

MINUTES OF REGULAR MEETING – JULY 24, 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 July 24, 2017 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: Withers.

Also Present: General Manager Cook, Executive Director of Water Policy Weghorst, Executive Director of Operations Sheilds, Executive Director of Engineering and Water Quality Burton, Executive Director of Finance and Administration Clary, Director of Treasury and Risk Management Jacobson, Director of Water Resources Sanchez, Director of Recycling Operations Zepeda, Director of Public Affairs Beeman, Government Relations Officer Compton, Director of Water Operations Roberts, Director of Human Resources Roney, Legal Counsel Smith, Secretary Bonkowski, Principle Engineer Cortez, Principle Engineer Akiyoshi, Risk Manager Shinbashi, Asset System Manager Meserlian, Mr. Christopher Smithson, Mr. John Jaeger and members of the public.

WRITTEN COMMUNICATIONS: None.

ORAL COMMUNICATIONS: Mr. John Jaegar, an Irvine resident, addressed the Board relative to the District's annual rate increase, longevity of each Director on the Board, and last year's comments he received from the Board President following his oral communications to the Board.

ITEMS TOO LATE TO BE AGENDIZED:

General Manager Cook reported that an item came to staff's attention after the agenda was posted in regard to a confidential matter of anticipated litigation. Legal Counsel Smith said that this item will need to be discussed in Closed Session as a conference with legal counsel relative to anticipated litigation, Government Code Section 54956.9(d)(4), initiation of litigation (one potential case). On MOTION by Swan, seconded and unanimously carried, IT WAS DETERMINED THAT THERE WAS A NEED TO TAKE IMMEDIATE ACTION TO DISCUSS ONE MATTER OF ANTICIPATED LITIGATION AS A CLOSED SESSION ITEM, AND THIS MATTER WAS ADDED TO THE AGENDA UNDER ITEM 14 (see page 7).

PUBLIC HEARING

SEWER TAXES IN THE NEWPORT NORTH SERVICE AREA

General Manager Cook reported that on June 26, 2017, the Board adopted Rates and Charges for Fiscal Year 2017-18 which included monthly sewer charges of \$25.75 for a residential single family home and \$19.30 per unit for multiple family dwelling units. The Newport North customers will have the same rate, but the method of collection differs in that they pay their sewer fees on an annual basis by means of 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 Reinhart 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 3, 2017 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 6, 2017 and July 15, 2017. She said that a notice was also posted in the District office on July 3, 2017.

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 Reinhart requested Legal Counsel Smith to describe the nature of the proceedings.

Legal Counsel Smith 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 Reinhart asked Secretary Bonkowski whether she had received any written communications concerning this matter, and she stated that she had not. President Reinhart 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 Reinhart 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 Swan, seconded and unanimously carried, THE HEARING WAS CLOSED, AND RESOLUTION NO. 2017-18 WAS ADOPTED BY TITLE AS FOLLOWS:

RESOLUTION NO. 2017-18

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

Director Swan requested that item No. 4, RATIFY/APPROVE BOARD OF DIRECTORS' ATTENDANCE AT MEETINGS AND EVENTS, be moved to the Action Calendar as he would like to add meetings to be approved by the Board. There being no objections, this item was moved accordingly. On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED ITEMS NOS. 3 AND 5 THROUGH 9 AS FOLLOWS:

CONSENT CALENDAR (CONTINUED)

5. MINUTES OF BOARD MEETINGS

Recommendation: That the minutes of the July 7, 2017 Adjourned Regular Board Meeting and the July 10, 2017 Regular Board Meeting be approved as presented.

6. JUNE 2017 TREASURY REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report, the monthly Interest Rate Swap summary for June 2017, and Disclosure Report of reimbursements to Board members and staff; approve the June 2017 summary of Payroll ACH payments in the total amount of \$1,725,165 and approve the June 2017 Accounts Payable Disbursement Summary of Warrants 377651 through 378595, Workers' Compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$51,972,588.

7. IRVINE RANCH WATER DISTRICT STRATEGIC MEASURES

Recommendation: That the Board receive and file the report.

8. REIMBURSEMENT AGREEMENT BETWEEN IRWD AND THE CITY OF IRVINE FOR INSTALLATION AND ADJUSTMENT OF IRWD FACILITIES TO GRADE

Recommendation: That the Board authorize the General Manager to execute a reimbursement agreement with the City of Irvine for its annual slurry seal and pavement rehabilitation project, bid no. 18-1292.

9. DYER ROAD WELLFIELD WELL 3 REHABILITATION FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Dyer Road Wellfield Well 3 Rehabilitation, project 04327; 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.

ACTION CALENDAR

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

Following Director Swan's additions to meetings and events he attended, on MOTION by Swan, seconded and unanimously carried, THE BOARD RATIFIED/APPROVED THE MEETINGS AND EVENTS FOR STEVEN LAMAR, MARY AILEEN MATHEIS, DOUGLAS REINHART, PEER SWAN AND JOHN WITHERS AS DESCRIBED.

IRVINE LAKE PIPELINE NORTH CONVERSION RESERVOIR CONTRACT CHANGE ORDER

Executive Director of Engineering and Water Quality Burton reported that the Irvine Lake Pipeline (ILP) North Conversion Reservoir project includes construction of a 2.4 million gallon buried concrete reservoir, modifications at the Rattlesnake complex, and modifications at the Orchard Hills Strainer Facility. Mr. Burton said that the contract documents require the contractor to over-excavate four feet of soil below the reservoir slab and to reuse the over-excavated soil as compacted structural backfill for the reservoir foundation. He said that the original over-excavation depth was based on borings obtained under the reservoir as part of the geotechnical investigation report which suggested the potential for suitable soil conditions. He said that when the contractor reached the reservoir subgrade elevation, the geotechnical engineer determined that the soil beneath the reservoir contained significant portions of expansive clay which are unsuitable soils for the reservoir foundation which needed to be removed. He said that the additional over-excavation required for the reservoir foundation resulted in the need for additional disposal of unsuitable onsite soils, specialized excavation techniques adjacent to the contractor's temporary shoring system, and import and placement of an additional 6,500 cubic yards of structural backfill. The additional costs associated with the first two items were accounted for in previously executed change orders. The cost associated with the import and placement of additional structural backfill is the subject of this change order.

Mr. Burton said that the contractor, Pascal and Ludwig (P & L) Constructors, initially submitted a lump sum cost of \$365,699 for the work, but due to the uncertainty of the actual production levels that could be achieved, staff directed P & L to proceed with the work on a time and materials basis. He said that the work is now complete, and a change request is the amount of \$314,692 along with a contract time extension of 52 calendar days.

Director LaMar reported that this item was reviewed and approved by the Engineering and Operations Committee on July 18, 2017. On MOTION by LaMar, seconded and unanimously carried, THE BOARD APPROVED CONTRACT CHANGE ORDER NO. 8 WITH PASCAL & LUDWIG CONSTRUCTORS IN THE AMOUNT OF \$314,692 FOR IMPORT AND PLACEMENT OF ADDITIONAL STRUCTURAL BACKFILL BENEATH THE RESERVOIR FOR THE IRVINE LAKE PIPELINE NORTH CONVERSION RESERVOIR, PROJECT 05407.

MICHELSON WATER RECYCLING PLANT BIOSOLIDS AND ENERGY RECOVERY FACILITIES CONTRACT CHANGE ORDER NO. 56

Executive Director of Engineering and Water Quality Burton reported that Contract Change Order No. 56 includes the addition of stairs and a platform for the Regenerative Thermal Oxidizer and programming modifications for the microturbine's Capstone Logic Controller. Mr. Burton said that staff negotiated with Filanc/Balfour Beatty and it concurs with the labor and material costs for stairs and platform for the sludge dryer's Regenerative Thermal Oxidizer in the amount of \$101,744.33 and programming modifications for the microturbine's Capstone Logic Controller in the amount of \$100,000.

Director LaMar said that this item was reviewed and approved by the Engineering and Operations Committee on July 18, 2017. Following discussion, on MOTION by LaMar, seconded and unanimously carried, THE BOARD APPROVED CONTRACT CHANGE ORDER NO. 56 IN THE

AMOUNT OF \$201,744.33 WITH FILANC/BALFOUR BEATTY FOR THE ADDITION OF STAIRS AND A PLATFORM FOR THE REGENERATIVE THERMAL OXIDIZER, AND PROGRAMMING MODIFICATIONS FOR THE MICROTURBINE'S CAPSTONE LOGIC CONTROLLER FOR THE MICHELSON WATER RECYCLING PLANT BIOSOLIDS AND ENERGY RECOVERY, PROJECT NO. 04286.

SETTING CONNECTION FEES AND PROPERTY TAXES FOR FISCAL YEAR 2017-18

Executive Director of Finance and Administration Clary reported that connection fees for the City of Irvine/Great Park Recycled Water (Improvement District (ID) 112/212) and ID 256 for Orange Park Acres were approved at the June 12, 2017 Board meeting and that all other connection fees were last updated in July 2016. The proposed changes are consistent with the Engineering News Record (ENR) construction cost index and are based on periodic updates to the capital budget and other changing assumptions.

Ms. Clary said that the proposed connection fees assume an increase within each of the IDs based on the ENR estimated capital cost increase of 2.7% and are included in the Proposed Connection Fees and Property Tax Rates Summary as provided in the exhibit. On MOTION by Swan, seconded and unanimously carried, the FOLLOWING RESOLUTIONS WERE ADOPTED BY TITLE:

RESOLUTION NO. 2017- 19

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 (EFFECTIVE SEPTEMBER 1, 2017)

RESOLUTION NO. 2017-20

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA ESTABLISHING AD VALOREM TAX REVENUES FOR FISCAL YEAR 2017-18

RESOLUTION NO. 2017 -21

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

WATER STORAGE INVESTMENT PROGRAM GRANT APPLICATION

Using a PowerPoint presentation, Director of Water Resources Sanchez reported that the California Water Commission (CWC) is accepting applications for Proposition 1 grant funding through the Water Storage Investment Program (WSIP), also known as the Water Quality, Supply and Infrastructure Improvement Act of 2014, which provides \$2.7 billion for public benefits associated with water storage projects with a maximum funding request of 50% of project capital costs.

Ms. Sanchez said that that staff has been working with Rosedale Rio Bravo Storage District and several consultants to develop a grant application for a Kern Fan Project which would be a regional water bank that would capture, transport and store water during conditions when surface water is abundant. She said that the project would be implemented in a two-phased approach with the first phase including the development of the proposed third project site as contemplated in the Stockdale Integrated Banking Project Environmental Impact Report (EIR). IRWD and Rosedale would jointly acquire up to 640 acres in the Kern Fan area and construct recharge and recovery facilities as necessary to develop a fully functioning water banking project. In addition, IRWD and Rosedale would construct a new dedicated conveyance canal from the California Aqueduct to ensure the ability to convey flows from the State Water Project to the new recharge facilities. She said that the second phase of the Kern Fan project would involve IRWD and Rosedale acquiring an additional 640 acres of land for the expansion of the water banking facilities. The overall project would consist of approximately 500 cfs of canal capacity from the California Aqueduct, 100,000 acre feet of storage capacity, up to 100,000 acre-feet per year (AFY) in recharge capacity and up to 70 cubic feet per second (cfs) or 50,000 AFY of recovery capacity.

The grant requires a 50% cost-share match which would be shared equally by IRWD and Rosedale so that each would provide 25% of the total funding. Currently, engineers at Dee Jaspas and Associates estimate the overall cost of the Kern Fan Project will be between \$150 million and \$172 million. Approximately half of the costs would be attributable to the construction of dedicated conveyance facilities. Based on these estimates, the project could receive between \$75 and \$86 million through a Proposition 1 grant. IRWD and Rosedale would then each provide between \$37.5 and \$43 million for the project.

Director Swan said that this item was reviewed and approved by the Supply Reliability Programs Committee on July 20, 2017. On MOTION by Swan, seconded and unanimously carried, THE BOARD ADOPTED THE FOLLOWING RESOLUTION BY TITLE THAT AUTHORIZES THE GENERAL MANAGER TO SUBMIT A GRANT APPLICATION FOR WATER STORAGE INVESTMENT PROGRAM FUNDING, CONFIRMED THAT IRWD HAS THE CAPABILITY TO PROVIDE ITS COST SHARE FUNDING AS SPECIFIED IN THE APPLICATION'S PROJECT FUNDING PLAN, AND AUTHORIZED THE GENERAL MANAGER TO WORK WITH THE CALIFORNIA WATER COMMISSION TO MEET ESTABLISHED DEADLINES AND TO EXECUTE AN ACCEPTABLE FUNDING AGREEMENT:

RESOLUTION NO. 2017 -22

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT AUTHORIZING
SUBMISSION OF A GRANT APPLICATION FOR THE
PROPOSITION 1 WATER STORAGE INVESTMENT PROGRAM
TO THE CALIFORNIA WATER COMMISSION

GENERAL MANAGER'S REPORT

General Manager Cook reported that the District is participating fully in the in-lieu program for the applicable wells. He said that as noted in his Weekly Report, staff is continuing to monitor the water quality in the basin.

Mr. Cook provided an update on the Sand Canyon Reservoir that is being drained as one of the valves failed. He said that the reservoir is anticipated to be back on-line in October during which time additional repairs are being made. He further said that staff is communicating with Strawberry Farms Golf Course and is also posting updates on the District's website.

DIRECTORS' COMMENTS

Director Matheis reported on her attendance at an ISDOC Executive Committee meeting and an ACC-OC summer reception.

Director LaMar reported that he attended an ACC-OC summer reception and MWDOC's Public Affairs and Legislative Committee meeting. He further said he will be attending an NCC Executive Committee meeting this coming Wednesday.

Director Swan reported that he attended an ACC-OC summer reception, a Newport Beach Watershed Committee meeting, OCWD Committee meetings, a WACO Planning Committee meeting, and a Newport Chambers' Government Affairs Committee meeting.

Director Reinhart reported that he attended a tour of the MWRP for the City of Newport Beach with General Manager Cook and a MWDOC Board meeting.

CLOSED SESSION

President Reinhart said that the following Closed Sessions will be held this evening:

CONFERENCE WITH REAL PROPERTY NEGOTIATOR (Government Code Section 54956.8)

Property: Biscayne Bay Drive, Lake Forest, CA

Negotiating Parties: Multiple

Agency Negotiator: Paul Cook, General Manager

Purpose of Negotiations: Price and Terms of Purchase

CONFERENCE WITH LEGAL COUNSEL relative to anticipated litigation – Government Code Section 54956.9(d)(4) – initiation of litigation (one potential case).

OPEN SESSION

Following the Closed Session, the meeting was reconvened with Directors Swan, LaMar, Reinhart 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 14th day of August, 2017.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Alfred Smith, Legal Counsel – Nossaman LLP