

MINUTES OF REGULAR MEETING – November 12, 2012

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 5:05 p.m. by President Matheis on November 12, 2012 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None

Also Present: General Manager Cook, Acting Director of Finance/Treasurer Jacobson, Executive Director of Finance Clary; Executive Director of Operations Pedersen, Executive Director of Engineering Burton, Executive Director of Water Policy Heiertz, Legal Counsel Arneson, Director of Human Resources Wells, Director of Public Affairs Beeman, Director of Water Resources Weghorst, Assistant Secretary Savedra, Ms. Fiona Sanchez, Mr. Jim Reed, Mr. Bruce Newell and other members of the public and staff.

WRITTEN COMMUNICATION: None.

ORAL COMMUNICATION:

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

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, 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. Cook.

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. Cook.

CONSENT CALENDAR

On MOTION by Swan, seconded and unanimously carried, CONSENT CALENDAR ITEMS 3 THROUGH 9 WERE APPROVED AS FOLLOWS:

3. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the October 22, 2012 Regular Board Meeting be approved as presented.

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, Douglas Reinhart, John Withers and Peer Swan.

5. ORANGE PARK ACRES DOMESTIC WATER TRANSMISSION MAIN PROJECT FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Orange Park Acres Domestic Water Transmission Main, project 11408 (1279); 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.

6. THIRTEENTH AMENDMENT TO AGREEMENT FOR PARTICIPATION IN SPECIFIED MUNICIPAL WATER DISTRICT OF ORANGE COUNTY REBATE PROGRAMS

Recommendation: That the Board authorize the General Manager to execute a Thirteenth Amendment to the Agreement for Participation and Co-funding by Irvine Ranch Water District in Specified Municipal Water District of Orange County Rebate Programs, subject to non-substantive changes, adding \$100,000 in funding for non-residential customers for FY 2012-13.

7. QUITCLAIM OF REAL PROPERTY – THE IRVINE COMPANY VILLAGE OF STONEGATE (TRACT NOS. 17447 AND 17484)

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

RESOLUTION NO. 2012-43

RESOLUTION OF THE BOARD DIRECTORS OF
IRVINE RANCH WATER DISTRICT A RESOLUTION
APPROVING EXECUTION OF A QUITCLAIM DEED
TO THE IRVINE COMPANY LLC.

CONSENT CALENDAR - Continued

8. QUITCLAIM OF REAL PROPERTY – IRVINE COMMUNITY DEVELOPMENT COMPANY - VILLAGE OF STONEGATE (TRACT NO. 17327)

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

RESOLUTION NO. 2012-44

RESOLUTION OF THE BOARD DIRECTORS OF IRVINE
RANCH WATER DISTRICT A RESOLUTION
APPROVING EXECUTION OF A QUITCLAIM DEED TO THE
IRVINE COMMUNITY DEVELOPMENT COMPANY LLC.

9. QUITCLAIM OF REAL PROPERTY – IRVINE COMMUNITY DEVELOPMENT COMPANY - VILLAGE OF STONEGATE (TRACT NO. 17486)

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

RESOLUTION NO. 2012-45

RESOLUTION OF THE BOARD DIRECTORS OF IRVINE
RANCH WATER DISTRICT A RESOLUTION
APPROVING EXECUTION OF A QUITCLAIM DEED TO
THE IRVINE COMMUNITY DEVELOPMENT COMPANY LLC.

ACTION CALENDAR

PROPOSED DECREASES TO CALPERS EMPLOYER PAID MEMBER CONTRIBUTIONS (EPMC)

General Manager Cook reported that during the review of the Operating Budget for Fiscal Year 2011-12, opportunities to manage costs associated with the current IRWD employee pension program were identified. On April 25, 2011, a multi-year process was implemented that would eventually transition all of the District's employees to paying the full 8% of the CalPERS employee contribution. Mr. Cook said that the following adjustments of employee-paid contributions were implemented on July 1, 2011, CalPERS employee contributions for Executive Management increased from 1% to 6%; Senior Management employee contributions increased from 1% to 5%; and all other Full-time Regular Employee contributions increased from 1% to 3%. He said on March 1, 2012, CalPERS employee contributions for Executive Management increased from 6% to 8%; Senior Management employee contributions increased from 5% to 7%; and all other Full-time Regular Employee contributions increased from 3% to 5%.

Mr. Cook said that as part of the multi-year process to transition employees to paying the full 8% of the CalPERS employee contribution, increases in the employee contribution rates are proposed as follows:

- Effective March 1, 2013, all Full-time Regular Employees will pay an additional 1% into CalPERS, decreasing the Employer Paid Member Contribution (EPMC) from 3% to 2% and increasing the employee contributions from 5% to 6%, and
- Effective March 1, 2013, all Department Directors and Executive Directors (Senior Management) will pay an additional 1% into CalPERS, decreasing the Employer Paid Member Contribution from 1% to 0% and increasing the employee contributions from 7% to the full 8%.

Mr Cook said that at its meeting on September 24, 2012 and in conjunction with the signing of the Memorandum of Understanding between the IRWD Employees Association (IRWDEA) and IRWD, the Board agreed to decrease EPMC effective with the first pay period in March 2013 (March 2, 2013). For the Board to make the adjustments to the EPMC to CalPERS, it needs to adopt two resolutions stipulating the specific amount of each adjustment.

Director Swan reported that this item was reviewed and approved by the Finance and Personnel Committee on November 6, 2012. There being no further discussion, On MOTION by Swan, seconded and unanimously carried, THE BOARD ADOPTED THE FOLLOWING TWO RESOLUTIONS BY TITLE:

RESOLUTION NO. 2012-46

RESOLUTION OF THE BOARD OF DIRECTORS
OF IRVINE RANCH WATER DISTRICT MODIFYING
EMPLOYER PAID MEMBER CONTRIBUTIONS
FOR SENIOR MANAGEMENT STAFF

RESOLUTION NO. 2012-47

RESOLUTION OF THE BOARD OF DIRECTORS
OF IRVINE RANCH WATER DISTRICT MODIFYING
EMPLOYER PAID MEMBER CONTRIBUTIONS
FOR FULL-TIME REGULAR EMPLOYEES

PROPOSED CONSUMER PRICE INDEX CHANGES TO SALARY GRADE SCHEDULE AND
EMPLOYEE COST OF LIVING ADJUSTMENTS

General Manager Cook reported that each year staff recommends changes to the Salary Grade Schedule and employee cost of living adjustments (COLA) based on a September to September comparison of the Consumer Price Index (CPI) for the Orange-Riverside-Los Angeles All Urban Consumers. Mr. Cook said that the Bureau of Labor Statistics released the CPI for the one year period September 2011 to September 2012 and it reflected a change in CPI from 233.022 to 238.104, or 2.18%. He said that the COLA adjustments are made effective December 1 of each

year, and that this item implements the COLA to be effective December 1, 2012 as included in the Memorandum of Understanding between IRWD Employees Association and IRWD, dated September 24, 2012.

Director Swan reported that this item was reviewed and approved by the Finance and Personnel Committee on November 6, 2012. There being no further discussion, On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED A 2.18% INCREASE TO SALARY GRADE RANGES AND A 2.18% COST OF LIVING ADJUSTMENT (COLA) FOR EACH ELIGIBLE EMPLOYEE, BOTH EFFECTIVE DECEMBER 1, 2012, AND ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2012-48

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT, RESCINDING
RESOLUTION NO. 2012-38 AND ESTABLISHING A REVISED
SCHEDULE OF POSITIONS AND SALARY RATE RANGES.

ADDITIONAL CONTRIBUTIONS FOR FISCAL YEAR 2012-13 TO THE CALIFORNIA
PUBLIC EMPLOYEES RETIREMENT SYSTEM

General Manager Cook reported that CalPERS required employer contributions can be made in two ways: (1) a lump sum payment option made between July 1 and July 15 of the beginning of the new fiscal year; or (2) making payments based on each semi-monthly payroll total based on a payroll percentage established annually by CalPERS's actuaries. The IRWD Operating Budget for Fiscal Year 2012-13 included \$4,210,300 for the CalPERS employer contribution rate and included an additional contribution of approximately \$2,328,000 (paid quarterly) to reduce the District's unfunded liability. Mr. Cook said additional contributions in excess of the District's employer contribution rate can be made during the fiscal year at the discretion of the District. In addition to the previously approved CalPERS contributions for Fiscal Year 2012-13, staff recommends that the District make an excess contribution(s) not to exceed a total of \$5,000,000 to CalPERS during the Fiscal Year 2012-13, with the timing and amount of additional contributions delegated to the Finance and Personnel Committee.

Mr. Cook said additional contributions to reduce the District's unfunded liability is consistent with previous years when excess contributions have been made based on expected liquidity and cash flow expectations. Beginning in FY 2008-09, the District has made additional contributions in excess of its annual required contribution totaling approximately \$11.6 million. He said the ability to make additional contributions is consistent with the District's policy principles to strategically reduce the District's actuarially-determined unfunded liability. Excess contribution(s) to the California Public Employees Retirement System are reflected as a loan from the District's Replacement Fund.

Director Swan reported that this item was reviewed and approved by the Finance and Personnel Committee on November 6, 2012. Director Swan said that to date the District is \$13 million above what contribution that were required and with the additional \$5 million this will bring the District to

\$18 million above what the required contributions have been. He said the Committee will likely wait for more information on the U.S. “fiscal cliff” before proceeding. There being no further discussion, On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED THE OPTION TO MAKE AN EXCESS CONTRIBUTION(S), IN ADDITION TO THE PREVIOUSLY APPROVED FY 2012-13 OPERATING BUDGET AMOUNT, WITH THE ADDITIONAL CONTRIBUTION AMOUNT(S) NOT TO EXCEED A TOTAL OF \$5,000,000 TO CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM (CALPERS) DURING THE FISCAL YEAR 2012-13, WITH THE TIMING AND AMOUNT OF THE ADDITIONAL CONTRIBUTION(S) DELEGATED TO THE FINANCE AND PERSONNEL COMMITTEE.

INDEMNIFICATION AND REIMBURSEMENT AGREEMENT WITH DUDLEY RIDGE WATER DISTRICT

General Manager Cook reported the District has been working with Dudley Ridge Water District (DRWD) on developing a long-term unbalanced exchange program that would allow IRWD to store State Water Project (SWP) water allocated to Jackson Ranch in IRWD’s Strand Ranch Integrated Banking Project in Kern County (Exchange Program).

Using a PowerPoint presentation, Director of Water Resources Weghorst provided an overview of the Unbalanced Exchange Program with Dudley Ridge Water District.

Mr. Weghorst reported that on January 25, 2010, the Board of Directors authorized the purchase of the Jackson Ranch located in the DRWD service area. The purchase included 883.26 acres of land, Kern Water Bank participation rights, stored water and the right to use 1,748 acre-feet of SWP Table A water that is allocated to the land in accordance with the DRWD’s Rules and Regulations. It is IRWD’s intention to deliver the Table A water allotted to the Jackson Ranch to the Strand Ranch Integrated Banking Project (Water Bank) for storage on an unbalanced exchange basis.

Mr. Weghorst said that on July 19, 2012, staff presented to the ad hoc Water Banking Committee proposed terms for an Exchange Program with DRWD and the Committee authorized staff and legal counsel to work with DRWD to finalize the terms for the proposed Exchange Program and prepare a letter agreement incorporating the proposed terms for further consideration by the Committee and Board. The proposed terms for the Exchange Program provide for IRWD to store up to 8,700 acre-feet of the Jackson Ranch SWP supplies in the Water Bank over the next five years on an unbalanced exchange basis. One-half of the delivered water would be returned to Jackson Ranch within ten years as required by DWR. During years when Table A water is being delivered to the Water Bank, irrigation of areas at the Jackson Ranch that are still being farmed would occur using water from storage in IRWD’s account in the Kern Water Bank. He said a Notice of Determination for the final Negative Declaration for the Project was filed by IRWD on January 14, 2010, and by DRWD on January 20, 2010. The Negative Declaration evaluated the delivery of IRWD’s SWP Table A water from the Jackson Ranch to the Water Bank.

He said the terms for the proposed Exchange Program were presented at the DRWD Board meeting on October 10, 2012. After discussion of the program, DRWD determined that the Exchange Program as proposed is consistent with DRWD’s Rules and Regulations and that a separate agreement would not be necessary to implement the program. DRWD will facilitate the

implementation of the proposed program through DWR contingent upon the execution of an Indemnification and Reimbursement Agreement with IRWD.

Mr. Weghorst said that in order to avoid costs being incurred by other DRWD landowners: IRWD shall indemnify, defend and hold DRWD harmless against any loss, cost, litigation, expense or claim (except by willful misconduct of DRWD); it would provide for IRWD to reimburse DRWD for their expenses in implementing the program. He said that staff and legal counsel worked to make sure the Indemnification Agreement does not impact the agreement that DRWD and IRWD signed in February 20120.

Mr. Weghorst said that DRWD will initiate the Unbalance Exchange Program with a letter of request to DWR and upon DWR approval the Exchange and Point-of-Delivery agreements will be prepared and executed. He said that in order to facilitate the Exchange Program, DRWD will follow the procedures that it uses for implementing exchange programs for other DRWD land owners. This procedure minimizes DRWD and DWR costs to process and administer annual delivery requests. DRWD with the assistance of IRWD staff has prepared a letter to DWR requesting a State Water Contractors review of the program with a follow up recommendation to DWR to develop the long-term agreements needed to approve the program. This letter to DWR includes the terms for the proposed Exchange Program and includes signature blocks for IRWD's concurrence and MWD's consent. DWR will prepare exchange and delivery agreements for the program which will be similar to those prepared for IRWD's Pilot Exchange Programs with Antelope East-Kern Water Agency and the Central Coast Water Authority.

Mr. Weghorst said that Metropolitan Water District of Southern California's (MWD) consent of the proposed Exchange Program is needed for IRWD to secure SWP water and have it delivered by exchange into IRWD's service area. Through MWD's consent, MWD will act on IRWD's behalf as the exchangee under the terms of the existing Coordinated Operating, Water Storage, Exchange and Delivery Agreement (MWD Agreement). As the exchangee for IRWD's SWP water transactions, MWD has the right to decide whether the IRWD-secured SWP water is delivered into storage at the Water Bank or to MWD's reservoirs in Southern California. If the water is stored in Southern California, MWD would ensure that 50 percent of the water is returned to DRWD within ten years as required by DWR.

Mr. Weghorst reviewed the unit cost of SWP water to IRWD's service area resulting from the proposed Exchange Program and the cost of returning half the water back to the Jackson Ranch for irrigation under a farm lease arrangement. If MWD opts to store the water in its Southern California reservoirs, then the cost of water at IRWD's service area will be \$929 per acre-foot. If the water is stored in the Water Bank, then the estimated cost to IRWD's service area will be \$983 per acre-foot for water recovered by exchange and \$1,043 per acre-foot for water recovered by pumping groundwater wells. He said consistent with the MWD Agreement, all water stored, recovered and delivered into IRWD's service area from the IRWD/DRWD Exchange Program will be treated as extraordinary supply during periods of an MWD Water Supply Allocation. The cost of water to be delivered to IRWD from the proposed Exchange Program is expected to break even with MWD's Full Service Tier-2 rate within a few years. Currently the Tier-2 rate is \$920 per acre-foot and the MWD Allocation plan Penalty rate is \$2,634 per acre-foot.

Mr. Weghorst said the cost of water returned to the Jackson Ranch for future irrigation by a farm leasee will range from \$157 to \$271 per acre-foot depending on where MWD opts to store the water and how the water is to be recovered from the Water Bank. Additional costs may be assigned to the leasee for the recovery of IRWD's cost of the purchase of the SWP Table A allotment associated with the Jackson Ranch.

Director Swan reported that this item was reviewed and approved by the Water Banking Committee on November 5, 2012. Following discussion, on MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE THE INDEMNIFICATION AND REIMBURSEMENT AGREEMENT BETWEEN IRVINE RANCH WATER DISTRICT AND DUDLEY RIDGE WATER DISTRICT AND AUTHORIZED THE GENERAL MANAGER TO CONCUR WITH THE UNBALANCED EXCHANGE TERMS PER THE LETTER TO THE DEPARTMENT OF WATER RESOURCES, BOTH SUBJECT TO NON-SUBSTANTIVE CHANGES.

GENERAL MANAGER'S REPORT

General Manager Paul Cook announce the arrival of the new Executive Director of Finance and Administration Cheryl Clary and invited her to say a few words to the Board. Paul along with President Matheis welcomed Cheryl to her first board meeting and to the District. President Matheis added that she was pleased to have her join IRWD and that she would be a great asset. Paul also recognized the entire finance department staff for stepping-up to help each other and also acting Finance Director Rob Jacobson during the absence of a CFO.

Mr. Cook reported that he had an urgent necessity notification relative to the emergency work done at the Coastal Zone B and D Booster Pump Station due to a leak that was caused by severe corrosion of a 30-inch recycled water pipeline. An emergency contract was issued to Paulus Engineering for a total of \$147,075.40 to complete the repair. Since this contract exceeded \$100,000, the General Manager informed the board of this and as required under the District's procurement policy.

Mr. Cook reported the District has reached an agreement with developer Lennar at the Great Park Five Point neighborhood project relative to bio-retention cells as an alternative to a natural treatment installation. The City of Irvine has been involved as has the Santa Ana Regional Water Quality Control Board. He said he will continue to update the Board through his Weekly Reports.

The Operations wastewater treatment group, Dave Hayden, Jesse Perez, Alex Coria and Tony Brunning participated in a contest at the Second Harvest Food Bank held by the Great Park and won second place for the "Best Scarecrow" better known as the "Sewer Crow". The event raised \$13,000 for Second Harvest.

DIRECTORS' COMMENTS

Director Reinhart reported that he attended the WACO meeting and MWDOC Board workshop last week. He also mentioned that he was no longer a director at SOCWA, so he did not attend their recent meeting.

Director LaMar reported he attended the NWRI The Clarke Prize conference, where Paul Cook gave a presentation. He also attended the MWDOC Board workshop and a MWDOC/OCWD meeting with John Laird along with Paul Cook.

Director Swan reported that he also attended the NWRI The Clarke Prize conference, after attending the WACO meeting. He asked that a possible pilot plant using Dr. Perry's technology, with joint agency participation, be referred to the Engineering and Operations Committee. He said he also attended the NWRI Drought Response workshop, and an OWOW Water Supply Sub-Committee Meeting last week.

Director Withers reported that he will attend a LAFCO meeting later in the week.

Director Matheis reported she attended the NWRI The Clarke Prize conference, ISDOC Executive Committee meeting and an employee biosolids appreciation event.

CLOSED SESSION

President Matheis said that a Closed Session would be held relative to CONFERENCE WITH LABOR NEGOTIATOR pursuant to Government Code Section 54957.6 – Agency Designated Representative: President Matheis Unrepresented Employee: Paul Cook.

OPEN SESSION

Following the Closed Session, the meeting was reconvened with Directors Swan, Reinhart, LaMar, Withers, and Matheis present. On MOTION by Swan, seconded and unanimously carried, THE GENERAL MANAGER WAS GRANTED A PERFORMANCE AWARD EQUAL TO 4.307% OF HIS CURRENT BASE SALARY.

ADJOURNMENT

President Matheis adjourned the meeting at 7:30 p.m.

Approved and signed this 26th day of November, 2012.

President, IRVINE RANCH WATER DISTRICT

Assistant Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone