

MINUTES OF REGULAR MEETING – NOVEMBER 25, 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 November 25, 2013 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None.

Also Present: General Manager Cook, Executive Director of Finance Clary, Executive Director of Water Policy Heiertz, Executive Director of Engineering Burton, Executive Director of Operations Sheilds, Director of Water Resources Weghorst, Legal Counsel Hoskinson, Secretary Bonkowski, Director of Risk Management and Treasury Jacobson, Director of Public Affairs Beeman, Ms. Christine Compton, Mr. Ian Swift, Mr. Ray Bennett, 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 1, 5, 6, 7, C-8, C-9, and 17 will operate in accordance with the District's annual pumping plan. Wells 2, 3, 4, 11, 12, 13, 14 and 16 will be off. This was confirmed by Mr. Cook, General Manager of the District.

On October 31, 2013, the District received its fully executed copy of the Annexation Agreement with the Orange County Water District. 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. On October 14 2013, the IRWD Board 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 approved the operating agreement. This was confirmed by Mr. Cook.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED - None.

PRESENTATION

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 November 11, 2013 Regular Board meeting be approved as presented.

5. OCTOBER 2013 TREASURY REPORTS

Recommendation: That the Board receive and file the treasurer's investment summary report, the monthly interest rate swap summary for October 2013, and disclosure report of reimbursements to Board members and staff; approve the October 2013 summary of payroll ach payments in the total amount of \$1,450,561 and approve the October 2013 accounts payable disbursement summary of warrants 342865 through 343730, workers' compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$25,636,545.

6. QUITCLAIM OF REAL PROPERTY –THE IRVINE COMPANY LLC –
SEWER PIPELINE EASEMENT PER INST. NO. 89-572280, O.R.
IRVINE SPECTRUM

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

RESOLUTION NO. 2013 - 53

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

CONSENT CALENDAR (CONTINUED)

7. QUITCLAIM OF REAL PROPERTY – IRVINE COMMUNITY DEVELOPMENT COMPANY LLC – WATER AND SEWER PIPELINE AND ACCESS EASEMENT PER TRACT NO. 17004 LYING WITHIN PROPOSED TRACT NO. 17619 – ORCHARD HILLS

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

RESOLUTION NO. 2013 - 54

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

8. UPCOMING PROJECTS STATUS REPORT

Recommendation: Receive and file.

9. PORTOLA SPRINGS RECYCLED WATER PIPELINE BUDGET ADDITION

Recommendation: That the Board authorize the addition of project 30433 (4951) to the FY 2013-14 Capital Budget in the amount of \$284,500 for the Portola Springs Recycled Water Pipeline, Project 30433 (4951).

10. TUSTIN LEGACY WARNER AVENUE CAPITAL IMPROVEMENTS

Recommendation: That the Board authorize the addition of projects 11716 (4510) and 31716 (4511) for \$196,900 and \$207,900, respectively, to the FY 2013-14 Capital Budget; and approve Expenditure Authorizations for projects 11716 (4510) and 31716 (4511) for \$196,900 and \$207,900, respectively, for the Tustin Legacy Warner Avenue Improvements from Legacy Road to Tustin Ranch Road, Projects 11716 (4510) and 31716 (4511).

ACTION CALENDAR

CONSIDERATION OF ISDOC'S PROPOSED AMENDED BYLAWS

General Manager Cook reported that the Independent Special Districts of Orange County (ISDOC) Executive Committee has submitted a third version of proposed amendments to the ISDOC bylaws for consideration and approval by the organization's membership. Mr. Cook said that member ballots on the amended bylaws are due no later than 5:00 p.m. on Monday, December 9, 2013. Ms. Christine Compton provided an overview of the bylaws review process this year along with the reasoning for the proposed bylaw amendments. Specifically, the updated bylaws will bring ISDOC

into compliance with recent changes in state law, advancements in communication technology, and other governance-related matters as well as address recurring questions regarding election and voting procedures. On MOTION by Matheis, seconded and unanimously carried, THE BOARD CAST IRWD'S VOTE IN FAVOR OF APPROVING THE AMENDED ISDOC BYLAWS, AND AUTHORIZED STAFF TO SUBMIT IRWD'S BALLOT BY THE DECEMBER 9, 2013 DEADLINE.

SILVERADO CANYON ROAD DOMESTIC WATER PIPELINE IMPROVEMENTS BUDGET ADDITION, EXPENDITURE AUTHORIZATION AND CONSULTANT SELECTION

The Silverado Canyon Road Domestic Water (DW) Pipeline Improvements Project will construct a new 8,200-foot long 12-inch DW pipeline from the Fleming Booster Pump Station (BPS) into Silverado Canyon to provide required fire flow to the proposed Saint Michael's Abbey and to enhance fire flow to the remainder of Silverado Canyon. Staff issued a Request for Proposal to Arcadis-US, Inc., CivilSource, Inc. (CivilSource), Kleinfelder, and Psomas for the project design and construction phase services. Staff evaluated the proposals and recommends the selection of CivilSource based on their project understanding, team, and budget. On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED THE ADDITION OF PROJECT 11743 (4919) TO THE FY 2013-14 CAPITAL BUDGET IN THE AMOUNT OF \$1,057,500; APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$149,200; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT IN THE AMOUNT OF \$105,335 WITH CIVILSOURCE, INC. FOR THE SILVERADO CANYON ROAD DOMESTIC WATER PIPELINE IMPROVEMENTS, PROJECT 11743 (4919).

PETERS CANYON CHANNEL WATER CAPTURE AND REUSE PIPELINE

Using a PowerPoint presentation, Assistant Director of Water Resources Weghorst provided an overview of the Peters Canyon Channel Water Capture and Reuse Pipeline (Peters Canyon Pipeline) project.

Mr. Weghorst said that the City of Irvine, Tustin, OCFCD, County, Caltrans and IRWD are seeking a cost-effective solution to dispose of nuisance surface and perched groundwater flows that contain high selenium and nitrate concentrations in the San Diego Creek/Newport Bay Watershed. Nuisance flows from Irvine, Tustin and OCFCD are currently discharged to the Peters Canyon Channel (a tributary to San Diego Creek), while Caltrans currently discharges its flows to an IRWD sewer under a temporary special discharge permit. The Regional Water Quality Control Board's (RWQCB) Order No. R8-2007-0041 limits discharges of selenium within the San Diego Creek/Newport Bay Watershed.

Mr. Weghorst said that the purpose of the Peters Canyon Pipeline is to divert the nuisance surface and perched groundwater flows with high concentrations of selenium and nitrates from selected tributaries to Peters Canyon Channel and deliver them in a pressure pipeline to OCSD for treatment and then reuse by the Orange County Water District (OCWD).

Mr. Weghorst said that for many years the Project Participants and other members of the Nitrogen and Selenium Management Program (NSMP) have been evaluating alternatives to reduce the amount of selenium and nitrogen that flow into the Upper Newport Bay. Beginning in 2005 with IRWD's

Natural Treatment System Master Plan, bench test studies were performed and a subsurface biological rock filter design was recommended for pilot testing. In 2006, a demonstration project was constructed with the City of Irvine at the intersection of Peters Canyon Channel and Barranca Boulevard (near Harvard Avenue). In July, 2009 the Cienega Selenium Treatment Facility was selected to receive American Resource Recovery Act (ARRA) funding from the Bureau of Reclamation (Reclamation) Title XVI program. In 2010 an evaluation of three treatment systems was performed that included the General Electric's ABMet system, the subsurface biological rock filter, and a fixed film fluidized bed reactor. Based on economic and non-economic criteria, the ABMet system was selected to implement a full-scale Selenium and Nitrogen Removal Project. In July, 2010 a preliminary design report for the ABMet treatment system was completed and in November, 2010 IRWD's Board approved final design services for an ABMet treatment system. In January 2011 the RWQCB's legal counsel indicated a regional offset program would not be consistent with current EPA requirements. With no assurance of RWQCB compliance for the stakeholder agencies, the ABMet project was discontinued and the remaining ARRA funds were returned to Reclamation.

Mr. Weghorst said that in late 2012, a meeting between legal counsel from OCFCD, Irvine, the State Water Resources Control Board, and the RWQCB resulted in a new legal interpretation that offsets could be used for a total maximum daily load (TMDL) permit compliance. He said that by December 6, 2013, the RWQCB is expected to approve the use of offset credits generated by the Pipeline Project and to extend the date for regulatory compliance to 2019.

Mr. Weghorst said that staff and IRWD's legal counsel have cooperated with the Funding Parties to develop an agreement confirming the mutual understandings of all Project Participants to design, construct, operate and maintain the Peters Canyon Pipeline. Key features of the agreement are summarized as follows: 1) IRWD will design, construct, own, operate, and maintain the Peters Canyon Pipeline for 20 years; 2) the Project will divert both point source and non-point source discharges of nitrogen and selenium. Only Irvine and Caltrans have point-source diversions to the Pipeline. The non-point source diversions will generate Nitrogen and Selenium Credits to be used by the Project Participants, traded among the Project Participants or collectively traded or sold to a third party; 3) IRWD will receive 31.6% of the Project's Nitrogen and Selenium Credits that are estimated to equal approximately 40 pounds of selenium per year if the project operates 325 days per year. IRWD's allocated credits may be used to offset selenium discharges to the Upper Newport Bay watershed including the San Joaquin Marsh; 4) IRWD will provide an annual contribution for operations and maintenance (O&M) up to \$60,000 per year (in 2013 dollars) for the project. IRWD's annual O&M contribution may change annually based on the local Consumer Price Index; 5) Irvine, Tustin, OCFCD, County and Caltrans are responsible for all capital costs not paid by grants and all O&M costs greater than IRWD's annual O&M contribution. Capital costs include all design, environmental review, and construction costs, including without limitation costs for defense of CEQA/NEPA lawsuits or construction claims, project administration, including, but not limited to, accounting, inspection, surveying, compaction testing, geotechnical services and engineering, a reasonable and appropriate share of IRWD staff time, consultant costs, costs of permitting, bonds, rights-of-way acquisition, design, environmental compliance, mitigation and documentation, costs related to hazardous materials, management activities, construction management, startup and testing activities, project management and legal support for design, permitting and construction of the Project; 6) IRWD will be the lead agency for CEQA and be responsible for securing the necessary permits and rights-of-way for the Project; 7) in the event that Caltrans obtains Federal funding, IRWD will be responsible for preparation of a NEPA-compliant environmental document while

Caltrans will be the lead NEPA agency and provide oversight and approval for the NEPA compliant document; 8) IRWD will not be responsible for any consequences, including the loss of grant funding, that may occur as a result of delays associated with environmental review, permitting, securing rights-of-way, design, construction, inspection, startup and testing, or failure of the Funding Parties to timely approve change orders; 9) the not-to-exceed project capital budget will include a 20 percent contingency throughout design and construction; 10) IRWD can approve a design change variance without Funding Party approval if it does not increase the cumulative total of the design and environmental contracts by 10 percent or more; or would increase total capital costs for the Funding Parties, combined, by \$60,000 or more; or would cause the total capital costs to exceed the estimated project cost. If a design change variance causes the estimated project cost to be exceeded, IRWD must obtain approval of the Funding Parties; 11) IRWD can approve a construction contract change order if it does not increase the capital costs by 10 percent or more of the contractor's bid amount, or does not cause the total capital costs to exceed the estimated project cost. Upon the issuance of a contract change order in an amount that, together with the amount of previously issued change orders, exceeds 10 percent of the Contractor's bid amount in the aggregate, IRWD must obtain approval by the Funding Parties for each individual contract change order that exceeds \$100,000; 12) all contractor delay and standby charges incurred as a result of a delay in the approval of a construction contract change order or an amendment to the Agreement will be included in Project Capital Costs and will be a responsibility of the Funding Parties.

Mr. Weghorst said that staff requested a proposal from six firms to provide engineering design services for the Peters Canyon Pipeline. He said that following a careful review of the methods, experience and values associated with the proposals, staff recommends awarding the Professional Services Agreement to Tetra Tech contingent upon the approval and execution of the Agreement. Key strengths of its proposal include a clear understanding and detailed scope of work for the project; superior design team; experienced management team; and the costs are consistent with staff expectation and less than other consultants.

Mr. Weghorst said that staff requested proposals from ESA, Dudek and LSA Associates to provide environmental consulting services. Following a careful review of the methods, experience and values associated with the proposals, staff recommends awarding the Professional Services Agreement to ESA contingent upon the approval and execution of the Agreement. Key strengths of its proposal are an excellent understanding and detailed scope of work; outstanding environmental team; experienced management team, and that the costs are consistent with staff expectation and lower than the other consultants.

Director Withers reported that this item was reviewed and approved by the Engineering and Operations Committee on November 19, 2013. Following discussion, on MOTION by Withers, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE THE PETERS CANYON CHANNEL WATER CAPTURE AND REUSE PIPELINE AGREEMENT WITH THE CITIES OF IRVINE AND TUSTIN, THE OCFCD, THE COUNTY AND CALTRANS, SUBJECT TO NON-SUBSTANTIAL CHANGES, THAT PROVIDES FOR THE FUNDING, DESIGN, ENVIRONMENTAL REVIEW, CONSTRUCTION, OPERATION AND MAINTENANCE OF THE PETERS CANYON PIPELINE; AUTHORIZED THE ADDITION OF PROJECT 21163(4985) FOR THE PETERS CANYON PIPELINE TO THE FY 2013-14 CAPITAL BUDGET IN THE AMOUNT OF \$993,500 WHICH WILL BE REIMBURSED TO IRWD BY THE FUNDING PARTIES; APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$993,500 FOR THE PETERS CANYON PIPELINE CONTINGENT UPON THE EXECUTION OF THE AGREEMENT; AUTHORIZED THE

GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH TETRA TECH IN THE AMOUNT OF \$630,000 TO PROVIDE ENGINEERING DESIGN SERVICES FOR THE PETERS CANYON PIPELINE CONTINGENT UPON THE EXECUTION OF THE AGREEMENT BY ALL PROJECT PARTICIPANTS; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH ESA IN THE AMOUNT OF \$143,200 TO PREPARE A CEQA AND NEPA DOCUMENT FOR THE PETERS CANYON PIPELINE CONTINGENT UPON THE EXECUTION OF THE AGREEMENT BY ALL PROJECT PARTICIPANTS.

OTHER BUSINESS

GENERAL MANAGER'S REPORT

General Manager Cook reported that staff sent an invitation for Governor Brown to visit the District, and that Ms. Debby Davis of the Governor's office of Planning and Research has accepted the invitation along with others.

DIRECTORS' COMMENTS

Director Matheis reported on her attendance at an ACC-OC Legislative session and the annual NWRI Clarke Prize awards ceremony and conference. In response to Director Matheis' inquiry if the allocation of water from the State Water project would affect Kern County, Director Weghorst said that water would be diverted from the Dudley Ridge area and it will impact our project partners in that area.

Director Withers reported on the appointment of Mr. Ira Glasky to the Irvine Unified School District's Board of Directors. He said that last week he and General Manager Cook met with the City of Santa Ana representatives relative to its water billing issues at Heritage Museum, a meeting with the City of Dana Point's council member Bill Brough last week, the City of Irvine's Exchange Club's Thanksgiving breakfast, and that this Wednesday he will be representing IRWD at the Irvine Rotary Club. He further updated the Board relative to the settlement of a dispute with SAWPA and the OCSD and the Regional Board.

Director Swan reported on his attendance at the Newport Beach Watershed Executive Committee meeting where they had a discussion on vector control issues with Big Canyon as well as the UCI marsh, the Clarke Prize Awards ceremony, a meeting where he addressed the Society of Marketing Professionals representing IRWD, and an ACWA Board meeting in Sacramento. He further said that he attended a meeting where SAWPA discussed OCSD becoming a SAWPA Board member as OCSD is a major player in the disposal of brine for SAWPA.

Director LaMar reported on his attendance at an ACC-OC Legislative session, and the NWRI Clarke Prize awards ceremony. He said that Mr. Ian Swift attended a day-long panel with NROC discussing how to adjust strategic planning among other issues.

Director Reinhart reported on his attendance at a MWDOC Board meeting where the Board approved the Baker treatment plant item, and a South County agency meeting with Director LaMar.

CLOSED SESSION

President Reinhart said that the following Closed Session will be held:

- 1) CLOSED SESSION RELATIVE TO CONFERENCE WITH LABOR NEGOTIATORS – Government Code Section 54957.6: Agency Designated Representatives: Paul Cook and Jenny Roney; Employee Organization: Irvine Ranch Water District Employees Association
- 2) CLOSED SESSION WITH LEGAL COUNSEL RELATIVE TO: Existing litigation - Government Code Section 54956.9(a) - Travelers Insurance vs. IRWD, Patrick Madden Morgan, and The Paper Company.

OPEN SESSION

The meeting was adjourned with all Directors present. President Reinhart said that there was no action to report from the Closed Session items.

ADJOURNMENT

President Reinhart adjourned the meeting at 7:30 p.m.

APPROVED and SIGNED this 16th day of December, 2013.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone