

MINUTES OF REGULAR MEETING – MAY 26, 2015

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 May 26, 2015 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None.

Also Present: General Manager Cook, Executive Director of Engineering and Water Quality Burton, Executive Director of Finance and Administration Clary, Executive Director of Water Policy Weghorst, Executive Director of Operations Sheilds, Director of Public Affairs Beeman, Director of Human Resources Roney, Director of Water Resources Sanchez, Director of Treasury and Risk Management Jacobson, Assistant Director of Recycling Operations Lee, Legal Counsel Arneson, Secretary Bonkowski, Ms. Christine Compton, Mr. Christopher Smithson, Ms. Gina Jackson, Mr. Ray Bennett, Mr. Ian Swift, Mr. Mike Hoolihan, Mr. Matt Veeh, Ms. Rosemary Riddle, Ms. Sandy Garcia, Mr. Jim Reed, Mr. Bruce Newell, Mr. Pierce Rossum, Mr. Rob Granthum, and other members of the public and staff.

Written and Oral Communications: None.

Items too late to be agendized: None.

CONSENT CALENDAR

On MOTION by Matheis, seconded and unanimously carried, CONSENT CALENDAR ITEMS 3 THROUGH 12 WERE APPROVED AS FOLLOWS:

3. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the May 11, 2015 Regular Board Meeting and the May 19, 2015 Adjourned 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, and Peer Swan as described.

5. 2015 STATE LEGISLATIVE UPDATE

Recommendation: That the Board authorize staff to work to mitigate SB 992 (2014)'s impact on homeowners who take steps to substantially reduce outdoor water use during the drought through communication with homeowner associations and a legislative solution; and take a "Support" position on AB 1201 (Salas).

CONSENT CALENDAR (CONTINUED)

6. IRVINE RANCH WATER DISTRICT'S STRATEGIC MEASURES

Recommendation: That the Board receive and file the report.

7. APRIL 2015 TREASURY REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report, the Monthly Interest Rate Swap Summary for April 2015, and Disclosure Report of Reimbursements to Board members and staff; approve the April 2015 Summary of Payroll Ach Payments in the total amount of \$1,484,635 and approve the April 2015 Accounts Payable Disbursement Summary of Warrants 357376 through 358199, Workers' Compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$29,372,726.

8. AUDIT FIRM CHANGE FOR THE FISCAL YEARS ENDING JUNE 30, 2015 AND 2016

Recommendation: That the Board authorize the General Manager to execute a new Audit Services Contract with Davis Farr LLP for the Fiscal Years ending June 30, 2015 and 2016 at a cost of approximately \$100,000 plus possible single audit fees not to exceed \$2,600 over the two-year period.

9. IRVINE RANCH WATER DISTRICT APARTMENT CONSULTANT – CONTRACT RENEWAL

Recommendation: That the Board approve the retention of Market-THINK LLC as apartment consultant for the District's apartment properties for a period of two years effective May 1, 2015 for an amount not to exceed \$103,080 which includes monthly out-of-pocket expenses estimated at \$50 per month.

10. ON-CALL DATABASE ADMINISTRATION CONSULTANTS

Recommendation: That the Board authorize the General Manager to execute an On-Call Professional Services Agreement with LCS Technologies, Inc. in the amount of \$120,000, for on-call database administration services.

11. ON-CALL INFORMATION SERVICES PROFESSIONAL PROGRAMMING AND NETWORK CONSULTANTS

Recommendation: That the Board authorize the General Manager to execute an On-Call Professional Services Agreement with Outsource Technical in the amount of \$400,000, for on-call programming, analysis, and network services for miscellaneous projects.

CONSENT CALENDAR (CONTINUED)

12. MICHELSON WATER RECYCLING PLANT FILTER PUMP STATION 2 AND DYER ROAD WELL FIELD WELLS NOS.12 AND 13 ROOF MODIFICATIONS' DESIGN CONSULTANT SELECTION

Recommendation: That the Board authorize the General Manager to execute a Professional Services Agreement for engineering services with Kleinfelder in the amount of \$112,395 for the Michelson Water Recycling Plant Filter Pump Station 2 and the Dyer Road Well Field Wells Nos. 12 and 13 Roof Modifications, Projects 21167 (5469) and 11752 (5453).

ACTION CALENDAR

COST OF SERVICE STUDY AND POLICY CONSIDERATIONS

Executive Director of Finance and Administration Clary said that the District's consultant, Carollo Engineering, Inc., assisted by staff and legal counsel, has developed the District's Cost of Service Study which evaluates the District's existing rate setting processes and considered rate structure design components.

Using a PowerPoint presentation, Mr. Pierce Rossum of Carollo Engineering presented an overview of this study. He reviewed the District's objectives including: 1) providing water, sewer, and recycled service at rates that are fair and equitable; 2) charging rates that are consistent with industry-accepted cost of service principles that satisfy future revenue requirements and meet all state law requirements (including Proposition 218); and 3) providing services while fairly and equitably allocating costs appropriately to those benefitting from them. Mr. Rossum reviewed key elements including: 1) fiscal policies and rate structure; 2) revenue requirements; 3) cost of service; and 4) rate design. He said that the analysis defines how costs are incurred and how revenues should be recovered. He said the analysis also confirms that IRWD's water rates and its sewer and recycled water systems development process have a strong financial and equity foundation. He further reviewed policy considerations for 1) water service charge for low volume users; 2) recycled water's cost of service nexus; and 3) sewer rate methodology refinement.

Director Swan reported that this item was reviewed by the Finance and Personnel Committee on December 9, 2014, January 13, 2015, and February 21, 2015. Following discussion, Director Reinhart noted that he will be reviewing this document further and will provide any comments to the General Manager.

PROPOSED OPERATING BUDGET AND RATES AND CHARGES FOR FISCAL YEAR 2015-16

Executive Director of Finance of Administration Clary reported that the recommended proposed Fiscal Year (FY) 2015-16 Operating Budget for Irvine Ranch Water District is \$140.4 million, representing an increase of \$9.7 million, or 7.5%, over FY 2014-15. Ms. Clary said that the preliminary proposed Operating Budget presented at the April 27, 2015 Board meeting was

\$139.0 million and that the draft version of the FY 2015-16 Operating Budget presented to the Board on April 27, 2015 was changed to reflect the costs associated with achieving the revised State Water Resources Control Board proposed potable water use reduction of 16%. She said that the \$1.3 million or 0.9% recommended increase since the April 27, 2015 Board meeting reflects the need to incur certain operating costs even with the reduction in sales. Copies of supplemental pages of the Operating Budget Assumptions were placed before each Director. Mr. Christopher Smithson explained that the changes related to rate stabilization for water, sewer and recycled water.

On MOTION by Swan, seconded and unanimously carried, THE BOARD ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2015-12

RESOLUTION OF THE BOARD OF DIRECTORS
OF IRVINE RANCH WATER DISTRICT,
ORANGE COUNTY, CALIFORNIA
APPROVING DISTRICT'S OPERATING BUDGET FOR
FISCAL YEAR 2015-16 AND DETERMINING COMPLIANCE WITH
ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION

NEWPORT COAST LIFT STATION AND FORCE MAIN REHABILITATION BUDGET
INCREASE, BUDGET ADDITION AND CONSULTANT SELECTION

The Newport Coast Lift Station Rehabilitation project will recoat the lift station wet well, construct a building to house spill containment materials, construct a stairway into the lift station dry well and rehabilitate the original ductile iron force main. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD AUTHORIZED A BUDGET INCREASE FOR PROJECT 21168 (5470) IN THE AMOUNT OF \$296,200, FROM \$256,000 TO \$552,200; AUTHORIZED THE ADDITION OF PROJECT 21287 (6400) IN THE AMOUNT OF \$574,200 TO THE FY 2014-15 CAPITAL BUDGET; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH GHD IN THE AMOUNT OF \$395,677, FOR THE NEWPORT COAST LIFT STATION AND FORCE MAIN REHABILITATION, PROJECTS 21168 (5470) AND 21287 (6400).

PETERS CANYON WASH CHANNEL WATER CAPTURE AND REUSE PIPELINE
PROJECT AGREEMENT AMENDMENT, VARIANCE, CONSULTANT SELECTIONS,
AND CONSTRUCTION AWARD

General Manager Cook reported that an amendment to the agreement is necessary to update the estimated project cost, to adjust each funding Party's respective capital cost contribution, and to augment and clarify certain provisions with respect to capital and operations and maintenance costs. He said that this amendment also updates the project schedule, describes the parties' rights and obligations with respect to suspension of the project operation, and clarifies the rights and obligations with respect to grant funding.

Executive Director of Water Policy Weghorst reported that Tetra Tech, Inc. submitted Variance No. 3 in the amount of \$27,750 which accounts for additional plan revisions associated with

comments received from staff and the funding parties after submission of the final design deliverable and for additional budget associated with extended coordination and project administration. He said that staff also requested Tetra Tech, Inc. to submit an updated proposal for engineering support during construction. The updated proposal includes additional budget for submittals, RFIs, site visits, record drawings, and construction coordination that more accurately reflects the requirements associated with the final configuration of the project.

Staff received proposals from Borchard Surveying and Mapping, Inc., Bush & Associates, Inc., Guida Surveying, Inc., and Hunsaker & Associates, Inc. to provide construction phase surveying services. Staff recommends that the Board authorize the General Manager to execute a Professional Services Agreement with Hunsaker for construction phase surveying services. Additionally, staff received proposals from LGC Geotechnical, Inc., Ninyo & Moore, and NMG Geotechnical, Inc. to provide construction phase soils and materials testing. Staff recommends that the Board authorize the General Manager to execute a Professional Services Agreement with NMG.

Additionally, the project was advertised for construction February 9, 2015 to a select list of 12 contractors with a bid opening on March 12, 2015 with bids received from CCL Contracting, Inc., E.J. Meyer Company, Paulus Engineering, Inc., Sully-Miller Contracting, Vido Artukovich & Sons, Inc., and W.A. Rasic Construction. E.J. Meyer Company is the apparent low bidder. Staff reviewed E.J. Meyer Company's bid and has determined that it is responsive. Staff recommends awarding the construction contract to E.J. Meyer Company in the amount of \$7,877,777.

Director Swan said that this project was reviewed by the Newport Bay Watershed Executive Committee last week and believes this project to be valuable. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE AMENDMENT NO. 2 TO THE PETERS CANYON WASH CHANNEL WATER CAPTURE AND REUSE PIPELINE PROJECT AGREEMENT WITH THE CITY OF IRVINE, THE CITY OF TUSTIN, ORANGE COUNTY FLOOD CONTROL DISTRICT, CALIFORNIA DEPARTMENT OF TRANSPORTATION, AND THE COUNTY OF ORANGE; AUTHORIZED THE GENERAL MANAGER TO EXECUTE VARIANCE NO. 3, IN THE AMOUNT OF \$27,750, WITH TETRA TECH, INC. FOR ADDITIONAL ENGINEERING DESIGN SERVICES; AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT, IN THE AMOUNT OF \$222,250, WITH TETRA TECH, INC. FOR ENGINEERING SERVICES DURING CONSTRUCTION; AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT, IN THE AMOUNT OF \$115,160, WITH HUNSAKER & ASSOCIATES, INC. FOR SURVEYING SERVICES DURING CONSTRUCTION; AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT, IN THE AMOUNT OF \$128,326, WITH NMG GEOTECHNICAL, INC. FOR GEOTECHNICAL SERVICES DURING CONSTRUCTION; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH E.J. MEYER COMPANY IN THE AMOUNT OF \$7,877,777 FOR THE PETERS CANYON WASH CHANNEL WATER CAPTURE AND REUSE PIPELINE, PROJECT 21163 (4985).

AGREEMENT WITH THE CITY OF TUSTIN FOR RELOCATION OF SERVICE CONNECTION OC-58, MITIGATION OF WELL 21 AND 22 IMPACTS, AND AMENDING AND RESTATING AGREEMENT FOR THE PREPARATION OF SAMP AND EXCHANGE OF TUSTIN LEGACY WELL SITES

Using a PowerPoint presentation, Principle Engineer Hoolihan reported that staff has been working with the City of Tustin (Tustin) on an agreement for the relocation of IRWD's OC-58 facility in the intersection of Redhill Avenue and Warner Avenue. The OC-58 facility was formerly used to serve both the City of Tustin (Tustin) and El Toro Marine Corps Air Stations through the 18-inch "Navy" pipeline which has since been abandoned. The agreement will abandon the existing OC-58 facilities and replace both the 1996 "SAMP/Well Site Exchange Agreement" and the 2011 "Agreement for Cooperative Implementation of IRWD Well 21 and 22 Groundwater Treatment Project."

Mr. Hoolihan said that under the new agreement, Tustin will pay for the abandonment of the OC-58 facility and Well 29H1, a former Irvine Company well currently owned by IRWD. Tustin will also grant new easements to IRWD and MWD for the relocation of the OC-58 facility, permanent easement to IRWD for a new well site, and relieve IRWD of all mitigation obligations from the Well 21 and 22 treatment project. In return, IRWD agrees to pay all costs for the future relocation of the OC-58 facility, quitclaim all existing OC-58 and Well 29H1 easements, and relinquish rights to purchase four new well sites on the Tustin Legacy property as identified in the 1996 SAMP/Well Site Exchange Agreement. Additionally, IRWD will pay Tustin \$90,000 for physical modifications to five Tustin wells as identified in the Well 21 and 22 Impact Analysis.

Mr. Hoolihan said that the easement documents for the new OC-58 site and the new well site have been finalized. Because the property for the proposed well site is currently owned by the Department of Navy (DON) and is pending final transfer to Tustin, an interim well site license agreement is required until Tustin can grant the permanent easement. The license agreement was reviewed by DON and it imposed a requirement that an impact analysis of its groundwater cleanup operations be completed before any well is drilled. This requirement will be imposed on both the proposed license agreement and the final transfer easements. IRWD added language to the agreement that the City, at no cost to IRWD, would procure an alternative well site for IRWD if IRWD could not drill a well in a timely manner or properly maintain a well at the park site due to DON restrictions. Final transfer of the property from the DON to Tustin is expected to occur sometime in 2017, at which time a permanent well easement and temporary construction easement for the well site will be executed.

Director Reinhart reported that this item was reviewed by the Engineering and Operations Committee on April 21, 2015. On **MOTION** by Reinhart, seconded and unanimously carried, **THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE THE "AGREEMENT BETWEEN THE CITY OF TUSTIN AND IRVINE RANCH WATER DISTRICT FOR RELOCATION OF SERVICE CONNECTION OC-58, MITIGATION OF WELL 21 AND 22 IMPACTS, AND AMENDING AND RESTATING AGREEMENT FOR THE PREPARATION OF SAMP AND EXCHANGE OF TUSTIN LEGACY WELL SITES," SUBJECT TO NON-SUBSTANTIVE CHANGES.**

AMENDMENT NO. 1 TO DROUGHT RELIEF PROJECT COST SHARING AGREEMENT
AND REQUEST FOR BUDGET INCREASE

Executive Director of Water Policy Weghorst reported that the drilling and construction of wells for the Drought Relief Project is ongoing in the Rosedale-Rio Bravo Water Storage District service area. Mr. Weghorst said that this project will allow IRWD, Rosedale and Castaic Lake Water Agency (CLWA) to benefit from additional groundwater recovery and conveyance capacities that will supplement existing and new water banking and exchange programs. He said that a Cost Sharing Agreement for the project was approved by the Board in February 2015 which covers the drilling and construction of six wells that will be shared by IRWD and CLWA but did not cover equipping the wells. Amendment No. 1 to the Cost Sharing Agreement has been prepared to provide the terms for cost sharing the equipping of the six wells.

Mr. Weghorst said that staff and CLWA have evaluated alternatives for equipping the six shared wells and that design consultants at URS have prepared designs and specifications that are consistent with IRWD's standards and will be incorporated into a new project manual for the well equipping project. Based on estimates provided by URS, IRWD's share of the cost of the design and construction to equip the Superior East and West wells will be approximately \$1,682,000. Staff recommends an increase to the FY 2014-15 Capital Budget for Project 11812 (6023) in the amount of \$1,904,100 to fund IRWD's share of the design and construction for equipping the six wells and associated project management, administration and inspection work.

Director Swan reported that this item was reviewed and approved by the Water Banking Committee on May 21, 2015. On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE AMENDMENT NO. 1 TO THE COST SHARING AGREEMENT SUBJECT TO NON-SUBSTANTIVE CHANGES; AND APPROVE AN INCREASE TO THE FY 2014-15 CAPITAL BUDGET FOR PROJECT 11812 (6023) IN THE AMOUNT OF \$1,904,100 TO FUND IRWD'S SHARE OF DESIGN, CONSTRUCTION, PROJECT ADMINISTRATION AND INSPECTION COSTS FOR EQUIPPING OF SIX WELLS TO BE SHARED BY IRWD AND CLWA.

GENERAL MANAGER'S REPORT

General Manager Cook reported that the MWD turf replacement was discussed today where it implemented caps of \$2 a square foot for grass removals.

Mr. Cook introduced Mr. Matthew Veeh, the District's new Public Affairs Manager, who is a former Public Affairs Director from the Long Beach Water Department.

Mr. Cook presented an award the District received from the Orange County League of Conservation voters for environmental excellence in 2015.

He further said that he will be participating on a water panel on Thursday hosted by the Orange County Taxpayers' Association.

DIRECTORS' COMMENTS

Director Reinhart commented on the recent District "Pipelines" and its messaging relative to the lawns and sprinkler settings for watering. Director Reinhart left the Board room at 6:25 p.m.

Director Swan reported on his attendance at an OCWA lunch meeting and a Newport Bay Watershed Executive Committee meeting where he was elected Chairman. He said he will be attending a Southern California Dialogue meeting tomorrow.

Director Matheis noted that she was on the east coast for two weeks and folks are very aware of the drought conditions in California.

Mr. Jim Reed, the District's consultant, reported that he attended an ISDOC Executive Committee meeting, a monthly WACO meeting, a City of Lake Forest Council meeting, and a Lake Forest Chamber of Commerce meeting. Mr. Bruce Newell, the District's consultant, said that he attended an Inter-Canyon League meeting and that they will be inviting the District to speak on the drought conditions.

ADJOURNMENT

There being no further business, President LaMar adjourned the Board meeting at 6:30 p.m.

APPROVED and SIGNED this 8th day of June, 2015.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson,
Wiles & Giannone