

MINUTES OF REGULAR MEETING – MARCH 14, 2011

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 March 14, 2011 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Swan, Reinhart, LaMar, and Withers

Directors Absent: Matheis

Also Present: General Manager Jones, Assistant General Manager Cook, Director of Planning/Water Resources Heiertz, Director of Engineering Burton, Director of Finance Cherney, Treasurer Jacobson, Secretary Bonkowski, Legal Counsel Arneson, Director of Public Affairs Beeman, Director of Operations Pedersen, Director of Wastewater Operations Posey, Mr. Paul Weghorst, Ms. Kirsten McLaughlin, Mr. Harry Cho, Mr. Ray Bennett, Ms. Fiona Sanchez, Mr. Jim Reed, Ms. Shannon Reed, Mr. Eric Tolles, Mr. Bruce Newell, and other members of the public and staff.

WRITTEN COMMUNICATIONS: None.

ORAL COMMUNICATIONS:

Mrs. Joan Irvine Smith addressed the Board of Directors with respect to the Dyer Road Wellfield. Mrs. Smith said it was her understanding that currently wells 1, 2, 5, 7, C-8, C-9, 10, 12, 15 and 17 will operate in accordance with the District's annual pumping plan. Wells 4 and 6 will operate a portion of the week. Wells 3, 11, 13, 14, 16 and 18 will be off. The District's currently planned pumping for February is 2,940 AF. This was confirmed by Mr. Jones, General Manager of the District.

With respect to the Orange County Basin Groundwater Conjunctive Use Program being coordinated by Municipal Water District of Orange County (MWDOC) and Orange County Water District (OCWD), a Notice of Completion was approved by the OCWD Board of Directors on March 19, 2009. Metropolitan Water District has given notice to OCWD to extract 22,000 acre feet in fiscal year 2009/10. The extraction is being performed by agencies that constructed conjunctive use wells under this program. IRWD is not a participant. This was confirmed by Mr. Jones.

With respect to the OCWD annexation of certain IRWD lands, on June 5, 2009, IRWD received a letter from OCWD noting that OCWD has completed the formal responses to comments they previously received on the draft program Environmental Impact Report. The letter further noted that with this task completed, OCWD has exercised its right to terminate the 2004 Memorandum of Understanding (MOU) regarding annexation. OCWD also indicated that due to the lack of progress on the annexation issue, the draft program Environmental Impact Report will not be completed. On June 8, 2009, the OCWD completed the Long-Term Facilities Plan which was received and filed by the OCWD Board in July 2009. Staff has been coordinating with the City of Anaheim (Anaheim) and Yorba Linda Water District (YLWD) on their most recent annexation requests and has reinitiated the annexation process with OCWD. IRWD, YLWD and Anaheim have negotiated a joint MOU with OCWD to process and conduct environmental

analysis of the annexation requests. The MOU was approved by the OCWD Board on July 21, 2010. This was confirmed by Mr. Jones.

With respect to the Groundwater Emergency Service Plan, IRWD has an agreement in place with various south Orange County water agencies, MWDOC and OCWD, to produce additional groundwater for use within IRWD and transfer imported water from IRWD to south Orange County in case of emergencies. IRWD has approved the operating agreement with certain south Orange County water agencies to fund the interconnection facilities needed to affect the emergency transfer of water. MWDOC and OCWD have also both approved the operating agreement. This was confirmed by Mr. Jones.

PRESENTATION – PARTNER COMMENDATION

In celebration of the District's 50th anniversary, the IRWD Board of Directors will recognize key "Partners in Service". General Manager Paul Jones presented the first Certificate of Commendation to Mrs. Joan Irvine Smith.

WORKSHOP - CIENEGA SELENIUM AND NITRATE REMOVAL PROJECT

Using a PowerPoint presentation, Manager of Water Resources Weghorst provided a project overview noting that the Cienega Selenium and Nitrate Removal Project consists of a selenium and nitrate removal process utilizing General Electric's (GE) proprietary ABMet System. The Project would provide a method by which cost-sharing participants can comply with National Pollutant Discharge Elimination System (NPDES) discharge permits, construction dewatering permits, and stream discharge Total Maximum Daily Load (TMDL) requirements.

Mr. Weghorst provided a summary of progress on the project from February 2010 to February 2011. He discussed the regulatory framework for the project noting that staff participated in stakeholder efforts to secure assurances from the Regional Board. He said that in January 2011, the legal counsel for the Regional Board advised that the offset program would not be consistent with EPA requirements for pollutants that bio-accumulate and therefore the EPA would not likely approve it. He further said that there are no assurances of compliance for the watershed stakeholder agencies.

Mr. Weghorst reviewed the project capital funding concept as follows: 1) estimated cost of ABMet Cienega Project is \$22 million for design and construction; 2) Reclamation Title XVI Grant equals 2%5 up to a cap of \$5.5 million; 3) the remaining capital cost would be provided through funding partnerships with beneficiary dischargers who must comply with regulatory requirements; and 4) the capital funding commitments are required by March 2011. He updated the status and said that there is a lack of stakeholder support to fund the balance of capital cost commitments for this project; there is a lack of agreement on allocation funding proposals, and no funding commitments have been received.

Mr. Weghorst provided an update on the status of the Irvine Unified School District (IUSD) easement revisions saying that they had requested modifications to the easement from their Board to allow surface structures and for IRWD to quitclaim 2.2 acres back to IUSD; IUSD is unwilling to approve easement changes at this time without additional compensation and concessions; and reviews are required after IUSD approval would delay the project.

Mr. Weghorst provided a status of the Bureau of Reclamation Grant noting that they agreed to an extension to June 30, 2012; however, project construction would need to begin by 2011 to meet the June 2012 deadline; immediate resolution would be required of regulatory issues and funding commitments, and the IUSD easement changes and associated reviews were not feasible to meet this deadline.

Mr. Weghorst reviewed the proposed next steps and recommendations. Mr. Jones said that staff will continue to work with the County and City of Irvine to look for an alternate project. Mr. Eric Tolles from the City of Irvine said he appreciated all of the work efforts and leadership from the District and is looking forward to finding another project. Director Swan asked Mr. Jones to contact the Regional Board at the end of the month noting that the Cienega project was not feasible at this time. On MOTION by Withers, seconded and unanimously carried, **THE BOARD DIRECTED STAFF TO PROCEED WITH THE NECESSARY ACTIONS RELATIVE TO COMPLETING THE ON-GOING ABMET DESIGN VERIFICATION STUDIES, TERMINATING FINAL DESIGN, NOTIFYING THE UNITED STATES BUREAU OF RECLAMATION THAT THE CURRENTLY PROPOSED PROJECT IS NOT PROCEEDING TO CONSTRUCTION, AND COORDINATING WITH REGIONAL PARTICIPANTS ON ALTERNATIVE PROJECT CONCEPTS AND OTHER POTENTIAL GRANT FUNDING OPPORTUNITIES.**

CONSENT CALENDAR

Director Swan asked that Item No. 8 be moved to the Action Calendar for discussion. On MOTION by Withers, seconded and unanimously carried, **CONSENT CALENDAR ITEMS 5 THROUGH 7 and 9 through 12 WERE APPROVED AS FOLLOWS:**

5. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the February 28, 2011 Regular Board Meeting be approved as presented.

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, Douglas Reinhart, Peer Swan and John Withers.

7. SANTIAGO AQUEDUCT COMMISSION REAPPOINTMENT OF MEMBER AND ALTERNATES

Recommendation: That the Board adopt the following resolution by title rescinding No. 2001-6 and appointing member and alternate members to the Santiago Aqueduct Commission.

RESOLUTION NO. 2011-6

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT, RESCINDING
RESOLUTION NO. 2001-6 AND APPOINTING
MEMBER AND ALTERNATE MEMBERS TO THE
SANTIAGO AQUEDUCT COMMISSION

9. 2011 STATE LEGISLATIVE UPDATE

Recommendation: That the Board take a SUPPORT position on AB 741 (Huffman) and SB 215 (Huff) and a WATCH position on AB 262 (Harkey), AB 403 (Campos) and AB 964 (Huffman).

10. PARTICIPATION IN THE UNIVERSITY OF CALIFORNIA IRVINE (UCI)
GROUNDWATER RESOURCES MANAGEMENT INTERNATIONAL CONFERENCE

Recommendation: That the Board support IRWD's participation in the UCI Groundwater Resources Management Conference for a total of \$5,000.

11. MEMBERSHIP IN CALDESAL

Recommendation: That the Board support IRWD's membership in CalDesal for a total of \$5,000.

12. REVISED PERSONNEL POLICIES AND PROCEDURES

Recommendation: That the Board adopt the following resolutions by title:

RESOLUTION NO. 2011 -7

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT RESCINDING
RESOLUTION NO. 2008-60, ADOPTING REVISED APPENDIX "A-1"
TO ITS CONFLICT OF INTEREST CODE AND READOPTING
CONFLICT OF INTEREST CODE AND APPENDIX "A-2"

RESOLUTION NO. 2011 - 8

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT, RESCINDING
RESOLUTION NO. 2008-61 AND
ESTABLISHING REVISED PERSONNEL POLICIES
(FOR POLICY NO. 45)

ACTION CALENDAR

PUBLIC GOODS CHARGE LEGISLATION

Director Swan said that the staff recommendation for this item should be that the District is opposed to the legislation as amended. Following discussion, it was the consensus of the Board to oppose the UC Berkeley's Public Policy implementing a Public Goods Charge. Staff was asked to update IRWD's Policy Paper on this matter and submit to the Water Resources Policy and Communications Committee.

ADDITIONAL CONTRIBUTIONS FOR FISCAL YEAR 2010-11 TO THE CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Using a PowerPoint presentation, Director of Finance Cherney provided an overview of the proposed additional contribution to CalPERS. Ms. Cherney reviewed a chart showing the CalPERS actuarial valuation history whereby the District received its actuarial valuation as of June 30, 2009 from CalPERS and as of June 30, 2009, the District's unfunded actuarial liability (UAL) is \$38.9 million, which grew from \$20.5 million as of the end of the prior fiscal year. This growth in the liability reflects not only the deep losses incurred by CalPERS during the previous 12-month period, but also significant changes in the assumptions CalPERS had been making about mortality, years of service credit, and age at retirement, among other factors.

Ms. Cherney said that based upon the discussion of the most recent actuarial report and the unfunded liability, the Committee recommended that the District advance an additional \$6 million from its Replacement Funds to further reduce the UAL. This additional contribution is consistent with the District's policy principles to strategically reduce the District's actuarially-determined unfunded pension liability. She said for FY 2008-09, the District made additional contributions in excess of its annual required contribution to CalPERS of \$3 million; in FY 2009-10, the District made additional contributions in the total amount of \$1.8 million; and in FY 2010-11 to date, the District has made additional contributions of \$482,000.

Ms. Cherney discussed the market value of the plan assets as well as the impact of the 2011 additional contributions.

Director Swan reported that this item was discussed and approved by the Finance and Personnel Committee on February 17, 2011. On **MOTION** by Swan, seconded and unanimously carried, **THE BOARD APPROVED AN ADDITIONAL CONTRIBUTION OF \$6 MILLION AS AN ADVANCE FROM THE DISTRICT'S REPLACEMENT FUNDS TO REDUCE THE DISTRICT'S ACTUARIALLY-DETERMINED UNFUNDED PENSION LIABILITY.**

WATER SUPPLY ASSESSMENT FOR UPTOWN NEWPORT VILLAGE SPECIFIC PLAN PROJECT

In October 2010, staff approved a request by the City of Newport Beach to complete a Water Supply Assessment (WSA) for the Uptown Newport Village in IRWD Planning Area NB-01 (Newport Beach PA 2010-133). Staff has completed a WSA for the proposed project based on information from the IRWD Water Resources Master Plan (WRMP) which was last updated in January 2003. As a result of the planned redevelopment of this site to a lower overall water use,

preliminary estimates show a net decrease in potable water demands for this project of 1,145 acre-feet per year of potable water and no net increase of non-potable water demands associated with this redevelopment land use. On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED THE WATER SUPPLY ASSESSMENT FOR CITY OF NEWPORT BEACH UPTOWN NEWPORT VILLAGE SPECIFIC PLAN PROJECT (PA 2010-133).

PEER REVIEWS OF THE PILOT CARBON SEQUESTRATION PROJECT

General Manager Jones reported that on July 26, 2010, the Board approved peer reviews of both a work plan for the development and operation of a Pilot Carbon Sequestration Project in the Sacramento-San Joaquin Delta (Delta) and an economic analysis of constructing and operating a farm and island-sized project. Peer reviews and recommendations for future activities have been performed by Kennedy/Jenks Consultants (KJC), Phillip Williams and Associates (PWA) and the University of California at Davis.

Using a PowerPoint presentation, Water Resources Manager Weghorst reviewed the opportunity for a carbon sequestration project, the pilot project work plan objectives, costs of the project, and peer reviews. Mr. Weghorst said that based on these observations staff recommends that IRWD continue to monitor research by others relative to carbon sequestration wetland projects in the Delta and that the District's interests in developing a Pilot Project be put on hold until such a time when conditions required to produce an economically viable project become favorable.

Director Swan said that he continues to like the concept of the carbon sequestration project although it will take five to seven years to establish protocols. Mr. Jones said that the project is very interesting but believes that it is premature at this time to continue with this project. On MOTION by LaMar, seconded and unanimously carried, THE BOARD APPROVED STAFF'S RECOMMENDATION THAT THE DISTRICT'S INTERESTS IN DEVELOPING A PILOT CARBON SEQUESTRATION PROJECT BE PUT ON-HOLD UNTIL SUCH A TIME WHEN KEY CONDITIONS REQUIRED TO PRODUCE AN ECONOMICALLY VIABLE PROJECT BECOME FAVORABLE.

GENERAL MANAGER'S REPORT

Using a PowerPoint presentation, General Manager Jones provided an update on the Modjeska Canyon storm damage repair noting that an alternative pipeline alignment has been identified and an easement negotiated with the upstream neighbor of Mr. Andrews' property. He said that the existing pipeline will be abandoned, there will be no construction disturbance in the creek, no regulatory permitting required, and a similar project will be constructed without liability exposure.

Mr. Jones said that as a follow-up to his email to the Board relative to the Operations Center Facilities Expansion Mezzanine Conversion Construction Award irregularities with Snyder Langston's subcontractor's bid, this project will most likely be resubmitted to the Board as the other two bidders for the project also had irregularities.

DIRECTORS' COMMENTS

Director Reinhart reported on his attendance at a WaterReuse Board of Directors' meeting in Washington, DC, and a WACO meeting.

Director Swan reported on his attendance at an IRWD historical advisory group meeting, ACWA's legislative tour in Washington, DC, ACWA's Water Management Committee meeting in Sacramento, a Southern California Dialogue meeting, a Clean Water Technology reception in Huntington Beach, and a MWRP tour of the Phase II expansion. He also said that MWDOC is holding an upcoming Saturday workshop on regulatory enhancements and that the Southern California Dialogue will be meeting next Wednesday.

Director Swan asked staff not to purchase any solids handling equipment before holding a Technology Ad Hoc Committee meeting.

Director LaMar reported on his attendance at an AB 403 Stakeholders meeting. He also said that he will be attending the MWDOC Board meeting this week along with an IRWD overview meeting with Mr. Scott Voights, the newly-elected Council Member from Lake Forest.

CLOSED SESSION

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

CLOSED SESSION relative to PUBLIC EMPLOYEE DISCIPLINE/DISMISSAL/RELEASE (Government Code Section 54957).

OPEN SESSION

Following the Closed Session, the meeting was reconvened with Directors Withers, LaMar, Swan and Reinhart present. No action was reported.

ADJOURNMENT

President LaMar adjourned the meeting.

APPROVED and SIGNED this 28th day of March, 2011.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone