

## MINUTES OF REGULAR MEETING – DECEMBER 10, 2012

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 Matheis on December 10, 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, Executive Director of Finance Clary, Treasurer Jacobson, 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 Water Resources Weghorst, Director of Wastewater Operations Posey, Director of Administrative Services Mossbarger, Secretary Bonkowski, Mr. Malcolm Cortez, Mr. Tom Roberts, Mr. Joe Constantino, Assistant Director of Conservation Sanchez, Mr. Christopher Smithson, Mr. Jim Reed, Mr. John Jaegar 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, 17 and 18 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.

2) Mr. John Jaeger, Board member of the Colony Club Homeowners Association, thanked staff for performing work on three meters within the association and asked for additional work to be performed. General Manager Cook said that staff will review the request and provide Mr. Jaeger with a response.

## PRESENTATION

### RESOLUTION COMMENDING A.T. KILANI FOR HIS SERVICE TO THE DISTRICT

General Manager Cook presented to Mr. A.T. Kilani with a resolution commending his 22 years of service to the District. On MOTION by Swan, seconded and unanimously carried, the following resolution was adopted by title:

#### RESOLUTION NO. 2012-53

#### RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT COMMENDING A.T. KILANI FOR HIS DEDICATED AND LOYAL SERVICE TO THE DISTRICT

### NATIONAL PURCHASING INSTITUTE ACHIEVEMENT OF EXCELLENCE IN PROCUREMENT AWARD

Director of Administrative Services Mossbarger presented the Achievement of Excellence in Procurement Award given to IRWD by the National Purchasing Institute for the 12th consecutive year. The award is achieved by those organizations that demonstrate excellence in procurement by obtaining a high score on a rating of standardized criteria.

## CONSENT CALENDAR

Director LaMar asked that Item No. 7, a resolution for the Executive Director of the Nature Reserve of Orange County be moved to the Action Calendar. There being no objections, this item was moved to the Action Calendar. On MOTION by LaMar, seconded and unanimously carried, CONSENT CALENDAR ITEMS 5, 6, AND 8 THROUGH 17 WERE APPROVED AS FOLLOWS:

#### 5. MINUTES OF REGULAR AND ADJOURNED REGULAR BOARD MEETINGS

Recommendation: That the minutes of the November 26, 2012 Regular Board Meeting and the December 4, 2012 Adjourned Regular Board Meeting be approved as presented.

CONSENT CALENDAR (CONTINUED)

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, and John Withers.

8. APPOINTMENT OF DISTRICT DIRECTORS IN LIEU OF ELECTION

Recommendation: That the Board adopt the following resolution by title declaring the appointment of District Directors in lieu of election (November 6, 2012 General Election).

RESOLUTION NO. 2012-55

RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE IRVINE RANCH WATER DISTRICT  
DECLARING THE APPOINTMENT OF DISTRICT  
OFFICERS IN LIEU OF ELECTION  
(NOVEMBER 6, 2012 GENERAL ELECTION)

9. FY 2011-12 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Recommendation: Receive and file.

10. 2013 IRWD INVESTMENT POLICY

Recommendation: That the Board adopt the following resolution by title approving the 2013 IRWD Investment Policy and authorizing the Treasurer and the Assistant Treasurers to invest and reinvest funds of the District and of each of its Improvement Districts and to sell and exchange securities.

RESOLUTION NO. 2012-56

RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE IRVINE RANCH WATER DISTRICT  
APPROVING THE 2013 IRWD INVESTMENT  
POLICY AND AUTHORIZING THE TREASURER  
AND ASSISTANT TREASURERS TO INVEST AND  
REINVEST FUNDS OF THE DISTRICT AND OF  
EACH OF ITS IMPROVEMENT DISTRICTS AND  
TO SELL AND EXCHANGE SECURITIES

CONSENT CALENDAR (CONTINUED)

11. NOVEMBER 2012 FINANCIAL REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for November 2012; approve the November 2012 Summary of Payroll ACH payments in the total amount of \$2,088,698.73, and approve the November 2012 Accounts Payable Disbursement

Summary of Warrants Nos. 334472 through 335256, Workers' Compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$12,547,872.42.

12. LONG-TERM DISABILITY COVERAGE FOR CALENDAR YEAR 2013

Recommendation: That the Board authorize the General Manager to continue to contract for long-term disability coverage for the calendar year 2013 with Principal Financial.

13. SINGLE FAMILY DIRECT INSTALL TOILET PROGRAM BID REJECTION

Recommendation: That the Board reject bids received by the District for the Single Family Direct Install Toilet Program, and direct staff to issue a request to the bidders to rebid the project with clarifications to the scope and pricing requirements.

14. KELVIN AVENUE CATHODIC PROTECTION BUDGET ADDITION AND EXPENDITURE AUTHORIZATION

Recommendation: That the Board authorize the addition of project 11659 (3913) in the amount of \$146,400 to the FY 2012-13 Capital Budget, and approve an Expenditure Authorization in the amount of \$146,400 for the Kelvin Avenue Cathodic Protection Project 11659 (3913).

15. MASTER REIMBURSEMENT AGREEMENT BETWEEN IRWD AND THE CITY OF LAKE FOREST FOR THE INSTALLATION OF MISCELLANEOUS FACILITIES

Recommendation: That the Board authorize the General Manager to execute a Master Reimbursement Agreement between IRWD and the City of Lake Forest for the installation of miscellaneous facilities.

CONSENT CALENDAR (CONTINUED)

16. PLANNING AREA 9B (STONEGATE) BUDGETS, EXPENDITURE  
AUTHORIZATIONS AND CHANGE ORDERS

Recommendation: That the Board authorize the addition of projects 30389 (4176), 30384 (3942), and 21125 (3844) to the FY 2012-13 Capital Budget in the amounts of \$777,700, \$486,200, and \$238,700, respectively; authorize a budget decrease in the amount of \$770,000, from \$3,499,100 to \$2,729,100 for project 30422 (1024); approve Expenditure Authorizations for projects 10423 (1519), 30422 (1024), 30389 (4176), 30384 (3942), and 21125 (3844) in the amounts of \$720,500, \$2,376,000, \$777,700, \$486,200, and \$238,700, respectively; and approve design Change Orders in the amounts of \$120,935, \$44,589, and \$33,997 to the Reimbursement Agreement with the Irvine Community Development Company for Planning Area 9B Jeffrey Road IRWD Capital Facilities, projects 10423 (1519), 30422 (1024), and 30389 (4176).

17. LAKE FOREST WELL NO. 2 WELL EQUIPPING AND DISINFECTION FINAL  
ACCEPTANCE

Recommendation: That the Board accept construction of Lake Forest Well No. 2 Well Equipping and Disinfection, project 11461 (1498); 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.

ACTION CALENDAR

RESOLUTION COMMENDING LYNDINE MCAFEE

Director LaMar said that he would like to include additional language to the resolution. There being no objections, on MOTION by LaMar, seconded and unanimously carried, THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE WITH ADDITIONAL LANGUAGE TO BE INCLUDED:

RESOLUTION NO. 2012-54

RESOLUTION OF THE BOARD OF DIRECTORS  
OF IRVINE RANCH WATER DISTRICT  
COMMENDING LYNDINE MCAFEE AND  
RECOGNIZING HER YEARS OF SERVICE AS EXECUTIVE  
DIRECTOR OF NATURE RESERVE OF ORANGE COUNTY

WELL 110 REHABILITATION CONSTRUCTION AWARD

General Manager Cook reported that in March 2011, staff conducted a video survey of the well that showed biological growth throughout the well, with significant clogging of the deeper screens. Mr. Cook said that a well rehabilitation program was prepared to address the biological

growth issues and to ensure that the production capacity is maintained at a level that supports maximum production at IDP-PTP.

Director of Engineering Burton said that the project was advertised October 29, 2012 to a select list of seven contractors including Bakersfield Well & Pump Co., Best Drilling & Pump, Inc., Boart Longyear, Layne Christensen Company, Hydro Resources, South West Pump & Drilling, Inc., and Rottman Drilling Co. Mr. Burton said that the bid opening was held on November 28, 2012 with bids received from Bakersfield Well & Pump Co., Best Drilling & Pump, Inc., and South West Pump & Drilling, Inc. South West Pump & Drilling, Inc. is the apparent low bidder with a bid amount of \$179,600. The engineer's estimate, prepared by Thomas Harder & Company, was \$216,000.

On MOTION by LaMar, seconded and unanimously carried, THE BOARD APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$260,000 FOR PROJECT 11657 (3774), AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH SOUTH WEST PUMP & DRILLING, INC. IN THE AMOUNT OF \$179,600 FOR THE REHABILITATION OF WELL 110.

#### SETTING CONNECTION FEES IN IMPROVEMENT DISTRICTS 112/212 AND 135/235

Executive Director of Finance reported that development of the areas within Improvement Districts (IDs) 112/212 covering approximately the area of the former El Toro Marine Base and IDs 135/235 covering the former Los Alisos Water District is anticipated in the near future. For the anticipated development in IDs 112/212, connection fees need to be established. For IDs 135/235, connection fees need to be increased in order to fund their anticipated capital improvements.

Ms. Clary said that several years ago, bonding authority was voted in for IDs 112/212 by the developer for this area: Lennar/FivePoint Communities. Establishing separate connection fees for IDs 112/212 will provide a 50/50 sharing of costs between the developer through connection fees and the owner through property taxes. The start of development in this area is planned for Fiscal Year 2013. The approved development plan includes nearly 4,900 dwelling units and 254 commercial acres.

Ms. Clary said that new land development projects in the City of Lake Forest were outlined as part of the Opportunity Study Area (OSA) effort. Some development projects are now underway, with other projects anticipated in the near future. IDs 135/235 currently have a combined water and sewer connection fee of \$5,572. This basis for setting this rate, which follows IRWD's connection fee setting practice from many years prior to the consolidation of IRWD and the former Los Alisos Water District, centers on some sharing of costs between the homeowner and the developer through bonding authority. Because the bonding authority for IDs 135/235 has been fully utilized, any new development can only be funded from connection fees unless new bonding authority is obtained. With no available bonding authority at this time, the current connection fee in 135/235 is insufficient to fund the projected future capital requirements. Until alternatives for providing bonding authority are obtained, the connection fees must be adjusted to fund the entire capital cost. Based on staff's calculations and allocation of capital for local and regional facilities along with the facilities' share of existing balances,

staff is proposing new connection fees totaling \$6,550 per unit for water and sewer combined. This represents a total increase of \$978 per unit when compared with the current combined connection fee. Staff intends to continue working with the developers in the OSA to provide alternative solutions for obtaining bonding authority.

Director Swan said that this item was reviewed and approved by the Finance and Personnel Committee on December 3, 2012. On MOTION by Swan, seconded and unanimously carried, THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO 2012-57

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE  
RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA  
ADOPTING CHANGES TO CONNECTION FEES AS SET FORTH IN  
THE SCHEDULE OF RATES AND CHARGES IN EXHIBIT "B" TO THE  
RULES AND REGULATIONS OF IRVINE RANCH WATER DISTRICT  
FOR WATER, SEWER, RECYCLED WATER AND NATURAL  
TREATMENT SYSTEM SERVICE

ANNUAL BOARD OF DIRECTORS FEES

General Manager Cook reported that pursuant to Ordinance 1989-1, the Board's meeting compensation increases on January 1 of each year by 5%; however, the Committee annually reviews the fees to recommend to the Board to either accept or deny the increase. The current compensation for the Board of Directors is \$237 per meeting, not to exceed 10 meetings per month.

Director Swan said that this item was reviewed by the Finance and Personnel Committee on December 3, 2012 and they did not make a recommendation to the Board. Director Swan commented on the merits for increasing the Director fees this year. Other Board members said it was not a good time to accept an increase. Following discussion, on MOTION by LaMar, seconded and unanimously carried, THE BOARD DECLINED THE 5% SCHEDULED COMPENSATION INCREASE FOR CALENDAR YEAR 2013.

ELECTION OF OFFICERS

General Manager Cook acted as temporary Chair and called for nominations for President. Director LaMar nominated Director Reinhart as President. There being no other nominations, the nominations were closed. On MOTION by LaMar, seconded and carried (4-1) (LaMar, Matheis, Withers, and Reinhart voting aye, and Swan abstaining), DOUGLAS REINHART WAS ELECTED PRESIDENT. President Reinhart asked for nominations for Vice President. Director Withers nominated Director LaMar as Vice President. There being no other nominations, the nominations were closed. On MOTION by Withers, seconded and carried, (4-1) (LaMar, Matheis, Withers, and Reinhart voting aye, and Swan abstaining), STEVEN LAMAR WAS ELECTED VICE PRESIDENT. Individual Board members expressed their thanks and appreciation to Director Matheis for her service as President in 2012.

## OTHER BUSINESS

### GENERAL MANAGER'S REPORT

General Manager Cook reported that District's Biosolids project went before the City of Irvine's Planning Commission for approval this week and received approval by a 4-0 vote which will become effective on December 27<sup>th</sup>, the last day for the appeal period. Mr. Cook said that the Commission had reviewed the height variance and a Conditional Use Permit. He said that staff held briefings with the Commissioners, and thanked Mr. Paul Weghorst, Mr. Greg Heiertz and Ms. Beth Beeman for their efforts.

Mr. Cook said that the Municipal Water District of Orange County (MWDOC) is proposing a letter to be sent to the Grand Jury as they are still interested in looking into local water and governance. He said that MWDOC is proposing to provide the Grand Jury with various reports to assist them in this effort. Mr. Cook said that he sent a letter to MWDOC requesting an extension for the District's input on this matter.

Mr. Cook reported on a meeting held today with Mr. Steven Moore of the State Water Resources Control Board (SWRCB) along with Directors LaMar and Matheis. He said that Mr. Moore was briefed on surface water, water banking, and the water conservation rate structure.

### DIRECTORS' COMMENTS

Director LaMar reported on his usual meetings, an ACWA conference, and the briefing with Mr. Moore of SWRCB. He said at the ACWA conference a session was held relative to Infragard, and asked staff to research if the District should be in the alliance of sharing with the government and private sector to protect infrastructure against threats. He further asked that staff prepare a letter to support the confirmation of the newly appointed Steve Moore for his position on the SWRCB.

Director Swan reported that he attended his usual meetings including ACWA, a meeting with Carpinteria Water District's General Manager and Board member, OWOW meetings, an elected officials meeting at MWDOC, an ACWA Board meeting, and a Newport Bay Executive Committee meeting. He said that at the elected officials meeting he said that MWDOC is in the process of reevaluating core and non-core project, and may change the Desalination project as a core project.

Director Withers commended staff on a job well done on their efforts in the Biosolids project. He said that he will be attending the City of Irvine's Swearing-In Ceremony tomorrow along with Directors LaMar and Matheis. He said that he will also be attending a LAFCO meeting on Wednesday and an OCSA administration meeting this week.

Director Matheis reported on her attendance at an ACWA conference and said she will also be attending a Swearing In ceremony at the City of Irvine today, and tomorrow she will be attending a Colorado River Water Users Association conference in Las Vegas. She noted that OCWD will be holding a groundbreaking ceremony tomorrow for the Fletcher Basin in Orange. She further thanked the Board and staff for supporting her this year as President of the District.



Director Reinhart thanked staff for the great job with the tour last week with Rosedale Rio-Bravo. He reported on his attendance at ACWA, and a South County meeting with General Manager Cook.

Director LaMar also complimented staff on their efforts on the District's Comprehensive Annual Financial Report.

ADJOURNMENT

There being no further discussion, President LaMar adjourned the meeting at 6:10 p.m.

APPROVED and SIGNED this 14th day of January, 2013.

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President, IRVINE RANCH WATER DISTRICT

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Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

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Legal Counsel - Bowie, Arneson, Wiles & Giannone