

MINUTES OF REGULAR MEETING –MAY 29, 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 May 29, 2012 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None.

Also Present: General Manager Cook, Executive Director of Finance Cherney, Executive Director of Operations Pedersen, Executive Director of Engineering and Planning Burton, Executive Director of Water Policy Heiertz, Secretary Bonkowski, Legal Counsel Arneson, Director of Water Resources Weghorst, Assistant Director of Finance/Treasurer Jacobson, Assistant Director of Water Policy Sanchez, Mr. Jim Reed, Mr. Bruce Newell, Ms. Shannon Reed, Mr. Ian Swift, Mr. Mike Bray 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, 7, C-8, C-9, 10, 12, and 17 will operate in accordance with the District's annual pumping plan. Wells, 2, 3, 4, 6, 11, 13, 14, 15, 16 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

SCIENCE FAIR WINNERS

Ms. Cheryl Kelly presented awards to local students for their water-related projects entered in the Irvine Unified School District Science Fair. The awards winners are: Gopal Vashishtha, 9th Grade, University High School, -“The Effect of Manufactured Nanoscale Zinc Oxide on Filtration Rate and Particle Size Distribution in Membrane Biological Reactor Systems in the Wastewater Treatment Process.”; Elizabeth Chang, 6th Grade, Plaza Vista School – “Evaporating Waters”; Zach Howard 6th Grade, Oak Creek School – “Where are the Highest Bacteria Levels, the Back Bay, Newport Harbor, or Newport Beach?”; and Louis Primeau, 6th Grade, Turtle Rock School – “Effect of Elevated CO2 on the Growth of Freshwater Algae”.

WORKSHOP

FISCAL YEAR 2012-13 DRAFT CAPITAL BUDGET

General Manager Cook reported that the projected expenditures for the FY 2012-13 Capital Budget are \$64 million. This item is presented for information and discussion purposes prior to the Board Workshop on June 11, 2012.

Using a PowerPoint presentation, Mr. Akiyoshi reported that in FY 2011-12, projected expenditures were estimated at \$116.2 million with actual expenditures projected at approximately \$106.6 million (92% of projected). The major construction projects included significant expenditures including the Michelson Water Recycling Plant (MWRP) Phase 2 Expansion, the Wells 21 and 22 Project, and the OPA/Regional Transmission Main. Construction of these projects is scheduled for completion in the first half of the upcoming fiscal year with construction expenditures to be significantly lower in FY 2012-13.

Mr. Akiyoshi said in FY 2012-13, capital expenditures are estimated to be \$64 million of which design and bid phase efforts on three of the larger projects are the major contributors to the projected annual expenditures including the MWRP Biosolids Dewatering Facility, the Baker Water Treatment Plant, and the Orange Park Acres (OPA) Groundwater project. The reduction in

expenditures from FY 2011-12 to FY 2012-13 is primarily associated with a shift from completing construction (e.g. MWRP Phase II and Wells 21 and 22) to design phase or bid phase efforts on other major projects (e.g. MWRP Biosolids Dewatering Facility and Baker Water Treatment Plant). Staff anticipates that the capital expenditures in FY 2013-14 will increase due to the increase in construction activities on both the MWRP Biosolids Dewatering Facility and the Baker Plant.

CONSENT CALENDAR

Director Reinhart asked that item No. 8 be moved to the Action Calendar for discussion of the sewer spills. There being no objection, this item was placed on the Action Calendar. On MOTION by Reinhart, seconded and unanimously carried, CONSENT CALENDAR ITEMS 4 THROUGH 7 and 9 THROUGH 14 WERE APPROVED AS FOLLOWS:

5. MINUTES OF REGULAR AND ADJOURNED BOARD MEETINGS

Recommendation: That the minutes of the May 14, 2012 Regular Board Meeting and the May 21, 2012 Adjourned Board Meeting be approved as presented.

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 Peer Swan.

7. APRIL 2012 FINANCIAL REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for April 2012; approve the April 2012 Summary of Payroll ACH payments in the total amount of \$1,361,911.78, and approve the April 2012 Accounts Payable Disbursement Summary of Warrants Nos. 328836 through 329642, Workers' Compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$23,830,355.64.

9. UPCOMING PROJECTS STATUS REPORT

Recommendation: That the Board receive and file.

10. PORTOLA HILLS SEWAGE LIFT STATION ABANDONMENT AND GRAVITY SEWER CONSULTANT SELECTION

Recommendation: That the Board approve an Expenditure Authorization in the amount of \$188,100 for Project 20224 (1600); and authorize the General Manager to execute a Professional Services Agreement with CivilSource, Inc. in the amount of \$86,403 for the design of Portola Hills Sewage Lift Station Abandonment and Gravity Sewer, Project 20224 (1600).

11. MASTER REIMBURSEMENT AGREEMENT BETWEEN IRWD AND THE CITY OF IRVINE FOR THE ADJUSTMENT/RELOCATION OF MISCELLANEOUS FACILITIES RELATED TO CITY STREET PROJECTS

Recommendation: That the Board authorize the General Manager to execute a Master Reimbursement Agreement between Irvine Ranch Water District and the City of Irvine for the installation of miscellaneous facilities.

12. AMENDMENT NO. 1 TO THE CITY OF LAKE FOREST SPORTS PARK REIMBURSEMENT AGREEMENT

Recommendation: That the Board authorize the General Manager to execute Amendment No. 1 to the Reimbursement Agreement between Irvine Ranch Water District and the City of Lake Forest for the relocation of a recycled water pipeline as part of the City of Lake Forest's sports park grading and drainage, projects 11560 (1181) and 30352 (1732).

13. TRANSITION OF ACWA HEALTH BENEFITS AUTHORITY INTO THE ACWA/JOINT POWERS INSURANCE AUTHORITY

Recommendation: That the Board adopt the following resolution by title approving membership in the ACWA Joint Powers Insurance Authority, consenting to join the health benefits program of the ACWA Joint Powers Insurance Authority, ratifying the action of the ACWA Health Benefits Authority board of directors to terminate the Health Benefits Authority Joint Powers Agreement, and authorizing and directing the Irvine Ranch Water District to execute all necessary documents.

14. MAIN GILLETTE SEWER REHABILITATION EXPENDITURE AUTHORIZATION AND BID REJECTION

Recommendation: That the Board approve an Expenditure Authorization in the amount of \$79,700 for the Main Gillette Sewer Rehabilitation, 21436 (1129); and reject the bids received for the Main Gillette Sewer Rehabilitation, project 21436 (1129).

ACTION CALENDAR

DISTRICT STRATEGIC MEASURES DASHBOARDS

In response to Director Reinhart's inquiry of the sewer spills, he received clarification that no wastewater was recovered at the April 2012 Newport Coast Marriott site. There being no further discussion, On MOTION by Reinhart, seconded and unanimously carried, THE BOARD RECEIVED AND FILED THE STRATEGIC MEASURES DASHBOARDS AND INFORMATION ITEMS.

APPROVAL OF SUPPLEMENTS TO OFFICIAL STATEMENTS RELATED TO LETTERS OF CREDIT REPLACEMENT

General Manager Cook reported that in April 2012, the Board approved replacing the Bank of America (BofA) letters of credit on the District's 1989, 1991 and 1993 bond issues with new letters of credit from Bank of New York Mellon (BNYM). Mr. Cook said that draft reimbursement agreements between the District and BNYM and remarketing statements have been prepared and placed on file with the Secretary. Legal counsel has prepared a Resolution for adoption by the Board approving the forms of the remarketing statements and reimbursement agreements.

Executive Director of Finance Cherney reported that in February, Moody's placed BofA and 16 other global banks and securities firms on credit watch for possible downgrade. Ms. Cherney said that if a downgrade of BofA's short-term rating from P-1 to P-2 occurs, staff anticipates the interest rates on three of the District's issues backed by BofA letters of credit will increase, and many money funds (which are the primary purchasers of the Districts' variable rate debt issues) will either reduce or no longer hold the BofA-backed issues.

Ms. Cherney said the Board approved replacing the BofA letters of credit on the 1989, 1991 and 1993 bond issues with new letters of credit from BNYM at an annual fee of 0.35% for two years, which is a 0.33% decrease from the current LOC fees of 0.68% for the issues. She said replacing the letters of credit on the issues will result in an estimated annual savings of \$148,900. The one-time expense related to the letter of credit replacement will be approximately \$125,000, which includes legal counsel, rating agency fees, and other miscellaneous expenses. She said that staff, the substitution transaction participants and their legal counsels have prepared the draft forms of the remarketing statements reflecting the letter of credit substitution, the District's most recent financial information, updated disclosure information and other pertinent updates.

Legal Counsel Arneson noted that the form of the Resolution in the agenda package should be amended to delete the bracketed language that referred to supplemental indentures. Director Swan reported this item was reviewed by the Finance and Personnel Committee on April 3, 2012 and by the Board on April 9, 2012. On MOTION by Swan, seconded and unanimously carried, THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2012-21

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE IRVINE RANCH WATER DISTRICT APPROVING
REMARKETING STATEMENTS AND CERTAIN OTHER
ACTIONS IN CONNECTION WITH REPLACEMENT OF
LETTERS OF CREDIT (CONSOLIDATED SERIES 1989,
CONSOLIDATED SERIES 1991, CONSOLIDATED SERIES 1993)

RECONCILIATION OF CHARGES FOR EMERGENCY REPAIR AND PROTECTION OF 39-INCH IRVINE LAKE PIPELINE – BUDGET INCREASE AND EXPENDITURE AUTHORIZATION

General Manager Cook reported this item is to reconcile the final charges for the emergency repair and protection of the 39-inch Irvine Lake Pipeline (ILP) that washed out in Santiago Creek at Irvine Park during the severe December 2010 storm events. The reconciliation of the charges will support the preparation of a final accounting for the project that is necessary to receive Federal Emergency Management Agency (FEMA) reimbursement of eligible costs for the work.

Executive Director of Operations Pedersen reported that the intense rainstorms that swept through Orange County from December 20 through 22, 2010 caused Irvine Lake to spill and erode the banks of Santiago Creek, downstream of the dam. Approximately 200 feet of the 39-inch ILP washed out in Santiago Creek downstream of the Fremont Diversion, including one entire segment of the pipeline that was carried a short distance downstream. Additionally, the Santiago Creek Dam access road washed out immediately upstream of the Eastern Transportation Corridor overcrossing.

Mr. Pedersen said that on December 28, 2010, Irvine Ranch Water District (IRWD) and Serrano Water District (SWD) staff discussed the damages and mutually agreed that IRWD would take the lead to administer the necessary emergency repairs and seek FEMA reimbursement for the eligible work. The net cost of the work after FEMA reimbursements would be allocated to IRWD and SWD pursuant to the terms of 1928 Agreement and its amendments.

Mr. Pedersen said that following the diversion of water in Santiago Creek to allow for the repair work, it was discovered that a larger than originally estimated segment of the ILP had been exposed during the storms and was vulnerable to future storm damage. A cost proposal was requested from Paulus Engineering, Inc. for the additional work, which consisted of importing backfill and installing one ton rip-rap for an additional 325 feet of the ILP. In conjunction with the major work performed by Paulus Engineering, a number of smaller contracts were awarded under the General Manager's authority to complete the project. These contracts included work to re-grade and pave approximately 11,000 square feet of the Santiago Creek Dam access road, place one ton rip-rap along the access road immediately upstream of the Eastern Transportation Corridor overcrossing, perform a biological assessment of the work areas, complete construction staking and re-vegetate the work areas to restore them to their original condition. The total amount for this work was \$149,256, which was charged to a temporary billable project number and Operating Budget. A budget increase and Expenditure Authorization in the amount of \$149,256 is required to transfer these charges to Project 11571.

He said that FEMA initially obligated \$341,018 in funds to reimburse IRWD for the costs associated with Project 11571. This amount excluded the cost of the repairs associated with the Santiago Creek Dam access road because FEMA cited that IRWD had not provided sufficient documentation demonstrating its legal responsibility to perform those repairs. IRWD submitted a formal appeal to FEMA with additional documentation; FEMA subsequently approved the appeal and increased the obligated amount to \$399,541. To date, IRWD has received reimbursements totaling \$385,000 for Project 11571. Upon completion of a final accounting for the project, IRWD

will request reimbursement for the remaining eligible costs, including those that are proposed for transfer to Project 11571.

Director Reinhart reported that this item was reviewed at the Engineering and Operations Committee on May 15, 2012. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD AUTHORIZED A BUDGET INCREASE TO THE FISCAL YEAR 2011-12 CAPITAL BUDGET FOR PROJECT 11571 (1231) FOR \$149,256, FROM \$350,000 TO \$499,256; AND APPROVED AN EXPENDITURE AUTHORIZATION FOR PROJECT 11571 (1231) IN THE AMOUNT OF \$149,256 TO RECONCILE THE FINAL CHARGES FOR THE EMERGENCY REPAIR AND PROTECTION OF THE 39-INCH IRVINE LAKE PIPELINE.

BAKER WATER TREATMENT PLANT DESIGN VARIANCE

General Manager Cook reported that at the February 27, 2012 Board Meeting, staff proposed to proceed with the implementation of on-site residuals handling facilities in a two-phased approach. The first phase, identified the recommended residuals handling process and associated facilities, defined the design criteria, sited the facilities, identified the impacts of those facilities on the current design, and updated the overall capital and operations and maintenance costs for the project. The second phase, presented today, will provide for the development of the final design of the residuals handling facilities and incorporation into the overall project.

Executive Director of Engineering and Planning Burton reported that at the onset of the Baker WTP project, residuals were planned to be transported to the Los Alisos Water Recycling Plant (LAWRP) for processing. Due to emerging issues associated with the Michelson Water Recycling Plant (MWRP) biosolids project and planned changes for the delivery of LAWRP solids to the MWRP plant, staff identified concerns with delivering the Baker residuals to LAWRP. Mr. Burton said that Black & Veatch (B&V), the District's consultant, identified several significant impacts and risks associated with processing Baker residuals through the proposed solids handling facilities at MWRP. To avoid the multiple risks and negative impacts of the Baker residuals on the proposed biosolids facilities, staff recommended developing on-site residuals handling facilities at the Baker WTP.

Mr. Burton said that the recommended residuals handling process includes retaining the currently designed membrane waste washwater facilities and adding new residuals thickening and mechanical dewatering facilities at the Baker WTP. The proposed new facilities include a sludge pumping station, primary and secondary thickeners, thickened sludge pumping station, decant return pumping station, polymer storage and feed facility, mechanical dewatering with centrifuges, and a truck loading facility. Additionally, a new building is proposed to enclose the centrifuges, thickened sludge pump station, and polymer facilities.

He said that RBF developed construction and operations and maintenance (O&M) cost estimates for the recommended residuals handling facilities. The construction cost is estimated at \$5.2 million with annual O&M costs estimated at \$256,000. Due to the preliminary level of the analysis, the construction cost estimate includes a 30 percent contingency. Using these cost estimates, along with the recently updated cost estimates for the overall project, the unit cost of treated water from the Baker WTP is projected to increase by \$7/AF with the implementation of

on-site residuals handling facilities. As a result, the overall unit cost of treated water for the project will increase from \$891/AF to \$898/AF, which equates to an increase of less than 1%.

Mr. Burton said the second phase of this process includes the development of the final design of the residuals handling facilities and the incorporation of the facilities into the overall project. The work will include the design of the newly proposed facilities as well as the redesign of some currently designed facilities. He said that RBF submitted Variance No. 7 in the amount of \$710,000 to complete the second phase of the work. The fee includes \$485,000 for design of the new residuals handling facilities; \$125,000 for revisions to currently completed drawings and specifications necessary to incorporate the residuals handling facilities; \$36,000 for project management and administration; and \$44,000 for an updated noise analysis, OCFA and CEQA coordination, field survey, updated engineer's estimates, and miscellaneous direct costs. The fee also includes a reimbursable budget of \$20,000 for multiple permit fees associated with the project. RBF initially submitted a fee of \$964,000 for this work, but after extensive negotiations with staff, RBF reduced its fee by more than 25 percent to \$710,000.

Mr. Burton said that throughout this entire process, staff has closely coordinated with the Baker Project Committee Stakeholders. At a meeting held on January 26, 2012 to present the two-phased approach for including on-site residuals handling facilities, the stakeholders concurred and approved the residuals handling alternatives evaluation effort

Director Reinhart reported that this item was reviewed at the Engineering and Operations Committee on May 15, 2012. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE VARIANCE NO. 7 IN THE AMOUNT OF \$710,000 WITH RBF CONSULTING FOR THE BAKER WATER TREATMENT PLANT, PROJECT 11218 (1417).

PROPOSED SALARY GRADE SCHEDULE CHANGES FOR FY 2012-13

General Manager Cook reported that each year during the process of developing the Operating Budget, staff reviews the current budgeted positions, salaries, and benefits to determine the necessary staffing levels and to maintain a competitive compensation package within our industry. The District's benefits package is currently under review and any proposed changes would be presented at future meetings. Staff efforts for the operating budget were focused on current and future staffing needs. The justifications for staffing and organizational changes and the associated costs and cost savings have been incorporated in the adopted Operating Budget.

Mr. Cook said that staff recommends several changes to existing budgeted positions, including the upgrade of five positions to higher levels, the downgrade of two positions to lower levels, transfer of one position, and elimination of three positions. He said that staff also recommends the addition of eight new positions and title changes for six positions; that five job titles be removed from the Salary Grade Schedule, that five job titles be added for new or re-titled positions, that one job title be moved, and that two job titles be changed to correspond with the changes adopted in the operating budget. Staff also recommends three additional title changes in the Engineer/Planner job series to better align titles with current job duties.

Mr. Cook said that the estimated net annual cost to implement the recommended changes is an increase in the salary budget of \$998,800, or 3.8%. This increase was included in the FY 2012-13 Operating Budget adopted by the Board of Directors on April 23, 2012.

On MOTION by Director LaMar, seconded and unanimously carried, THE BOARD APPROVED THE PROPOSED CHANGES IN THE DISTRICT'S BUDGETED POSITIONS IN THE ADOPTED OPERATING BUDGET; AND APPROVED OF THE SALARY GRADE SCHEDULE CHANGES EFFECTIVE WITH THE APPROVED FY 2012-13 OPERATING BUDGET ON JULY 1, 2012; AND ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2012-22

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
IRVINE RANCH WATER DISTRICT RESCINDING
RESOLUTION NO. 2011-52 AND ESTABLISHING REVISED
SCHEDULE OF POSITIONS AND SALARY RATE RANGES

GENERAL MANAGER'S COMMENTS

General Manager Cook reported that AB 2398 (Hueso) relative to recycled water passed through the Assembly and will now be moving to the Senate.

DIRECTORS' COMMENTS

Director LaMar reported that NROC is going through a strategic planning process and recently received a report from its facilitator. He said that he was pleased that the District is providing office space for NROC and noted that they are growing and will be requiring additional space from the District.

Director Swan reported on his attendance at DAR, an OCWA lunch meeting, a Newport Bay Watershed Executive meeting tour of the creek with the principle concern being the Autumnwood area, an ACWA Board meeting, and a Southern California Water Committee Dialogue meeting. He relayed that Hoag Hospital would like to increase utilization of its facility, and asked if staff could look into building a relationship with HOAG in Irvine.

Director Withers reported that he along with Mr. Mike Hoolihan attended a successful community tour two weeks ago. He said that this Thursday he will be attending ISDOC's quarterly meeting with LAFCO reporting on the recent Grand Jury Report, and that on Friday, he will be attending the monthly WACO meeting.

Director Matheis presented to the Board a plaque received from the Irvine Police Department as a Bronze Sponsor recipient of its annual awards event. She said that she attended the Irvine Teacher's Award ceremony where the District was a sponsor, and an Exchange Club of Irvine event last Tuesday. She complimented Shadetree Partnership's Mr. Tom Bonkowski, General Manager, Leslie Bonkowski, Secretary and Director, and the new Facilities Manager, Dave Asman on their efforts with this organization. She noted that its nursery is very healthy and that the 100

volunteers regularly attend its monthly events. Director Matheis also expressed her appreciation that the nursery is growing a total of 16,000 groundcover, plants and trees for the MWRP Phase II project. She further noted that KOCE's topic on Sunday evening was the recent Orange County Water Summit.

ADJOURNMENT

President Matheis adjourned the meeting at 6:25 p.m.

APPROVED AND SIGNED THIS 11TH DAY OF June, 2012.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles and Giannone