

MINUTES OF REGULAR MEETING – JULY 27, 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 July 27, 2015 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Withers, Reinhart, LaMar and Swan.

Directors Absent: Matheis.

Also Present: General Manager Cook, Executive Director of Engineering and Water Quality Burton, Executive Director of Finance and Administration Clary, Executive Director of Water Policy Weghorst, Director of Human Resources Roney, Assistant Director of Recycling Operations Lee, Assistant Director of Water Operations Roberts, Director of Administration Services Mossbarger, Director of Treasury and Risk Management Jacobson, Director of Public Affairs Beeman, Legal Counsel Arneson (via conference call), Secretary Bonkowski, Mr. Christopher Smithson, Mr. Ray Bennett, Ms. Amy McNulty, Mr. Mark Tettermer, Ms. Dorien McElroy, Mr. Bruce Newell, Mr. Jim Reed, and other members of the public and staff.

WRITTEN AND ORAL COMMUNICATIONS: None.

ITEMS TOO LATE TO BE AGENDIZED: None.

PRESENTATION

ASSOCIATION OF CALIFORNIA CITIES – ORANGE COUNTY AWARD

President LaMar recognized General Manager Cook for receiving the Association of California Cities Orange County Innovator of the Year Award.

PUBLIC HEARING

SEWER TAXES IN THE NEWPORT NORTH SERVICE AREA

General Manager Cook reported that on June 22, 2015, the Board adopted Rates and Charges for Fiscal Year 2015-16 which included monthly sewer charges of \$24.05 for a residential single family home and \$18.55 per unit for multiple family dwelling units. The Newport North customers will be billed the same rate, but the method of collection differs in that they will pay their sewer fees on an annual basis through the County tax rolls.

Mr. Cook said that by adoption of Resolution No. 1987-45, the Board of Directors elected to have sewer charges for certain parcels of land located in the Newport North area collected on the tax roll together with the District's general taxes. That resolution directs the filing of a report containing a description of such parcels and the corresponding charges for each fiscal year. Pursuant to the requirements of the Health and Safety Code of the State of California, a public hearing on the report is required.

President LaMar said this was the time and place for a hearing on the sewer taxes in the Newport North area, and declared the hearing open. He asked the Secretary how the hearing was noticed.

Secretary Bonkowski reported that the report was filed with her on July 9, 2015 and the notice of the filing of the report and the time and place of this hearing was published in the Newport Beach-Costa Mesa Daily Pilot on July 11, 2015 and July 18, 2015. She said that a notice was also posted in the District office on July 9, 2015.

On MOTION by Swan, seconded and unanimously carried, THE AFFIDAVIT OF POSTING AND THE PROOF OF PUBLICATION PRESENTED BY THE SECRETARY WAS RECEIVED AND FILED.

President LaMar requested Legal Counsel Arneson to describe the nature of the proceedings.

Legal Counsel Arneson described the nature of the proceedings, saying that the purpose of the hearing was to provide an opportunity for all persons interested or the owner of any parcel within the area to present objections or protests to the report.

President LaMar asked Secretary Bonkowski whether she had received any written communications concerning this matter, and she stated that she had not. President LaMar asked if there was anyone present who wished to address the Board concerning the report and the proposed collection of sewer charges on the tax roll. There was no one present who wished to be heard. President LaMar further inquired if there were any comments or questions from members of the Board of Directors. There were no comments from the Board.

On MOTION by Withers, seconded and unanimously carried, THE HEARING WAS CLOSED, AND RESOLUTION NO. 2015-19 WAS ADOPTED BY TITLE AS FOLLOWS:

RESOLUTION NO. 2015-19

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE
RANCH WATER DISTRICT ADOPTING REPORT OF SEWER
CHARGES TO BE COLLECTED ON THE TAX ROLL
(NEWPORT NORTH SERVICE AREA)

CONSENT CALENDAR

On MOTION by Withers, seconded and unanimously carried (4-0), CONSENT CALENDAR ITEMS 5 THROUGH 9 WERE APPROVED AS FOLLOWS:

5. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the July 13, 2015 Regular Board Meeting be approved as presented.

CONSENT CALENDAR (CONTINUED)

6. 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, Peer Swan, and John Withers as described.

7. JUNE 2015 TREASURY REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report, the monthly Interest Rate SWAP Summary for June 2015, and disclosure report of reimbursements to Board members and staff; approve the June 2015 summary of payroll ACH payments in the total amount of \$1,506,824 and approve the June 2015 Accounts Payable Disbursement Summary of warrants 358856 through 359850, Workers' Compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$24,230,013.

8. LOS ALISOS WATER RECYCLING PLANT PONDS BIOSOLIDS REMOVAL AND DISPOSAL FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Los Alisos Water Recycling Plant Ponds Biosolids Removal and Disposal, project 21209 (5521); 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.

9. IRVINE RANCH WATER DISTRICT STRATEGIC MEASURES

Recommendation: That the Board received and file the report.

ACTION CALENDAR

SETTING CONNECTION FEES AND PROPERTY TAXES FOR FISCAL YEAR 2015-16

General Manager Cook reported that staff recommends changes to the existing connection fees and tax rates based on updated data within the IRWD's Improvement Districts (ID). Mr. Cook said that the long-term capital funding plan, completed in November 2013, established connection fees and formed new IDs for funding capital requirements and setting tax rates, and were last updated in July 2014. He said that the District's financial model had been updated in July 2015 to include adjustments to the capital improvement program; additional unit approvals (awaiting updates); and updated assessed valuations. He further said that that the proposed connection fees assume an increase within each of the IDs based on the Engineering News Records estimated capital cost increase of 2.25%.

Director Swan reported that this item was reviewed and approved by the Finance and Personnel Committee on July 20, 2015. On **MOTION** by Swan, seconded and unanimously carried ((4-0), **THE BOARD APPROVED IDENTIFIED INCREASES IN CONNECTION FEES AND ADOPT THE FOLLOWING RESOLUTIONS BY TITLE:**

RESOLUTION NO. 2015-20

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. 2015-21

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA ESTABLISHING AD VALOREM TAX REVENUES FOR FISCAL YEAR 2015-16

RESOLUTION NO. 2015-22

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT AMENDING ALLOCATION OF AD VALOREM PROPERTY TAXES TO DEBT SERVICE, SUBJECT TO PLEDGE

REQUEST TO REVISE TERMS OF JOINT COMMUNITY FACILITIES AGREEMENT FOR THE CENTRAL PARK WEST/IRVINE BUSINESS CENTER DEVELOPMENT

General Manager Cook reported that in September 2004, a Joint Community Facilities Agreement (JCFA) was executed by the Irvine Ranch Water District, Santa Ana Unified School District and developer KFPLB Michelson Jamboree, LLC (Lennar) which allowed for a portion of the proceeds from a Community Facilities District (CFD) financing to be used toward water and sewer infrastructure costs at the Central Park West development in the Irvine Business Center. Mr. Cook said that based on residual CFD funds currently remaining, Lennar is requesting an increase in the JCFA's limit towards water and sewer facility infrastructure costs from \$2.5 million to a maximum of \$3.0 million. He further said staff recommends that the Board approve the increase subject to a previous requirement that the CFD proceeds shall not be applied toward developer connection fees.

Director Swan reported that this item was reviewed and approved by the Finance and Personnel Committee on July 20, 2015. On MOTION by Swan, seconded and unanimously carried (4-0), THE BOARD APPROVED ONE OR MORE AMENDMENTS TO THE 2004 JOINT COMMUNITIES FACILITIES AGREEMENT INCREASING THE LIMIT FOR WATER, RECYCLED WATER AND SEWER RELATED INFRASTRUCTURE COSTS FROM \$2.5 MILLION TO A MAXIMUM OF \$3.0 MILLION SUBJECT TO PREVIOUS REQUIREMENTS THAT CFD PROCEEDS SHALL NOT BE APPLIED TOWARD DEVELOPER CONNECTION FEES, AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE THE AMENDMENT(S) SUBJECT TO ANY NON-SUBSTANTIVE CHANGES.

EASEMENT AGREEMENT WITH TUSTIN UNIFIED SCHOOL DISTRICT FOR TUSTIN LEGACY WELL SITE

Executive Director of Engineering and Water Quality Burton reported that the Tustin Legacy Well site was identified in the District's 2014 Groundwater Work Plan. Mr. Burton said that staff has prepared an easement agreement for additional land, and as part of the agreement, the existing 80 feet by 80 feet site will become an 180 feet by 50 feet of usable area which is large enough to drill and equip a new well. He said that staff anticipates that the new well will be drilled on the existing well site and the new easements will be used primarily for construction, equipping, and maintenance of the new well. He further said that Tustin Unified School District (TUSD) currently uses the property as a school site named Heritage School. As part of the preparation, the Department of Education has reviewed the easement agreement and issued a letter of consent that indicates upon execution of the agreement, a portion of the \$180,000 shall be paid to the Department as outlined in the 2003 deed to TUSD.

Director Reinhart said that this item was reviewed and approved by the Engineering and Operations Committee on July 21, 2015. On MOTION by Reinhart, seconded and unanimously carried (4-0), THE BOARD AUTHORIZED A BUDGET INCREASE IN THE AMOUNT OF \$143,000, FROM \$269,500 TO \$412,500, FOR PROJECT 11881 (6215); APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT \$412,500 FOR PROJECT 11881 (6215); AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE THE AGREEMENT FOR ACQUISITION OF EASEMENT WITH TUSTIN UNIFIED SCHOOL DISTRICT FOR THE TUSTIN LEGACY WELL SITE SUBJECT TO COMPLETING THE DOMESTIC WATER SOURCE ASSESSMENT AND PROTECTION PROGRAM WITH MINIMAL WATER QUALITY CONCERNS.

BUDGET INCREASE FOR CONVERTING SITES TO RECYCLED WATER

General Manager Cook reported that the ongoing drought and the statewide mandate to reduce use of potable water have resulted in a significant increase in customer requests to convert sites from the use of potable water to recycled water. Mr. Cook said that staff is currently evaluating and prioritizing requests for conversion of nearly 100 sites to recycled water. Additionally, the University of California, Irvine has expressed its desire to proceed with the conversion of its central plant cooling towers to the use of recycled water.

On MOTION by Swan, seconded and unanimously carried (4-0), THE BOARD APPROVED AN INCREASE IN THE CAPITAL BUDGET FOR FY 2015-16 FOR PROJECT 30560 (6242) FOR OFFSITE RECYCLED WATER IMPROVEMENTS IN THE AMOUNT OF \$1,650,000 AND THAT THE ENTIRE PROJECT AMOUNT BE PAID FROM THE CONSERVATION FUND.

EMBEDDED ENERGY PLAN CAPITAL BUDGET INCREASE

General Manager Cook reported that on April 28, 2014, the Board approved the development of an Embedded Energy Plan to quantify energy use associated with each District facility involved in the production, treatment, distribution, collection, reuse and disposal of water and biosolids. Mr. Cook said that the plan will include the development of an analytical tool that can be used to identify portions of the District where future water conservation and energy reduction

measures should be focused and where pumping surcharges could be assessed. He said that staff has determined that additional analyses are required to enhance the embedded energy plan and associated tool which were not included in the original scope of work and a budget increase is needed to complete the work.

Using a PowerPoint presentation, Ms. Amy McNulty reviewed the benefits of an embedded energy plan showing a component analysis; a historic embedded energy and energy use profile; the District's top 12 energy consuming facilities; conservation measures showing annual water and energy savings; and a pumping surcharge analysis; and noted the additional tasks required for the budget increase.

Director Reinhart reported that this item was reviewed and approved by the Engineering and Operations Committee on July 21, 2015. Following discussion, on MOTION by Reinhart, seconded and unanimously carried (4-0), **THE BOARD AUTHORIZED A BUDGET INCREASE TO THE FY 2015-16 CAPITAL BUDGET IN THE AMOUNT OF \$42,175.50 FOR PROJECT 11792 (5343) AND \$42,175.50 FOR PROJECT 30499 (5344).**

APPROVAL OF ROSEDALE DROUGHT RELIEF PROJECT CHANGE ORDERS

Executive Director of Water Policy Weghorst reported that the drilling and construction of wells for the Drought Relief Project is ongoing in the Rosedale-Rio Bravo Water Storage District service area. Mr. Weghorst said that this project will allow IRWD, Rosedale and Castaic Lake Water Agency (CLWA) to benefit from additional groundwater recovery and conveyance capacities that will supplement banking and exchange programs. He said that the Cost Sharing Agreement for the project requires Rosedale to contract for the construction of the facilities and specifies that IRWD and CLWA are provided seven days to approve significant change orders. He further said that a need has been identified to drill pilot holes deeper than anticipated and to perform additional water quality zone testing as part the well drilling and construction project. The total estimated cost for these project changes is \$499,000 of which IRWD's share is \$249,500. On MOTION by Reinhart, seconded and unanimously carried (4-0), **THE BOARD APPROVED IRWD'S SHARE OF THE CHANGE ORDER WORK FOR THE DRILLING AND CONSTRUCTION OF DROUGHT RELIEF PROJECT WELLS IN THE AMOUNT OF \$249,500 AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE ROSEDALE'S CHANGE ORDER AUTHORIZATION REQUESTS DATED JULY 15, 2015.**

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

General Manager Cook reported that Filanc/Balfour Beatty (FBB) is constructing the Michelson Water Recycling Plant Biosolids and Energy Recovery Facilities (Biosolids Project). Mr. Cook said that Contract Change Order (CCO) No. 30 includes several additions and credits. This CCO includes the installation of additional anchorage for the methane digesters, electrical and gas service lines modifications, acid phase piping modifications and canisters addition, pickling and passivating sludge mixers, and SCADA modifications along with credits for deletion of SCADA hardware and interior protective coating of the methane digesters, partnering costs, foundation piles repair costs, and other smaller items.

Director Reinhart reported that this item was reviewed by the Engineering and Operations Committee on July 21, 2015. Since the Committee meeting, \$10,963.38 was added to the item *Pickling and Passivation of Sludge Mixers* and a credit of <\$38,102.85> pertaining to the installation of the piles was added. On MOTION by Reinhart, seconded and unanimously carried (4-0), THE BOARD APPROVED CONTRACT CHANGE ORDER NO. 30 IN THE CREDIT AMOUNT OF <\$47,976.59> FOR THE INSTALLATION OF ADDITIONAL ANCHORAGE FOR THE METHANE DIGESTERS, ELECTRICAL AND GAS SERVICE LINES MODIFICATIONS, ACID PHASE PIPING MODIFICATIONS AND CANISTERS ADDITION, PICKLE AND PASSIVATING SLUDGE MIXERS, AND SCADA MODIFICATIONS ALONG WITH CREDITS FOR DELETION OF SCADA HARDWARE AND INTERIOR PROTECTIVE COATING OF THE METHANE DIGESTERS, PARTNERING COSTS, FOUNDATION PILE REPAIR COSTS, AND OTHER SMALLER ITEMS WITH FILANC/BALFOUR-BEATTY FOR THE MICHELSON WATER RECYCLING PLANT BIOSOLIDS AND ENERGY RECOVERY FACILITIES, PROJECT 21146 (4286).

GENERAL MANAGER'S REPORT

General Manager Cook reported that customer calls and communications have been higher than normal due to two bills being sent in a short time frame due to the fiscal year rate changes. He said that the District is in the process of adding 48 more phone lines to handle the calls. He recognized the Customer Service Department for all of their additional efforts and noted that staff was working overtime to meet the demand.

General Manager Cook reported that the Santa Ana Regional Water Quality Control Board held its Board meeting at the District last Friday and one of the items was a \$500,000 fine against the Costa Mesa Sanitary District which he said staff will be monitoring.

General Manager Cook introduced the new District's Collections Systems Manager Ms. Dorien McElroy.

DIRECTORS' COMMENTS

Director Withers commented on the fine imposed by Santa Ana Regional Water Quality Control Board as it relates to a similar violation with one of his clients.

Mr. Withers also thanked Customer Service staff for their quick response to a customer's problem which was relayed to him from an Orange County Supervisor.

Director Swan reported on his attendance at the Orange County Coastal Coalition workshop, a Southern California Dialogue meeting, a WACO Planning Committee meeting, a Newport Chamber of Commerce meeting, and an OCWA monthly meeting. He noted that the City of Garden Grove may be formally opposing the Poseidon project which would be the first city to state its objections to the proposed desalination project. He further noted that he, President LaMar and staff are working on a policy paper on desalination which he is hopeful will be made available in the near future.

President LaMar reported on his attendance at an ACWA Headwaters Working Group meeting in Placerville, a Southern California Water Committee quarterly meeting relative to fracking, and that today he attended a Water Quality Task Force meeting relative to storm water capture.

IRWD's consultant, Mr. Bruce Newell, reported on his attendance along with District staff at an Inter-canyon League meeting and also noted a recent fire around Irvine Lake.

IRWD's consultant, Mr. Jim Reed, reported on meetings he attended on behalf of the District including a WACO Planning Meeting, an OCWA monthly meeting, and a South Orange County Economic Coalition meeting.

ADJOURNMENT

President LaMar adjourned the meeting at 6:28 p.m.

APPROVED and SIGNED this 10th day of August, 2015.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson,
Wiles & Giannone