

MINUTES OF REGULAR MEETING – MARCH 11, 2013

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 March 11, 2013 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Matheis (arrived at 5:08 p.m.), Reinhart, LaMar, Swan and Withers (arrived at 5:15 p.m.)

Directors Absent: None

Also Present: General Manager Cook, Director of Risk Management and Treasury Jacobson, Executive Director of Engineering Burton, Executive Director of Water Policy Heiertz, Director of Water Resources Weghorst, Assistant Director of Conservation Sanchez, Legal Counsel Arneson, Secretary Bonkowski, Ms. Christine Compton, Mr. Jim Reed, Mr. Bruce Newell, Mr. Mike Hoolihan, Mr. Ray Bennett, Mr. Peter Gonzalez, Mr. John Dayer, Mr. Ken Drake, Mr. Jeff Thomas, and other members of the public and staff.

WRITTEN COMMUNICATION: None.

ORAL COMMUNICATION:

1) 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 C-8, C-9, 10, 11, 12, 15, 16 and 17 will operate in accordance with the District's annual pumping plan. Wells 1, 2, 3, 4, 5, 6, 7, 13 and 14 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.

The Municipal Water District of Orange County's Vice President, Mr. Jeff Thomas, presented to the Board of Directors a refund check for excess Tier 2 contingency funds for water.

PRESENTATION

RESOLUTION OF COMMENDATION FOR PETER GONZALEZ

General Manager Cook presented Mr. Peter Gonzalez a resolution commending his 33 years of service to the District. On MOTION by Swan, seconded and unanimously carried, the following resolution was adopted by title:

RESOLUTION NO. 2013 –8

RESOLUTION OF THE BOARD OF DIRECTORS
OF IRVINE RANCH WATER DISTRICT COMMENDING
PETER GONZALEZ FOR HIS DEDICATED AND
LOYAL SERVICE TO THE DISTRICT.

CONSENT CALENDAR

On MOTION by LaMar, seconded and unanimously carried, CONSENT CALENDAR ITEMS 4 THROUGH 16 WERE APPROVED AS FOLLOWS:

4. MINUTES OF REGULAR BOARD MEETINGS

Recommendation: That the minutes of the February 11, 2013 Regular Board Meeting and the February 14, 2013 Adjourned Regular Board Meeting be approved as presented.

5. 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.

6. JANUARY 2013 TREASURY REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for January 2013; approve the January 2013 Summary of Payroll ACH payments in the total amount of \$1,397,905, and approve the January 2013 accounts payable Disbursement Summary of Warrants 335832 through 336720, Workers' Compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$18,242,425.

CONSENT CALENDAR (CONTINUED)

7. ORANGE PARK ACRES DOMESTIC WATER PRESSURE REGULATING STATIONS AND FIRE FLOW IMPROVEMENTS CONTRACT CHANGE ORDER

Recommendation: That the Board authorize the General Manager to approve Contract Change Order No. 1 with Paulus Engineering, Inc. in the amount of \$68,888.08 for the Orange Park Acres Domestic Water Pressure Regulating Stations and Fire Flow Improvements, projects 10409 (1287) and 10410 (1297).

8. TRABUCO LIFT STATION EMERGENCY STORAGE BASIN EXPENDITURE AUTHORIZATION

Recommendation: That the Board approve an Expenditure Authorization in the amount of \$286,000 for the Trabuco Lift Station Emergency Storage Basin, project 21113 (3724).

9. ADDENDUM NO. 2 TO THE BAKER WATER TREATMENT PLANT FINAL ENVIRONMENTAL IMPACT REPORT

Recommendation: That the Board approve Addendum No. 2 to the Baker Water Treatment Plant Project Final Environmental Impact Report, including the determinations set forth in the addendum and modifications to the project.

10. QUITCLAIM OF REAL PROPERTY – IRVINE LAND COMPANY LLC, BAKE PARKWAY/LAKE FOREST DRIVE EXTENSION, PLANNING AREAS 18 AND 39

Recommendation: That the Board adopt the following resolution by title approving execution of the quitclaim deed to Irvine Land Company LLC.

RESOLUTION NO. 2013 – 9

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

11. QUITCLAIM OF REAL PROPERTY – SOUTHERN CALIFORNIA EDISON COMPANY, BAKE PARKWAY/LAKE FOREST DRIVE EXTENSION, PLANNING AREAS 18 AND 39

Recommendation: That the Board adopt the following resolution by title approving execution of the quitclaim deed to Southern California Edison Company.

CONSENT CALENDAR (CONTINUED)

RESOLUTION NO. 2013 – 10

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT APPROVING
EXECUTION OF THE QUITCLAIM DEED TO
SOUTHERN CALIFORNIA EDISON COMPANY

12. UPCOMING PROJECTS STATUS REPORT

Recommendation: Receive and file.

13. WELL 107 REPLACEMENT WELL DRILLING AND EQUIPPING CONTRACT
CHANGE ORDER AND FINAL ACCEPTANCE

Recommendation: That the Board authorize the General Manager to execute Contract Change Order No. 10 with Pascal & Ludwig Constructors in the credit amount of (\$166,239.70) for project 11432 (1403); accept construction of Well 107 Replacement Well Drilling and Equipping; 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.

14. WELLS 21 AND 22 DESALTER PROJECT WELLHEAD FACILITIES FINAL
ACCEPTANCE

Recommendation: That the Board accept construction of the Wells 21 and 22 Desalter Project Wellhead Facilities, project 10286 (1081), 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.

15. RESOLUTION AUTHORIZING SIGNATURE OF A FUNDING AGREEMENT
AND RELATED DOCUMENTS FOR PROPOSITION 50 GRANT FUNDING FOR
WELL 115 REPLACEMENT PROJECT

Recommendation: That the Board authorize execution of a funding agreement for Well 115 Replacement project for grant funding of \$1,916,300 and agree to requirements including a matching fund requirement of at least 50%, and adopt the following resolution by title authorizing signature of a funding agreement and related documents for funding under the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50).

CONSENT CALENDAR (CONTINUED)

RESOLUTION NO. 2013- 11

RESOLUTION OF THE BOARD OF DIRECTORS
OF IRVINE RANCH WATER DISTRICT AUTHORIZING SIGNATURE
OF A FUNDING AGREEMENT AND RELATED DOCUMENTS FOR
FUNDING UNDER THE WATER SECURITY, CLEAN DRINKING
WATER, COASTAL AND BEACH PROTECTION ACT OF 2002 (PROPOSITION 50)

16. 2013 STATE LEGISLATIVE UPDATE

Recommendation: That the Board take a “SUPPORT” position on AB 803 (Hueso); and that staff continue to research how other states have enabled electronic storage of documents, and to continue working with IRWD’s association and industry partners over the next year to build a coalition of support for an electronic retention/storage legislative proposal.

ACTION CALENDAR

WELLS 21 AND 22 DESALTER PROJECT PIPELINES – CONTRACT CHANGE ORDER

Executive Director of Engineering Burton reported that Contract Change Order (CCO) No. 16 with Flatiron West, Inc. addresses resolution of several changed conditions and extra work issues encountered while completing the installation of the 24-inch product water pipeline. A relatively minor credit adjustment to a bid item quantity associated with permit-related costs for the OCSD interconnection work is also included.

Mr. Burton said that the product water pipeline changes were associated with encountering a variety of existing utilities that were not identified in the plans, a changed trenching condition requiring removal of approximately 5,300 linear feet of cement treated base averaging about 36 inches in trench depth, and added changeable message sign boards at the City of Tustin’s direction. The majority of costs presented in this CCO is associated with a conflict between an existing IRWD 36-inch casing and 12-inch water main encountered during the first attempt at boring and jacking the 42-inch product water pipeline casing under the Santa Fe Channel. Mr. Burton said that the existing 36-inch casing was encountered in the direct path of the new product water pipeline alignment at approximately 50 feet into the first bore attempt at the Santa Fe Channel crossing. This conflict necessitated abandonment of the first bore and a redesigned alignment for the new product water pipeline crossing. The revised design placed the new pipeline alignment approximately eight feet deeper than the original alignment and utilized the same locations for the jacking and receiving pits in order to avoid additional backfill and re-excavation costs. A supplemental shoring system was designed and installed around the existing shoring system to support the extra excavation depth. It took over three months to confirm the conflict, redesign the pipeline crossing, abandon the original bore, place supplemental shoring, excavate the additional depth, and resume the boring effort at the new depth. The effort to establish the original shored jacking pit and first 50 feet of casing pipe took about two and a half

weeks. This time comparison illustrates the impact of the change and the extended duration, which significantly factor into the added costs.

Mr. Burton said that two additional changed conditions significantly impacted the revised jack and bore work at the Santa Fe Channel. Increased ground water infiltration and very hard soil conditions (caliche) were encountered at the deeper excavation depth. On multiple occasions, the work encountered unexpected water flowing up through the bottom of the active excavation. The groundwater and caliche soil conditions, coupled with the limited equipment access due to the deep confined area at the bottom of the pits, unexpectedly extended the excavation and boring operation. The cumulative total cost requested by Flatiron for the change items outlined in CCO No. 16 was \$958,587.65. Of that amount, \$774,935.26 was associated with the Santa Fe Channel work. Staff reviewed the submitted costs and supporting information and engaged in negotiations for corrections and adjustments, which resulted in a substantiated reduced cost total of \$781,774.78.

Director Withers reported that he participated in for this Committee meeting telephonically, and that the Committee concurred with the staff recommendation. On MOTION by Withers, seconded and unanimously carried, THE BOARD APPROVED CONTRACT CHANGE ORDER NO. 16 IN THE AMOUNT OF \$781,774.78 TO FLATIRON WEST, INC. FOR THE WELLS 21 AND 22 DESALTER PROJECT PIPELINES, PROJECT 10286 (1081).

INITIAL DISINFECTION FACILITY CHLORINE INJECTION LINE REPLACEMENT BUDGET ADDITION AND EXPENDITURE AUTHORIZATION

Executive Director of Engineering Burton reported that in 1997, the Irvine Disinfection Facility (IDF) was constructed as part of the Dyer Road Well Field (DRWF) Disinfection Facilities and Well 16 project. The IDF provides initial disinfection with chlorine gas for water leaving the DRWF before it reaches the Primary Disinfection Facility (PDF) where ammonia and chlorine are injected to produce a chloramine residual. Mr. Burton said that the IDF has been out of service since November 26, 2012 due to a series of leaks and other failures of the existing 4-inch schedule 80 CPVC chlorine solution line.

Mr. Burton said that this project will replace the chlorine solution injection line at IDF with Hastelloy C-276 pipe within the existing 8-inch ductile iron containment pipe, similar to the PDF chemical line replacement project. Replacement of the IDF chlorine injection line is a high priority for optimal operation of the DRWF.

Director Withers said that this item was reviewed and approved by the Engineering and Operations Committee on February 19, 2013. On MOTION by Withers, seconded and unanimously carried, THE BOARD AUTHORIZED THE ADDITION OF PROJECT 11669 (4285) IN THE AMOUNT OF \$1,117,300 TO THE FY 2012-13 CAPITAL BUDGET AND APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$83,000 FOR THE INITIAL DISINFECTION FACILITY CHLORINE INJECTION LINE REPLACEMENT, PROJECT 11669 (4285).

EAST ORANGE COUNTY WATER DISTRICT/IRWD JOINT WELL PLANNING REPORT –
CONSULTANT SELECTION

General Manager Cook reported that IRWD and EOCWD are interested in conducting a planning level study of a potential Joint Well Project. Mr. Cook said that the proposed Joint Well Project would serve current demands within the EOCWD retail service area and future IRWD demands within the sphere of influence of the City of Orange. The planning study will consider two potential well sites; one owned by EOCWD and the other owned by IRWD.

Mr. Ray Bennett said that a Request for Proposals was issued to five consulting firms. Proposals were received from HDR with Wildermuth Environmental Inc., Richard C. Slade with Tetra Tech Inc., Intera with GEI Consultants and Geoscience with AKM Consulting Engineers. The proposals were reviewed and ranked by EOCWD and IRWD staff based on project understanding, technical approach, project team qualifications and experience. Based on an evaluation of the proposals, staff and EOCWD recommend the project be awarded to the Richard C. Slade (RCS) team.

Director Withers reported that this item was reviewed and approved by the Engineering and Operations Committee on February 19, 2013. In response to Director Swan's inquiry, staff confirmed that the expenditure was for a consultant to perform due diligence work to study two potential well sites at this time. On **MOTION** by Withers, seconded and unanimously carried, **THE BOARD AUTHORIZED A BUDGET INCREASE TO THE FY 2012-13 CAPITAL BUDGET FOR PROJECT 11686 (4287) BY \$79,700; APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$79,700 FOR PROJECT 11686 (4287); AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH RICHARD C. SLADE & ASSOCIATES IN THE AMOUNT NOT TO EXCEED \$63,900 TO PREPARE THE EOCWD/IRWD JOINT WELL PLANNING REPORT; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A MEMORANDUM OF UNDERSTANDING WITH EOCWD, SUBJECT TO NON-SUBSTANTIVE CHANGES, THAT PROVIDES FOR THE EQUAL SHARING OF COSTS TO PREPARE THE PLANNING REPORT.**

NEWPORT BAY WATERSHED TMDL PROGRAM FY 2012-13 WORK PLAN AND
BUDGET APPROVAL AND COST-SHARE AUTHORIZATION

General Manager Cook reported that the Newport Bay Watershed Committee, which funds ongoing nutrient, fecal coliform and toxics monitoring studies, has submitted a budget to its stakeholders for formal approval. In 1999, IRWD joined the committee, and in 2012, a new three-year agreement with revised cost-sharing, Cooperative Agreement D11-066 was executed. Per the terms of the agreement, a new work plan and budget are submitted each year to the stakeholders for formal approval.

Assistant Director of Conservation Sanchez reported on the key tasks which are included in the work plan including continued efforts on development of the selenium TMDL, habitat surveys and studies; continuation of the Nutrient Regional Monitoring Program (NRMP); organochlorines (OC) analysis of fish and egg tissues for the OC TMDL; and Development of reports for the revision of the Fecal Coliform TMDL.

Director LaMar reported that this item was reviewed and approved by the Water Resources Policy and Communications Committee on March 7, 2013. On MOTION by LaMar, seconded and unanimously carried, THE BOARD APPROVED THE NEWPORT BAY WATERSHED TMDL PROGRAM FISCAL YEAR 2012-13 WORK PLAN AND BUDGET IN ACCORDANCE WITH THE TERMS OF COUNTY OF ORANGE COOPERATIVE AGREEMENT D11-066, AND AUTHORIZED PAYMENT OF IRWD'S \$99,898 COST-SHARE.

POSEIDON RESOURCES LETTER OF INTENT

Executive Director of Water Resources Heiertz reported that in early 2008, Poseidon approached a number of Orange County water agencies to begin negotiations for the purchase of the desalinated water from the proposed Huntington Beach plant. Mr. Heiertz said that in May 2008, 11 agencies, including IRWD, entered into a Memorandum of Understanding (MOU) regarding the review and potential purchase of water from this facility which expired on June 30, 2011. He said that IRWD issued a "Letter of Intent Regarding Potential Water Purchase Agreement" to Poseidon on July 9, 2009 expressing conditional interest in purchasing up to 6,000 acre-feet per year of desalinated water. The conditions included that the price of water be below the Metropolitan Water District of Southern California (MWD) Tier 1 rate and that the project meet IRWD water quality requirements.

Mr. Heiertz said that Poseidon Resources currently estimates the cost of water delivered through the South Delivery System to be approximately \$1,812 per acre-foot including conveyance costs. This estimated cost includes engineering, procurement and design, construction, startup, conveyance and operation costs. He said that if 6,000 acre-feet per year were to be purchased from Poseidon in lieu of MWD water, IRWD's annual cost of water would increase by \$5,790,000, increasing the District's total water purchase budget (imported water purchases plus OCWD Replenishment Assessment payments) by over 20%. He said that this cost is more than twice the current MWD Tier 1 price, which exceeds the pricing condition included in the current IRWD Letter of Intent (LOI). Current water purchase projections for FY 2013-14 call for approximately 9,500 acre feet to be purchased from MWD for the potable system with about 7,000 acre feet serving the Los Alisos rate area because it is not included in the OCWD groundwater basin.

President Reinhart requested the recommendation to revoke the LOI be voted on separately from the recommended revised policy principles on seawater desalination. The consensus of the Board was to proceed with two separate motions. Director Swan made a motion, which was seconded by Director Reinhart, to revoke the current non-binding LOI to purchase water from the project based on the cost of the water and that IRWD should continue to negotiate with Poseidon Resources on water quality and other issues related to the proposed ocean desalination project that could impact IRWD. Prior to taking a Board vote on this item, President LaMar said that this item was reviewed by the Water Resources Policy and Communications Committee on March 7, 2013 and discussed his concerns relative to the increased costs of water. He said that he concurred with the staff recommendation to revoke the current non-binding LOI to purchase water from the project. Both Directors Swan and Matheis said they were in concurrence with Director LaMar's comments that these increased costs were not acceptable. Director Reinhart said he would recommend that IRWD continue to be involved with Poseidon relative to water quality, and other issues, and suggested participating in the LOI for a very minimal amount.

Following discussion, Director LaMar said he would like to offer a substitute motion to the pending motion, to defer both the Poseidon Resources LOI and the revised policy position to the second Board meeting in April. Director Swan did not agree to withdraw his motion. On MOTION by LaMar, seconded by Withers and carried, (Swan voting no), BOTH THE POSEIDON RESOURCES LETTER OF INTENT AND THE REVISED POLICY POSITION ON DESALINATION WERE DEFERRED TO THE APRIL 22, 2013 BOARD MEETING.

GENERAL MANAGER'S COMMENTS

General Manager Cook reminded the Board of this Thursday's Wells 21 and 22 dedication. Mr. Cook said that a tour of the treatment plant has been scheduled with Mayor Steven Choi of the City of Irvine on April 2, 2012 along with President Reinhart and staff. He further said that tomorrow a tour of the San Joaquin Wildlife Sanctuary will be held with Ms. Danica Dawson, Congressman John Campbell's legislative aid with Director Matheis and staff.

DIRECTORS' COMMENTS

Director Matheis reported that she will be attending a Water Education Federation Executive Briefing in Sacramento on Thursday, an ACWA Region III meeting in Auburn on Friday where she will be moderating a session, and that on March 17, she will be attending a WateReuse conference in Monterey where she will again be moderating a session. She further said that she attended a City of Lake Forest luncheon to meet the Mayor, and an ACWA Legislative Symposium in Sacramento.

Director Withers said that he attended the City of Lake Forest luncheon last week and that on Wednesday he will be attending a LAFCO Commission meeting and an OCSD Administrative Committee meeting.

Director Swan reported on his attendance at WACO, an ACWA Region 10 meeting in Sacramento, an ACWA Watershed financing meeting in Sacramento, an OCWA lunch meeting, a Newport Bay Watershed Board meeting, a Chamber of Commerce meeting in Newport Beach, and a CASA and ACWA conference, both in Washington, DC.

Director LaMar reported on his attendance at a WACO Planning meeting, an ACWA Legislative Symposium in Washington, DC, and an ACWA Integrated Watershed Work Group meeting in Sacramento.

Director Reinhart reported on his attendance at a recent tour of the District facilities with Board Member Felicia Marcus of the State Water Resources Control Board and staff, and a WateReuse Board meeting in Washington, DC.

CLOSED SESSION

President Reinhart said that the following Closed Session would be held with legal counsel relative to: 1) ANTICIPATED LITIGATION – Government Code Section 54956.9(d)(2) – significant exposure to litigation (one potential case), and 2) ANTICIPATED LITIGATION – Government Code Section 54956.9(d)(4) – initiation of litigation (one potential case) (potential settlement – construction contractor).

OPEN SESSION

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

ADJOURNMENT

President Reinhart adjourned the meeting to March 14, 2013 at 10:00 a.m. to hold a Wells 21 and 22 Dedication at 1221 Edinger Avenue, Tustin, CA 92780

APPROVED and SIGNED this 25th day of March, 2013.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone