

MINUTES OF REGULAR MEETING – May 13, 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 May 13, 2013 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Reinhart, Swan, and LaMar

Directors Absent: Withers and Matheis

Also Present: General Manager Cook, Executive Director of Finance Clary, Executive Director of Engineering Burton, Executive Director of Operations Shields, Director of Public Affairs Beeman, Executive Director of Water Policy Heiertz, Director of Risk Management and Treasury Jacobson, Director of Water Resources Weghorst, Legal Counsel Arneson, Secretary Bonkowski, Mr. Mike Hoolihan, Ms. Christine Compton, Mr. Jim Reed, Mr. Bruce Newell, Ms. Fiona Sanchez, Mr. Ian Swift 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, C-9, 10, 11, 12, 15, 16 and 17 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.

ITEMS TOO LATE TO BE AGENDIZED: None.

WORKSHOP

RETIREMENT BENEFIT FUNDING TRUST

Executive Director of Finance Clary reported that since 2009, the District has made additional payments to CalPERS, referred to as “contributions in excess of its annual required contribution” of \$15.1 million in an effort to reduce the District’s unfunded liability amount. Mrs. Clary said that currently, the District’s only current method for committing additional funds to reduce its unfunded liability is to send the funds to CalPERS for its investment management. She said that establishing a separate irrevocable trust to “pre-fund” the CalPERS unfunded liability would provide the District with an alternative that would allow for investment of assets by a separate professional fund manager selected and monitored by the District, with the trust’s funds transferred to CalPERS at opportune times.

Using a PowerPoint presentation, the District’s consultant, Mr. Yannick Gagne from Aon Hewitt, provided an overview of the District’s key goals in establishing the Trust (e.g. providing an alternative to CalPERS asset management, diversification of risk, retaining more control of District assets, etc.); a review of the potential benefits and risks; an updated estimate of the District’s unfunded liability amounts including additional contributions to date; potential funding strategies; a comparative review of historic average investment performance for fund managers by portfolio size; an overview of estimated investment management fees based on general asset allocations strategies and fund size as well as custody and trustee fees; a review of expected fiduciary requirements including establishing a fund manager and custodian selection process, determination of portfolio allocation strategies, evaluation of fund manager(s); and creating fiduciary oversight for ongoing fund manager performance.

Following discussion, Mr. Gagne said that the next steps include completion of the draft 115 Trust agreement; identifying potential investment advisors and completion of expected scope of services; identifying potential plan administrators/trustees for investment plan custody and reporting services and completion of expected scope of services; and developing a preliminary review of fund management types based on initial and future funding expectations. Director Swan said that at the June 4, 2013 Finance and Personnel Committee meeting, the Committee will be looking at reasonable rates of return for the Trust along with other matters.

CONSENT CALENDAR

On MOTION by LaMar, seconded and unanimously carried, CONSENT CALENDAR ITEMS 4 THROUGH 8 WERE APPROVED AS FOLLOWS:

4. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the April 22, 2013 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, Peer Swan, Douglas Reinhart, and John Withers.

6. 2013 STATE LEGISLATIVE UPDATE

Recommendation: That the Board take a "SUPPORT" position on AB 1200 (Levine); a "SUPPORT" position on AB 792 (Mullin); and a "SUPPORT" position on SB 322 (Hueso).

7. 2013 FEDERAL LEGISLATIVE UPDATE

Recommendation: That the Board oppose the 28 percent cap on tax-exempt municipal bonds and urge Congress to maintain the current tax-exempt status of municipal bonds.

8. DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT INTEREST RATE SWAP COMPLIANCE

Recommendation: That the Board adopt the following resolution modifying master policy with respect to use of interest rate swaps and other contracts described in Government Code Section 5920.

RESOLUTION NO. 2013-17

RESOLUTION OF THE BOARD OF DIRECTORS
OF IRVINE RANCH WATER DISTRICT MODIFYING
MASTER POLICY WITH RESPECT TO USE OF INTEREST
RATE SWAPS AND OTHER CONTRACTS DESCRIBED
IN GOVERNMENT CODE SECTION 5920

ACTION CALENDAR

WELL 115 REPLACEMENT WELL DRILLING AND EQUIPPING CONSTRUCTION AWARD

General Manager Cook reported that Well 115 is a contributor of feed water to the Irvine Desalter Project Potable Treatment Plant (IDP-PTP). Mr. Cook said that staff conducted a video survey of the well showing deterioration of the well casing which is contributing to elevated dissolved oxygen levels and precipitation of manganese. He said that staff shut down the well in June 2012 as the manganese precipitation was causing operational challenges at the IDP-PTP.

Mr. Cook said that the replacement well will be located on an undeveloped parcel next to an Irvine Company building and is anticipated to deliver between 500 to 1,000 gallons per minute of untreated water to IDP-PTP. This project includes the construction of both the well drilling and the well equipping.

Executive Director of Engineering Burton said that the project was advertised to a select list of 11 contractors including ARB, Caliagua, Clarke Contracting, Gateway Pacific, Hillcrest Contracting, Olsson Construction, Pacific Hydrotech, Pro Mechanical, Schuler Engineering, SS Mechanical, and W.M. Lyles. The bid opening was held on May 1, 2013 with bids received from Schuler Engineering and SS Mechanical. Mr. Burton said that SS Mechanical is the apparent low bidder with a bid amount of \$3,091,494.90. He said that staff is very comfortable with this bid as this contractor has performed outstanding work for the District in the past. The engineer's estimate, prepared by Tetra Tech, is \$3,104,000.

In response to Director Swan's inquiry relative to the short life of this well, Mr. Burton said that this well was drilled by the Irvine Company exclusively for the purpose of agriculture use only and therefore a short life span was not unexpected. In response to Director Swan's inquiry if any of the well's pumps, electronics or parts could be reused, Mr. Burton said that as the new well will be drilled deeper, a larger pump and new equipment will be required, but salvageable parts will be recovered and retained for other potential use. In response to Director Swan's inquiry relative to the source of funds for the Expenditure Authorization, following discussion, it was the consensus of the Board to make adjustments for this expenditure as well as for the Expenditure Authorization for Well No. 107 (previously approved by the Board) to also include funding from replacement funds for tracking and other purposes. Following a further discussion on the cost and production of the well, on MOTION by Swan, seconded, and unanimously carried. **THE BOARD AUTHORIZED A BUDGET INCREASE IN THE AMOUNT OF \$492,600 FOR PROJECT 11627 (3717); APPROVED AN AMENDED EXPENDITURE AUTHORIZATION ADJUSTING THE SOURCE OF FUNDING IN THE AMOUNT OF \$3,626,900 FOR PROJECT 11627 (3717) AND FOR WELL NO. 107; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH SS MECHANICAL IN THE AMOUNT OF \$3,091,494.90 FOR THE WELL 115 REPLACEMENT WELL DRILLING AND EQUIPPING PROJECT.**

ORANGE COUNTY SANITATION DISTRICT DRY WEATHER URBAN RUNOFF
DIVERSION PROGRAM POLICY POSITION

General Manager Cook reported that a key strategic objective of the Irvine Ranch Water District (IRWD) is to enhance the quality of urban runoff. Mr. Cook said that the District has partnered with the Orange County Sanitation District (OCSD) to construct dry weather urban runoff diversion facilities to direct these flows to wastewater treatment facilities for treatment and reuse or disposal. IRWD operates two such diversions on the Newport Coast. These diversions play a fundamental role in improving the water quality in local streams and the ocean, which benefits all of the residents of Orange County. The diversions have been used by municipalities as an option of last resort when other treatment strategies do not exist or are financially infeasible. Mr. Cook said that current OCSD policy provides for treatment at no charge for municipal discharges of dry weather urban runoff up to a cumulative volume of 4 MGD. Planned increases in urban runoff diversions by various municipalities in the Newport Bay watershed will cause the cumulative volume to exceed this threshold. Mr. Cook said that OCSD is currently considering charging for full cost recovery for treatment of some or all urban runoff diversions, including flows under the 4 MGD cumulative cap, and staff believes that OCSD should continue to treat these discharges over 4 MGD at no charge to insure that the water quality in streams tributary to Newport Bay is enhanced and protected. He said that the policy position on OCSD Dry Weather Urban Runoff Diversion Program reflects this recommendation,

Executive of Director of Water Quality Heiertz said that OCSD staff will bring an item to its Board this month. He then summarized the District's key strategic objectives to enhance the quality of urban runoff.

Director LaMar said that this item was reviewed and approved by the Water Resources Policy and Communications Committee with Director Reinhart attending as an Alternate member on May 2, 2013. Following discussion, Director Swan said he believed it would be wise for the City of Newport Beach and the City of Tustin to take the lead on this issue, and also asked staff to inquire if this item could be added to this week's Newport Bay Watershed Executive Committee meeting agenda for discussion. On MOTION by Swan, seconded and unanimously carried, **THE BOARD ADOPTED THE IRWD'S POLICY POSITION ON THE ORANGE COUNTY SANITATION DISTRICT DRY WEATHER URBAN RUNOFF DIVERSION PROGRAM.**

FOURTEENTH AMENDMENT TO AGREEMENT FOR PARTICIPATION IN SPECIFIED
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY REBATE PROGRAMS

The Water Conservation Business Plan included a "Tactical Incentives" element to encourage customers to install water conservation devices. Incentive payments are based on the water and wastewater systems avoided costs for each device and are therefore cost-effective for IRWD. Staff anticipates there may be a shortfall of IRWD matching funds for residential incentives in FY 2012-13 and is proposing adding \$100,000 in funding for this fiscal year to minimize disruptions to IRWD customers. On MOTION by Swan, seconded and unanimously carried, **THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE THE FOURTEENTH AMENDMENT TO THE DISTRICT'S AGREEMENT WITH THE**

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY SUBJECT TO NON-SUBSTANTIVE CHANGES FOR PARTICIPATION AND CO-FUNDING BY IRVINE RANCH WATER DISTRICT IN SPECIFIED MUNICIPAL WATER DISTRICT OF ORANGE COUNTY REBATE PROGRAMS, ADDING \$100,000 IN FUNDING FOR FY 2012-13, FOR COST-EFFECTIVE TACTICAL INCENTIVE WATER USE EFFICIENCY MEASURES.

OTHER BUSINESS

GENERAL MANAGER'S REPORT

General Manager Cook reported that this Wednesday, the Michelson Water Recycling Plant (MWRP) Phase 2 project will be connecting to the headworks at MWRP, and also that the flood wall project is complete. He said that Mr. Burton worked with the City of Irvine to keep the entrance off Campus Drive open.

Mr. Cook said that Mrs. Christine Compton provided information today on a new budget trailer bill being proposed by CMUA and CUWA to use cap and trade revenues to fund water projects. Upon availability, staff will start reviewing this bill. He also suggested that Directors LaMar and Matheis contact legislators to keep the momentum to move this bill forward.

DIRECTORS' COMMENTS

Director Swan reported on his attendance at a CASA conference and noted that they appreciated the use of one of the District's facilities for one of its events. He also attended an ACWA/JPIA meeting, a Newport Chamber of Commerce meeting, a PPIC conference, an ACWA conference, and said he visited the Strand Ranch where the District is performing water banking activities. He further said he will be touring the Central Valley Flood Control District this week with the Water Education Foundation.

Director LaMar said he attended the OC Forum luncheon meeting, a WACO meeting, ACWA's conference, and a NROC Technical Advisory Committee meeting where he complimented its new Executive Director, Mr. Jim Sulentich, on his efforts.

Director Reinhart said that he attended an ACWA conference in Sacramento and a WateReuse conference in Arizona.

ADJOURNMENT

There being no further business, President Reinhart adjourned the meeting at 6:30 p.m. APPROVED and SIGNED this 28th day of May, 2013.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone