMar reported on his attendance at the OCBC Chairman's Leadership breakfast meeting, a Tustin City Council meeting relative to OCSD Service Area 7, an ACC-IC installation of Board of Directors event, and a WACO meeting.

CLOSED SESSION

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

- 1) CONFERENCE with legal counsel relative to anticipated litigation pursuant to Government Code Section 54956.9(d)(4) initiation of litigation (one potential case);
- 2) CONFERENCE with Labor Negotiators - Government Code Section 54957.6: Agency Designated Representatives: Paul Cook and Jenny Roney  
Employees Organization: Irvine Ranch Water District Employees Association; and
- 3) CONFERENCE with legal counsel will be held relative to existing litigation - Successor Agency to the Tustin Community Redevelopment Agency, et al vs. Michael Cohen, Case No. 34-2015-80002046, in his capacity as Director of Finance of the State of California, et al. - Government Code Section 54956.9(d)(1)

OPEN SESSION

Following the Closed Session, the meeting was reconvened with Matheis, Swan, LaMar, and Withers present. President LaMar said that there was no action to report.

ADJOURNMENT

President LaMar adjourned the meeting in memory of Mr. Frank Hughes, a past IRWD Board member who served from 1967 through 1973.

APPROVED and SIGNED this 27<sup>th</sup> day of April, 2015.

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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 & Giannone