

MINUTES OF REGULAR MEETING – NOVEMBER 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 November 14, 2011 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None.

Also Present: General Manager Cook, Senior Director of Finance Cherney, Senior Director of Operations Pedersen, Director of Engineering Burton, Treasurer Jacobson, Secretary Bonkowski, Legal Counsel Arneson, Director of Water Resources Heiertz, Director of Public Affairs Beeman, Director of Human Resources Wells, Director of Administrative Services Mossbarger, Director of Water Quality Hills, Ms. Kirsten McLaughlin, Mr. Paul Weghorst, Ms. Fiona Sanchez, Mr. Dave Lochridge, 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 C-8 and C-9 will operate in accordance with the District's annual pumping plan. Wells, 1, 2, 3, 4, 5, 6, 7, 10, 11, 12, 13, 14, 15, 16, 17 and 18 will be off. This was confirmed by Mr. Cook, 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. Cook.

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.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED: None.

PRESENTATION

RESOLUTION OF COMMENDATION FOR DAVE LOCHRIDGE

General Manager Cook presented a resolution of commendation to Mr. Dave Lochridge for his 20 years of service to the District. On MOTION by Withers, seconded and unanimously carried, THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2011-45

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT COMMENDING DAVE LOCHRIDGE FOR HIS DEDICATED AND LOYAL SERVICE TO THE DISTRICT

CONSENT CALENDAR

On MOTION by Withers, seconded and unanimously carried, CONSENT CALENDAR ITEMS 4 THROUGH 10 WERE APPROVED AS FOLLOWS:

4. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the October 24, 2011 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, and Peer Swan.

6. RESOLUTION OF COMMENDATION FOR JOHNNIE JOHANNESSEN

Recommendation: That the Board adopt the following resolution by title commending Johnnie Johannessen for his service to the District.

RESOLUTION NO. 2011-46

RESOLUTION OF THE BOARD OF DIRECTORS
OF IRVINE RANCH WATER DISTRICT COMMENDING
JOHNNIE JOHANNESSEN FOR HIS DEDICATED AND
LOYAL SERVICE TO THE DISTRICT

7. HANDY CREEK BRIDGE DISTRIBUTION MAIN RELOCATION FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Handy Creek Bridge Distribution Main Relocation, project 11607 (3241); authorize filing of a Notice of Completion; and authorize the payment of the retention 35 days after the date of recording the Notice of Completion.

8. 2012 STATE LEGISLATIVE PLANNING UPDATE

Recommendation: Receive and file.

9. AMENDED AND RESTATED 401(A) PLAN

Recommendation: That the Board approve the amended and restated IRS Section 401(a) Money Purchase Pension Plan and adopt a resolution adopting amendments with respect to the Great-West Retirement Services Section 401(a) Money Purchase Pension Plan for Governmental Employers.

RESOLUTION NO. 2011-47

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
IRVINE RANCH WATER DISTRICT ADOPTING
AMENDMENTS WITH RESPECT TO THE
GREAT-WEST RETIREMENT SERVICES
SECTION 401(a) MONEY PURCHASE PENSION PLAN
FOR GOVERNMENTAL EMPLOYERS

10. TERMINATION OF EXECUTIVE 401(A) PLAN

Recommendation: That the Board approve the termination of IRS Section 401(a) Executives' Profit Sharing Plan and Trust and adopt a resolution terminating the Plan.

RESOLUTION NO. 2011-48

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
IRVINE RANCH WATER DISTRICT
WITH RESPECT TO THE TERMINATION OF THE
EXECUTIVES' PROFIT SHARING PLAN AND TRUST

ACTION CALENDAR

PROPOSED CONSUMER PRICE INDEX CHANGES TO SALARY GRADE SCHEDULE AND EMPLOYEE COST OF LIVING ADJUSTMENTS AND ADDITIONAL EMPLOYEE CONTRIBUTIONS TO CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM

General Manager Cook reported that the Bureau of Labor Statistics has released the Consumer Price Index (CPI) for the period ending September 2011, which reflects a 3.09% increase from September 2010 to September 2011. Mr. Cook said that last year the Board agreed to carry forward the negative 0.62% adjustment in the 2010 annual Cost of Living Adjustment (COLA) for one year and apply this negative adjustment to the 2011 COLA resulting in a 2.47% adjustment.

Mr. Cook said that based on discussion in the Finance and Personnel Committee meeting on November 1, 2011, the recommendations are as follows to be effective December 1, 2011: 1) approve a Cost of Living Adjustment of 2.47% for eligible employees; 2) approve an increase to the Salary Range Schedule; and 3) increase the District employee contributions to the California Public Employees Retirement System (CalPERS) by 2% of salary. This would increase regular full-time employee contributions from 3% to 5% of salary; senior management contributions from 5% to 7% of salary; and executive management contributions from 6% to 8% of salary.

Director Swan said that this item was reviewed by the Finance and Personnel Committee on November 1, 2011. He made a motion, which was seconded by Director Matheis, to approve the recommendation. Prior to taking a Board vote on this item, President LaMar said that since the Board is in the midst of a review of the District's retirement and health benefits, he would like to take additional time to review this item prior to implementing a change to the employee's contribution to CalPERS. President LaMar suggested approving the COLA this evening, and bringing back the employee contribution percentage for CalPERS at a future Board meeting. Both Director Matheis and Director Withers concurred with President LaMar's suggestion. In response to Director Reinhart's comment, Mr. Cook said future shifts in the responsibility for the CalPERS employee contribution had been communicated to the employees. Director Swan provided a summary of the last few years of changes relative to the COLA and employee contribution to CalPERS. Director Swan amended his prior motion, moving instead to defer both the COLA adjustment and the employer paid member contribution changes until the retirement and health benefits study is complete. The amended motion was seconded by Matheis. Prior to taking a Board vote on this amended motion, President LaMar said that he did not want to defer the COLA adjustment until the study is finalized, which could be April or May of 2012, and recommended approving it tonight. Following discussion, General Manager Cook said that as a practice, COLA is typically adopted at this time of the year. Director Reinhart made a motion to amend the pending motion to approve COLA in March 2012, implement a 2% CalPERS contribution, and provide employees a schedule if there are any changes to the contribution level. The motion failed for lack of a second. Director Matheis said she believed this item consists of two separate issues, and asked Director Swan to repeat the recommendation from the Finance and Personnel Committee meeting. Director Swan said that the Committee recommended Board approval of the COLA as well as the 2% CalPERS contribution shift. Following discussion, Director Reinhart said he would like to offer a substitute to the pending motion, to proceed with the recommended COLA increase effective December 1, 2012 and defer the employee contribution actions to March 1, 2012. Director

Swan agreed and his motion and second were withdrawn. On MOTION by Reinhart, seconded by Swan, THE SUBSTITUTE MOTION WAS UNANIMOUSLY CARRIED AS FOLLOWS: 1) THE BOARD APPROVED A 2.47% INCREASE TO THE SALARY GRADE RANGES AND A 2.47% COST OF LIVING ADJUSTMENT (COLA) FOR EACH ELIGIBLE EMPLOYEE; 2) STAFF WAS DIRECTED TO NOTIFY EMPLOYEES THAT ON MARCH 1, 2012, THE BOARD WILL CONSIDER AN INCREASE OF AT LEAST 2% OF THE EMPLOYEE PAID CONTRIBUTIONS TO CALPERS, AND 3) THE BOARD ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2011-49

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH
WATER DISTRICT, RESCINDING RESOLUTION NO. 2011-31
AND ESTABLISHING A REVISED SCHEDULE OF POSITIONS
AND SALARY RATE RANGES

WIRELESS NETWORK UPGRADE

The District provides an open access public Wi-Fi network originally intended for the limited use of visitors and consultants who need internet access while working or visiting the District. As Wi-Fi enabled devices have become more ubiquitous with staff and as the District continues to move many of its applications to a web-based architecture, staff identified that its current open access public network is insufficient to meet its security needs and support for efficient use of computing devices. Wireless site surveys were conducted at the Sand Canyon Headquarters and the Operations Center to determine the requirements for providing secure Wi-Fi coverage. The site survey reports indicate that the existing Wi-Fi open access coverage provided for public use does not provide adequate secure Wi-Fi coverage required for both locations, and recommended a configuration that will provide reliable and secure Wi-Fi coverage. On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED THE ADDITION OF A GENERAL PLANT EXPENDITURE IN THE AMOUNT OF \$87,000 TO THE FY 2011-12 OPERATING BUDGET AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONTRACT WITH SIRIUS COMPUTER SOLUTIONS IN THE AMOUNT OF \$77,028 TO PURCHASE AND IMPLEMENT THE WIRELESS NETWORK UPGRADE.

INCREASE IN TACTICAL INCENTIVE FUNDING FOR FY 2011-12

The Water Conservation Business Plan included a "Tactical Incentives" element to encourage customers to install water conservation devices. Customer participation has been very strong in the residential program. This, combined with changes in the way IRWD's fiscal year co-funding is applied by Metropolitan Water District of Southern California (MWD), has resulted in available funding already being more than 70% depleted. Staff proposes that an additional \$200,000 be allocated to regional residential program Tactical Incentives in FY 2011-12. An amount of \$100,000 in the approved Operating Budget can be reallocated from industrial to residential incentives due to some projects being deferred this year. On MOTION by Matheis, seconded and unanimously carried, THE BOARD AUTHORIZED AN INCREASE OF \$100,000 IN THE FY 2011-12 OPERATING BUDGET USING AVAILABLE OVER-ALLOCATION REVENUES, AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE AMENDMENT NO. 10 TO THE AGREEMENT FOR PARTICIPATION AND CO-FUNDING

BY IRVINE RANCH WATER DISTRICT IN SPECIFIED MUNICIPAL WATER DISTRICT OF ORANGE COUNTY REBATE PROGRAMS TO ADD \$200,000 FOR COST-EFFECTIVE TACTICAL INCENTIVE WATER USE EFFICIENCY MEASURES IN FY 2011-12.

ENTERPRISE RESOURCES PLANNING SYSTEM IMPLEMENTATION UPDATE AND CONSULTANT VARIANCE APPROVAL

General Manager Cook reported that the District is currently live on both the first wave of implementation of the Oracle Enterprise Resource Planning (ERP) software, which is focused on financial management and human resources, and on the second wave of implementation of the ERP software, which is focused on payroll, employee self-service and benefits administration. The system is now functioning on a transactional basis, but requires additional stabilization and optimization through business intelligence and reporting capabilities in order to achieve the District's expected results.

Using a PowerPoint presentation, Senior Director of Finance Cherney summarized the benefits of the ERP system including: 1) improved management visibility and accountability, including more accurate and timely financial statements through easy access to reliable real-time data and information; 2) better planning and visibility into funding needs through improved budget-to-actual reporting; 3) increased operational efficiencies utilizing up-to-date project accounting; 4) improved administrative labor efficiencies by minimizing staff time spent extracting and reformatting data; 5) audit compliance through reliable data and robust, flexible reporting capabilities; and 6) enhanced security through improved audit trails. Ms. Cherney reviewed the waves of the implementation noting that staff is utilizing a new chart of accounts to improve system performance reporting without the use of secondary spreadsheets and databases.

Ms. Cherney said that the District requires variances to both the existing AST contracts for additional services. She said that Variance No. 1 is for Remote Managed Services that will provide additional resources to resolve Oracle application and database issues as well as work with the District's technical resources to achieve consistent database optimization. This variance is in the total sum of \$134,400. She further said that Variance No. 2 is for implementation services which will provide additional Wave 1 and Wave 2 stabilization services to work with District staff and Oracle on various transactional items as well as to design and implement additional data elements and dashboard reporting for the Oracle Business Intelligence system, which will ultimately become the District's primary source of reporting on financial and other data. This variance is in the total sum of \$352,100.

Director Swan reported that this item was reviewed and approved by the Finance and Personnel Committee on November 1, 2011. On MOTION by Swan, seconded and unanimously carried, **THE BOARD APPROVED VARIANCE NO. 2 WITH AST CORPORATION FOR IMPLEMENTATION SERVICES IN THE AMOUNT OF UP TO \$352,100, APPROVED VARIANCE NO. 1 WITH AST CORPORATION FOR ITS REMOTE MANAGED SERVICES CONTRACT IN THE AMOUNT OF UP TO \$134,400, APPROVED EXPENDITURE AUTHORIZATIONS FOR PROJECTS 1278 AND 1660, IN THE SUM OF \$350,000 EACH; AND APPROVED ADDITIONS TO THE FY 2011-12 CAPITAL BUDGET FOR PROJECTS 1278 AND 1660, IN THE SUM OF \$350,000 EACH.**

ORDINANCE AMENDING REGULATIONS FOR WASTEWATER DISCHARGES TO IRWD SEWERAGE FACILITIES TRIBUTARY TO SOCWA FIRST READING AND INTRODUCTION

General Manager Cook reported that the current Irvine Ranch Water District (IRWD) regulations to control the discharge of industrial waste to IRWD sewerage facilities tributary to the South Orange County Wastewater Authority (SOCWA) were originally adopted by the Los Alisos Water District (LAWD) in 1996. Mr. Cook said that periodic amendments to these regulations are needed to incorporate the requirements of new state and federal pretreatment regulations and to address changes in administrative procedures.

Hearing no objections, President LaMar asked the Secretary to read the Ordinance by title only, and waived reading of the ordinance. Secretary Bonkowski read the Ordinance by title only as follows:

ORDINANCE OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT REPEALING ORDINANCE NO. 96-12-1 AND ADOPTING AMENDED REGULATIONS FOR THE DISCHARGE OF THE WASTEWATER TO SEWERAGE FACILITIES OF THE IRVINE RANCH WATER DISTRICT THAT ARE IN THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY SERVICE AREA.

Hearing no objections, Director LaMar asked Secretary Bonkowski to place the ordinance on the agenda for the next regular meeting of the Board of Directors for second reading, hearing and adoption.

GENERAL MANAGER'S REPORT

General Manager Cook reminded the Board of the Southern California Water Committee's annual meeting Thursday evening. He said that he invited Mr. Doug Stack from the City of Tustin and Ms. Sharon Landers from the City of Irvine to attend along with staff and the Board.

DIRECTORS' COMMENTS

Director Reinhart reported that he attended an East Orange County Water District meeting, a MWDOC Board workshop, and a WACO meeting.

Director Withers reported on his attendance at the first Board meeting of Concordia University's Public Policy Center which may present a number of opportunities for the District.

Director Swan reported on his attendance at WACO, and an ACWA Special Task Force meeting relative to the EIR portion of the Delta plan. Director Reinhart left at 6:37 p.m.

Director Matheis reported on her attendance at an ISDOC Executive Committee meeting, a MWDOC elected officials forum, and a WACO meeting. She also said she will be attending the upcoming Southern California Water Committee meeting.

Director LaMar reported on his attendance at an OCBC Infrastructure Committee meeting, a MWDOC Board meeting, and a MWDOC Planning and Operations Committee meeting.

ADJOURNMENT

There being no further business, President LaMar adjourned the meeting at 6:50 p.m.

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

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone