

MINUTES OF REGULAR MEETING – FEBRUARY 13, 2017

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 February 13, 2017 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None.

Also Present: General Manager Cook, Executive Director of Finance Clary, Executive Director of Water Policy Weghorst, Executive Director of Operations Sheilds, Executive Director of Engineering and Water Quality Burton, Director of Water Resources Sanchez, Director of Public Affairs Beeman, Director of Human Resources Roney, Director of Treasury and Risk Management Jacobson, Legal Counsel Arneson (via teleconference), Secretary Bonkowski, Government Relations Officer Compton, Principle Engineer Akiyoshi, Ms. Kellie Welch, Ms. Jo Ann Corey, Ms. Christine Compton, Mr. Jim Reed, Mr. Bruce Newell, and students from UCI's Public Health class.

ORAL AND WRITTEN COMMUNICATIONS: None.

ITEMS TOO LATE TO BE AGENDIZED: None.

CONSENT CALENDAR

On MOTION by Swan, seconded and unanimously carried, CONSENT CALENDAR ITEMS 3 THROUGH 5 WERE APPROVED AS FOLLOWS:

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

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

4. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the January 23, 2017 Regular Board Meeting be approved as presented.

5. PETERS CANYON WASH CHANNEL WATER CAPTURE AND REUSE PIPELINE FINAL ACCEPTANCE

Recommendation: That the Board authorize the General Manager to accept construction of Peters Canyon Wash Channel Water Capture and Reuse Pipeline, project 4985; 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.

## ACTION CALENDAR

### PENSION PLAN FUNDING AND UPDATE

Executive Director of Finance and Administration Clary provided the Board with an update on the District's pension obligation which was fully funded as of June 30, 2016. Ms. Clary said that during the past two years, CalPERS has achieved lower investment returns than anticipated and is also planning a decrease in its actuarial assumed discount rate over the next three years. She said that the result will be an increase in required pension plan contributions and a higher pension liability for all CalPERS agencies in the coming years. A fully funded pension plan means the fair value of the assets are equal to the actuarially determined future liabilities given an assumed discount rate and other key assumptions. A fully funded pension was an important consideration by the rating agencies in providing the District with the highest possible credit rating of "AAA" during the recent debt issuance process. She said that staff recommends the Board approve a contribution of \$11 million to the IRWD Section 115 Retirement Trust to partially offset the anticipated increase in the CalPERS pension liability.

Director Swan reported that this item was reviewed and approved by the Finance and Personnel Committee on February 7, 2017. On MOTION by Swan, seconded and unanimously carried, **THE BOARD APPROVED THE ADDITIONAL CONTRIBUTION OF \$11 MILLION TO THE IRWD SECTION 115 RETIREMENT TRUST.**

### RESOLUTION TO RESCIND DECLARATION OF WATER SHORTAGE LEVEL ONE

General Manager Cook reported that in July 2015, the IRWD Board of Directors declared a Level Two Shortage that represents a significant shortage between 10% and 25%. Mr. Cook said that in 2016, IRWD's conservation target was eventually reduced to 0% based on an assessment of IRWD's projected demands and available supplies. He said that the Board adopted a resolution that rescinded the previous Level Two Shortage declaration and declared a Water Shortage Level One which represents a low-level shortage condition.

Director of Water Resources Sanchez provided an update on the drought, and noted that the state's hydrologic conditions have substantially improved, and there is no longer a drought emergency or any potential of a water shortage for IRWD. Ms. Sanchez said that staff recommends the Board adopt a resolution to rescind Resolution No. 2016-17 that declared a Water Shortage Level One and to also authorize staff to transition IRWD's messaging and outreach to long-term water use efficiency.

Following discussion, on MOTION by Swan, seconded and unanimously carried, **THE BOARD AUTHORIZED STAFF TO TRANSITION IRWD'S MESSAGING AND OUTREACH TO LONG-TERM WATER USE EFFICIENCY AND ADOPTED THE FOLLOWING RESOLUTION BY TITLE TO RESCIND RESOLUTION NO. 2016-17 THAT DECLARED A WATER SHORTAGE LEVEL ONE (SHORTAGE WARNING):**

RESOLUTION NO. 2017 –5

RESOLUTION OF THE BOARD OF DIRECTORS OF  
IRVINE RANCH WATER DISTRICT RESCINDING RESOLUTION NO 2016-17 AND  
RESCINDING WATER SHORTAGE LEVEL ONE (SHORTAGE WARNING)

BUREAU OF RECLAMATION 2017 GRANT APPLICATION

The Bureau of Reclamation is accepting applications for grant funding under its 2017 WaterSMART Drought Response Program which awards funding to projects that increase the reliability of water supplies. As such, staff has prepared an application for the University of California, Irvine Cooling Tower Conversion Project requesting \$300,000 in grant funding with an IRWD cost share of \$1,060,000. To complete the process, it is necessary to adopt a resolution to authorize staff to submit an application for a Bureau of Reclamation WaterSMART Program Grant for the UCI Cooling Tower Conversion Project. On MOTION by Swan, seconded and unanimously carried, THE BOARD ADOPTED THE FOLLOWING RESOLUTION BY TITLE AUTHORIZING STAFF TO SUBMIT AN APPLICATION FOR A BUREAU OF RECLAMATION WATERSMART PROGRAM GRANT IN THE AMOUNT OF \$300,000 FOR THE UCI COOLING TOWER CONVERSION PROJECT AND AUTHORIZING THE GENERAL MANAGER TO EXECUTE A RELATED AGREEMENT TO RECEIVE THE GRANT FUNDING AND TO PROVIDE MATCHING FUNDS IN THE AMOUNT OF \$1,060,000:

RESOLUTION NO. 2017 –6

RESOLUTION OF THE BOARD OF DIRECTORS OF  
IRVINE RANCH WATER DISTRICT AUTHORIZING SUBMISSION  
OF A GRANT APPLICATION FOR THE UCI COOLING TOWERS  
CONVERSION PROJECT TO THE DEPARTMENT OF THE  
INTERIOR, BUREAU OF RECLAMATION, POLICY AND  
ADMINISTRATION

BARNES AND BERGER PROPERTY PURCHASE

Executive Director of Water Policy Weghorst reported that the District is pursuing the purchase of property in Riverside County that is located within Palo Verde Irrigation District (PVID) which has the highest priority water rights from the Colorado River in California. Mr. Weghorst said that as an owner of land within PVID, IRWD would be able to participate in water conservation programs implemented by Metropolitan Water District of Southern California and PVID. Conservation programs such as land fallowing make water available for other uses. Because Metropolitan owns the rights to any Colorado River water that is conserved as a result of Metropolitan and PVID programs, water conserved from the land owned by IRWD would benefit the Metropolitan service area, which includes IRWD. In the future, IRWD would work with Metropolitan and Municipal Water District of Orange County (MWDOC) to develop mutually beneficial agreements through which IRWD would receive increased water supply reliability during periods of drought and supply interruptions in consideration of the water conserved on IRWD land in PVID.

Mr. Weghorst said that on December 15, 2016, the District entered into escrow for the purchase of the Barnes and Berger Property which is located within PVID in Riverside County and consists of approximately 555 gross acres (or 538 water toll acres) owned by a partnership. He said that the Property has first priority water rights and its total acreage is currently enrolled in the existing Palo Verde Land Management, Crop Rotation and Water Supply Program (Fallowing Program). As part of the Purchase Agreement, IRWD has agreed to lease the Property back to the seller for farming purposes. The negotiated lease will be for one year with four additional one-year option terms.

Director of Treasury and Risk Management Jacobson reported that the Purchase Agreement provides for a 60-day due diligence period during which there is an opportunity to conduct any studies, tests and inspections deemed necessary prior to the acquisition of the Property. Mr. Jacobson said that Dee Jasper & Associates was retained to oversee the due diligence investigations and to complete a Baseline Property Assessment Report. He said that due diligence work completed to date shows the Barnes and Berger Property is currently farmed with designated fields fallowed under the Fallowing Program and the crops appear to be in very good condition.

Mr. Jacobson described the other structures on the property that include a mobile home, a small lean-to garage structure and a wood-constructed shed. A subsurface septic tank is also located in this area. As a condition of the sale, the sellers would lease back the Property for farming and agree to remove the mobile home and garage structure and all unserviceable property or other personal property prior to the end of the lease. He then reviewed the findings of the due diligence work including an environmental assessment, site assessment, a survey of the property documenting all easements, mineral rights search and Preliminary Title Report; existing water facilities, and the existing fallowing program.

Vice President Swan reported that this item was reviewed by the Supply Reliability Programs Committee on November 17, 2016. On MOTION by Swan, seconded and unanimously carried, **THE BOARD FOUND THAT ALL MATTERS CURRENTLY IDENTIFIED WITH REGARD TO THE CONDITION OF TITLE, PHYSICAL CONDITION AND SUITABILITY OF THE BARNES AND BERGER PROPERTY FOR THE USES CONTEMPLATED ARE ACCEPTABLE; APPROVED THE ADDITION OF THE PROJECT "PURCHASE PVID BARNES AND BERGER PROPERTY" TO THE FY 2016-17 CAPITAL BUDGET IN THE AMOUNT OF \$9,186,000; FOUND THAT THE PROPERTY ACQUISITION IS EXEMPT FROM CEQA; APPROVED THE PROJECT AND AUTHORIZED STAFF TO POST AND FILE THE NOTICES OF EXEMPTION IN ORANGE AND RIVERSIDE COUNTIES; AND AUTHORIZED THE GENERAL MANAGER, TREASURER AND EACH OTHER OFFICER OF THE DISTRICT, EACH ACTING SINGLY, TO EXECUTE AND DELIVER ANY AND ALL DOCUMENTS, ASSIGNMENTS, CERTIFICATES, INSTRUCTIONS AND INSTRUMENTS NECESSARY OR PROPER FOR CARRYING OUT AND CLOSING THE REAL ESTATE PURCHASE TRANSACTION FOR THE ACQUISITION OF THE PROPERTY.**

## GENERAL MANAGER'S REPORT

General Manager Cook provided an update on the Oroville dam where 180,000 people has been asked to evacuate due to its damaged spillway.

Mr. Cook provided an update on the District's Oracle Financial system which allows for business practices and an ID consolidation structure to be upgraded. He complimented Finance and Engineering staff on their efforts.

He further welcomed UCI public health class students to tonight's Board meeting.

## DIRECTORS' COMMENTS

Director Matheis reported on her attendance at the Urban Water Institute conference.

Director LaMar reported that he attended ACWA's Agriculture Initiative and Federal Affairs Committee meeting, a City of Tustin Mayor's dinner with Director Matheis to honor Mayor Allen Bernstein, an Irvine Chamber Business Outreach, and a reception for Francis Spivy Weber's retirement.

Director Swan reported on his attendance at the Urban Water Institute's conference, UCI's Social Ecology Business Forecast, OCWD's Coordination Committee meeting, an OCWD/MWDOC planning meeting, a Newport Chamber of Commerce meeting, along with several Newport Bay Watershed meetings.

Director Reinhart reported on his attendance at the Urban Water Institute's conference, a South Orange County Agencies meeting, an OCWD/MWDOC Planning meeting, and a WACO meeting.

Consultant Jim Reed provided an update on meetings he attended on behalf of the District.

Consultant Bruce Newell said that the recent rains did not cause any problems in the canyon area.

## CLOSED SESSION

President Reinhart said that a Closed Session would be held with legal counsel relative to existing litigation - Government Code Section 54956.9(d)(1) IRWD v. OCWD (Case No.30-2016-00858584-CU-WM-CJC).

## OPEN SESSION

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

ADJOURNMENT

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

APPROVED and SIGNED this 13th day of March, 2017.

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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