

## MINUTES OF REGULAR MEETING – APRIL 10, 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 April 10, 2017 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Swan, LaMar, Matheis, Reinhart, 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 Treasury and Risk Management Jacobson, Director of Administration Services Mossbarger, Director of Maintenance Drake, Legal Counsel Arneson (via teleconference), Secretary Bonkowski, Principle Engineer Akiyoshi, Government Relations Officer Compton, Ms. Tanja Fournier, Mr. Allen Shinbashi, Mr. Alex Munoz, Ms. Debbie Kanoff, Ms. Maggie Trigueros, Mr. Jim Reed, Mr. Bruce Newell, Mr. Ed Casey, Mr. Alfred Smith, Ms. Mary Lynn Coffee, and Mr. Bill Pellman.

### ORAL COMMUNICATIONS:

General Manager Cook introduced Ms. Maggie Trigueros, the District's new Payroll Administrator. He also thanked Ms. Kanoff for performing payroll duties over the last eight months.

WRITTEN COMMUNICATIONS: None.

ITEMS TOO LATE TO BE AGENDIZED: None.

### CONSENT CALENDAR

On MOTION by Withers, seconded and unanimously carried, CONSENT CALENDAR ITEMS 4 THROUGH 7 WERE APPROVED AS FOLLOWS:

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, Peer Swan, Douglas Reinhart and John Withers, as described.

5. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the March 27, 2017 Regular Board Meeting and the March 28, 2017 Adjourned Regular Board Meeting be approved as presented.

## CONSENT CALENDAR (CONTINUED)

### 6. BAKER WATER TREATMENT PLANT LANDSCAPING

Recommendation: That the Board authorize the General Manager to execute a construction contract in the amount of \$189,356 with Tropical Plaza Nursery, Inc. for the Baker Water Treatment Plant Landscaping, project 05027.

### 7. PLANNING AREA 51, DISTRICT 7 CAPITAL RECYCLED WATER FACILITIES

Recommendation: That the Board authorize the General Manager to accept Heritage Hill's construction contract with FYDAQ in the amount of \$155,316 for project 07169.

## ACTION CALENDAR

### ANNUAL ORACLE SOFTWARE MAINTENANCE AND SUPPORT AGREEMENT RENEWAL

General Manager Cook reported that the Oracle Software Maintenance and Support Agreements, which expire in May 2017, provide 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. 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 said that this item was reviewed and approved by the Finance and Personnel Committee on April 4, 2017. On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED RENEWAL OF THE DISTRICT'S ANNUAL ORACLE SOFTWARE MAINTENANCE AND SUPPORT AGREEMENTS, AND ADDITIONAL LICENSES AND SUPPORT, IN THE AMOUNT OF \$926,000 EFFECTIVE MAY 30, 2017 (ULA) AND MAY 22, 2017 (EBS), RESPECTIVELY.

### AUDIT FIRM EXTENSION FOR THE FISCAL YEAR ENDING JUNE 30, 2017

General Manager Cook reported that in 2012, the Board approved a five-year professional services contract with Mayer Hoffman McCann P.C. (MHM) for financial statement audit services. Mr. Cook said that in 2015, the key principals at MHM left the firm and formed a new firm, Davis Farr LLP, and the Board approved a two-year audit services contract with them commencing with the fiscal year ended June 30, 2015. Mr. Cook said that in 2017, the District upgraded to a new version of the Oracle Financial System which included consolidation of several of the District's improvement districts. He further said that in order to maintain continuity and have a smooth transition of the changes as a result of the implementation, staff recommends the Board authorize the General Manager to execute a new audit services contract with Davis Farr LLP for the fiscal year ending June 30, 2017.

Director Swan said that this item was reviewed and approved by the Finance and Personnel Committee on April 4, 2017. On MOTION by Swan, seconded and unanimously carried, THE

BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE A NEW AUDIT SERVICES CONTRACT WITH DAVIS FARR LLP FOR THE FISCAL YEAR ENDING JUNE 30, 2017 AT A COST OF \$53,040 PLUS POSSIBLE SINGLE AUDIT FEES NOT TO EXCEED \$2,600.

TURTLE RIDGE PIPELINES REHABILITATION BUDGET ADDITION AND CONSULTANT SELECTION

Executive Director of Engineering Burton reported that in August 2016, a corrosion-related leak occurred in the 16-inch ductile iron domestic water main in Turtle Ridge located in Irvine. Mr. Burton said that the District's consultant, HDR, investigated the cause of the corrosion and attributed the damage to severely corrosive soil conditions. He said that the first phase of this project includes the preparation of a Preliminary Design Report with conceptual designs for rehabilitation, replacement, or cathodic protection of the 16-inch domestic and 10-inch recycled water pipes in Turtle Ridge Drive from Bonita Canyon Drive to Summit Park Drive in Irvine.

Mr. Burton said that staff issued a Request for Proposal on January 20, 2017 to Brown and Caldwell, GHD, HDR, Michael Baker International, and Psomas for preliminary design services. He said that proposals were received on February 22, 2017 from three consultants: GHD, HDR, and Psomas. Michael Baker and Brown and Caldwell declined to submit a proposal. He further said that after evaluating the proposals, staff recommends the selection of Psomas based on its outstanding proposal, pipeline assessment methodology, project understanding, experienced team and best value.

Director LaMar said that this item was reviewed and approved by the Engineering and Operations Committee on March 28, 2017. Following discussion, on MOTION by LaMar, seconded and unanimously carried, THE BOARD AUTHORIZED THE ADDITION OF PROJECTS 07888 FOR \$309,000 AND 07889 FOR \$309,000 TO THE FY 2016-17 CAPITAL BUDGET; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT IN THE AMOUNT OF \$135,809 WITH PSOMAS FOR THE TURTLE RIDGE PIPELINES REHABILITATION, PROJECTS 07888 AND 07889.

TECHNOLOGY DRIVE AND LAGUNA CANYON ROAD CAPITAL RECYCLED WATER FACILITIES CONTRACT CHANGE ORDER

Executive Director of Engineering and Water Quality Burton reported that the Irvine Community Development Company (ICDC) is constructing the Technology Drive and Laguna Canyon Road Zone B Recycled Water pipeline as part of its Technology Drive Extension project under Master and Supplemental Reimbursement Agreements executed in May 1997 and December 2014. Mr. Burton said that this project consists of approximately 6,000 feet of 24-inch cement mortar lined and coated steel pipeline within Laguna Canyon Road and the new Technology Drive extension. Construction of the pipeline began in March 2016 and approximately 2,000 feet has been constructed. The project is scheduled to be complete in fall 2017.

Mr. Burton said that the project has encountered several issues that have had substantial impacts to schedule and budget including an unforeseen Caltrans embankment repair needed at the I-5 Freeway overpass, redesign of Technology Drive grade to account for the Marshburn channel being higher than record drawings indicated, and substantially thicker than standard street sections that are as much as 13 inches of asphalt concrete over 25 inches of base within Laguna Canyon Road. He said that recently, the contractor encountered numerous conflicting utilities near the recycled water pipeline connection point at Irvine Center Drive and Laguna Canyon Road that were not on any record drawings, and as a result, additional potholing was required to resolve utility conflicts at the connection point.

Director LaMar said that this item was reviewed and approved by the Engineering and Operations Committee on March 28, 2017. On MOTION by LaMar, seconded and unanimously carried, **THE BOARD APPROVED CONTRACT CHANGE ORDERS NOS. 3, 4 AND 5 IN THE AMOUNTS OF \$382,074.72, \$116,550.97 AND \$78,052.67, RESPECTIVELY, FOR THE TECHNOLOGY DRIVE AND LAGUNA CANYON ROAD CAPITAL RECYCLED WATER FACILITIES, PROJECT 01015.**

**RATIFICATION OF AGREEMENT FOR ONE-YEAR PROGRAM TO AUGMENT RECHARGE USING STOCKDALE WEST RECHARGE FACILITIES**

Executive Director of Water Resources Weghorst reported that in February 2016, the Water Banking Committee approved terms for a one-year recharge program that would allow Buena Vista Water Storage District (BVWSD) to recharge high-flow Kern River water using the recharge basins at IRWD's Stockdale West Ranch. The program was not pursued in 2016 because the Kern River did not reach high-flow conditions. With the current wet year conditions BVWSD is now interested in using the Stockdale West Ranch recharge basins. Mr. Weghorst said that on March 30, BVWSD requested reasonable modifications to the proposed terms and offered to begin immediate delivery of water to the Strand and Stockdale West water banking projects. He said that in order to avoid a lost opportunity to capture high-flow Kern River water, staff worked with legal counsel to expedite the preparation of a letter agreement for the one-year program that incorporated BVWSD's requested revisions to the one-year program terms. He said that staff reviewed the revised terms and agreement with the Supply Reliability Programs Committee on March 30, 2017. The Committee concurred with the fair and equitable revisions to the term sheet and authorized the General Manager to proceed on an urgent necessity basis with the execution of the letter agreement that would facilitate the immediate delivery of BVWSD water to both the Strand and Stockdale West Ranch and to present the executed agreement for ratification by the full Board of Directors.

Director Swan reported that the revised terms and agreement with BVWSD for a one-year program to augment recharge using the Stockdale West recharge facilities was reviewed and approved by the Supply Reliability Programs Committee on March 31, 2017. Following discussion, on MOTION by Swan, seconded and unanimously carried, **THE BOARD RATIFIED THE AGREEMENT WITH BUENA VISTA WATER STORAGE DISTRICT FOR A ONE-YEAR PROGRAM TO AUGMENT RECHARGE USING STOCKDALE WEST RECHARGE FACILITIES.**

## WORKSHOP

### FISCAL YEAR 2017-18 OPERATING BUDGET AND PROPOSED RATES AND CHARGES

Executive Director of Finance and Administration Clary reported that the proposed Fiscal Year (FY) 2017-18 Operating Budget for Irvine Ranch Water District is \$148.7 million, representing an increase of \$1.7 million, or 1.2%, when compared to the Operating Budget for FY 2016-17. Ms. Clary said that this item had been reviewed by the Finance and Personnel Committee on four occasions. She recognized staff members Mr. Christopher Smithson and Ms. Jennifer Davis for their efforts on the budget preparation.

Using a PowerPoint presentation, Ms. Jennifer Davis reviewed the key assumptions for the Operating Budget including: 1) potable water sales in line with F 2016-17 budget; 2) customer growth of 2%; 3) no change in customer water allocations – adjust percent allocation for over allocation tiers; 4) no BEA expected – use capital offsets; 5) Los Alisos customers transition onto Irvine Ranch rates effective 7/1/2017; 6) full year of Baker Water Treatment Plant - IRWD share 24%; 7) Biosolids facility start up in 2018; 8) OCWD replenishment assessment of \$445/acre-feet; MWDOC increases of 4% treated and untreated water; and 9) PERS funding at 25% - no OPEB funding.

Ms. Davis reviewed the proposed sources of water supply from the Dyer Road Wellfield, treated groundwater, imported water, and the Baker Water Treatment Plant. She further reviewed the four key drivers comprising of 85% of the operating budget including salaries and benefits at \$53.7 million - 36.1%); purchased water at \$35.3 million at 23.7%; repairs and maintenance at \$23.5 million at 15.8%; and electricity at \$14.6 million at 9.8%, for a total of \$148.7 million. She then compared the key drivers compared to the prior year budget which is increased by 1.2% or \$1.8 million.

Using a PowerPoint presentation, Mr. Christopher Smithson reviewed the funding sources and uses, proposed rates, pumping surcharges, rate comparisons and history, and non-operating sources and uses. Following discussion, Mr. Smithson said that the second budget workshop will be held on April 24, 2017.

### GENERAL MANAGER'S REPORT

General Manager Cook reported that this week's OCWD Administration and Finance Committee will be deferring further considerations on modifying how the Replenishment Assessment and additional replenishment assessments are structured pending an anticipated legal ruling by the California Supreme Court.

Mr. Cook presented the California Municipal Utilities Association award that the District received for its Battery Storage project.

### DIRECTORS' COMMENTS

Director Matheis reported on her attendance at a recent ISDOC meeting where discussion was held regarding if they should be incorporated. She said that she also attended the California Water Policy Conference 26 in San Diego.

## DIRECTORS' COMMENTS (CONTINUED)

Director LaMar reported on his attendance at an ACWA/CESA Energy Storage workshop in Sacramento along with a Federal Advocacy trip in Washington, D.C.

Director Withers reported that tomorrow he will be attending an NWRI Operations Committee meeting, on Wednesday a LAFCO Strategic Planning session, and on Thursday the District's Business Outreach Luncheon with vendors.

Director Swan reported that he attended a MWDOC Water Policy forum dinner, an OCWD Board meeting, a Newport Chamber of Commerce meeting, and a WACO monthly meeting relative to the Prado Dam. He also said that he is continuing to work with OCWD and OCSD relative to assembling a watershed plan as well as with SAWPA in regard to the OWOW steering committee.

Director Reinhart reported on his attendance at Federal Advocacy meetings in Washington, D.C. along with General Manager Cook, Director LaMar, and Government Relations Officer Compton.

IRWD's Consultant Bruce Newell reported that OCFA is developing a tool for red flag conditions.

IRWD's consultant Jim Reed reported on meetings he attended on behalf of the District including SOCWA, ISDOC, and WACO.

## CLOSED SESSION

President Reinhart said that the following Closed Session would be held:

- 1) CONFERENCE 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), and
- 2) PUBLIC EMPLOYEE APPOINTMENT – Pursuant to Government Code Section 54957(b). Title: Legal Counsel

## OPEN SESSION

Following the Closed Session, the meeting was reconvened with Directors Reinhart, Withers, Swan, LaMar 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 24th day of April, 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