

## MINUTES OF REGULAR MEETING – JANUARY 11, 2016

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 January 11, 2016 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None.

Also Present: General Manager Cook, Executive Director of Finance and Administration Clary, Executive Director of Engineering and Water Quality Burton, Executive Director of Water Policy Weghorst, Director of Treasury and Risk Management Jacobson, Director of Public Affairs Beeman, Director of Water Resources Sanchez, Director of Human Resources Roney, Principle Engineer Akiyoshi, Legal Counsel Arneson, Secretary Bonkowski, Assistant Secretary Savedra, Government Relations Officer Compton, Mr. Bruce Newell, Mr. Jim Reed, Ms. Kellie Welch, Ms. Jo Ann Corey, Mr. Barkev Meserlian, Mr. Matthew Veeh, and Ms. Maren O'Haren.

WRITTEN AND ORAL COMMUNICATIONS: None.

ITEMS RECEIVED TOO LATE: None.

### PRESENTATION

Ms. Maureen O'Haren, the District's state advocate, provided an update on 2016 legislative activities.

### CONSENT CALENDAR

On MOTION by Withers, seconded and unanimously carried, CONSENT CALENDAR ITEMS 4 THROUGH 7 WERE APPROVED AS FOLLOWS:

4. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the December 14, 2015 Regular Board meeting be approved as presented.

5. NOVEMBER 2015 TREASURY REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report, the Monthly Interest Rate Swap Summary for November 2015, and Disclosure Report of Reimbursements to Board members and staff; approve the November 2015 Summary of Payroll ACH payments in the total amount of \$1,743,254 and approve the November 2015 Accounts Payable Disbursement Summary of warrants 362729 through 363366, Workers' Compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$15,935,844.

CONSENT CALENDAR (Continued)

6. 2016 LEGISLATIVE UPDATE

Recommendation: That the Board adopt an “OPPOSE” position on SB 163 (Hertzberg, D-Van Nuys) related to wastewater treatment and recycled water, and authorize the District to submit a letter of concern on the bill as requested by Senator Hertzberg’s office.

7. RATTLESNAKE RESERVOIR CHLORINE GAS SYSTEM REMOVAL FINAL ACCEPTANCE

Recommendation: That the Board authorize the General Manager to accept construction of Rattlesnake Reservoir Chlorine Gas System Removal Project, project 30435 (4959); 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

FINAL INITIAL STUDY/MITIGATED NEGATIVE DECLARATION FOR IRVINE LAKE PIPELINE NORTH CONVERSION PROJECT

General Manager Cook reported that a Final Initial Study/Mitigated Negative Declaration (Final IS/MND) for the proposed Irvine Lake Pipeline North Conversion Project (Project) has been prepared. Mr. Cook said that the Project will convert the northern section of the Irvine Lake Pipeline from an untreated water system to a recycled water system to provide recycled water to existing customers in IRWD’s North Tustin service area along Jamboree Road and for permanent agricultural uses in Orchard Hills. The Project will also extend the recycled water system to new customers including Santiago Canyon College, Irvine Regional Park, the Cemetery of the Holy Sepulcher, Improvement District 252 and the future Santiago Hills II residential development.

Using a PowerPoint presentation, Ms. Jo Ann Corey provided a project overview and description. She said that a Draft Initial Study/Mitigated Negative Declaration (Draft IS/MND) for the project was prepared by environmental consultants at Bonterra Psomas. She said that on November 4, 2015, the Draft IS/MND was circulated for public review pursuant to CEQA. Four letters providing comments on the Draft IS/MND were received during the public review period that concluded on December 3, 2015. The agencies that provided comments were Metropolitan Water District of Southern California, the City of Orange, the City of Irvine and the California Department of Transportation. She said that staff reviewed all received comments and worked with Bonterra to prepare responses to comments that are included in the Final IS/MND, along with necessary corrections and additions to the document. These additions include a Mitigation Monitoring and Reporting Program. She said that the document includes Mandatory Findings of Significance on pages 5-54 which conclude that with the incorporation of the identified mitigation measures, all potential impacts would be reduced to less than significant levels.

On MOTION by Reinhart, seconded and unanimously carried, THE BOARD FOUND ON THE BASIS OF THE WHOLE RECORD BEFORE IT, INCLUDING THE INITIAL STUDY/MITIGATED NEGATIVE DECLARATION AND THE COMMENTS RECEIVED, THAT THERE WAS NO SUBSTANTIAL EVIDENCE THAT THE IRVINE LAKE PIPELINE NORTH CONVERSION PROJECT WILL HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT AND THAT THE MITIGATED NEGATIVE DECLARATION REFLECTS IRWD'S INDEPENDENT JUDGMENT AND ANALYSIS; ADOPTED THE PROPOSED MITIGATED NEGATIVE DECLARATION FOR THE IRVINE LAKE PIPELINE NORTH CONVERSION PROJECT AND THE ASSOCIATED MITIGATION MONITORING AND REPORTING PROGRAM; APPROVED THE PROJECT; AND AUTHORIZED STAFF TO POST AND FILE A NOTICE OF DETERMINATION, AND SUBMIT PAYMENT FOR THE CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE SERVICE FILING FEE.

### EATON PROPERTY PURCHASE

General Manager Cook reported that IRWD is pursuing the purchase of property within the Palo Verde Irrigation District (PVID) that will become another element of IRWD's long-term program to increase water supply reliability for its customers during droughts and other potential water supply interruptions. Mr. Cook said that on December 4, 2015, Bardeen Partners, Inc., pursuant to provisions included in its Articles of Incorporation, executed a Real Property Purchase Agreement (Purchase Agreement) for the Eaton Property comprised of 616.19 acres of land within PVID in Riverside County (Property). The Purchase Agreement provides an opportunity to conduct tests, inspections, evaluations and such other due diligence activities as deemed necessary prior to the acquisition of the Property. The due diligence work has been completed and this report provides the Board with the findings.

Executive Director of Water Policy Weghorst provided an overview of the plan for the Eaton property. Mr. Weghorst said that in the near term, land purchased by IRWD in the PVID service area would continue to be farmed essentially as it is today as follows: 1) tenant farm leases, which would generate income for IRWD, would be maintained on the Property and the farming operations would be supervised by District staff and consultants, and 2) as a participant in the existing MWD/PVID fallowing program, IRWD, as a landowner, would receive fallowing payments from MWD.

Mr. Weghorst said that in the long term, IRWD-owned land within PVID would be utilized as follows: 1) the land would continue to be cultivated through tenant farm leases; 2) as a landowner, IRWD could participate in any fallowing and other water conservation programs developed and implemented by MWD and PVID; and 3) IRWD would work with MWD and MWDOC to develop mutually-beneficial programs and agreements through which IRWD would receive increased water supply reliability during periods of drought and supply interruptions in exchange for water conserved on IRWD-owned lands in PVID.

Mr. Weghorst reviewed the key terms of the purchase agreement. He said that one key term in the Purchase Agreement is that the seller has agreed to remove an approximate one-acre site from one of the proposed parcels to be purchased. The removal will make the one-acre site a separate legal parcel from the land to be purchased prior to the close of escrow. The seller must provide a recorded parcel map showing the removal of this site from the land to be purchased.

The Purchase Agreement provides for a 40-day due diligence period in which there is an opportunity to conduct any studies, tests and inspections that are deemed necessary prior to the acquisition of the Property. This due diligence period ends on January 13, 2016 and the close of escrow is scheduled to take place by January 28, 2016, assuming the one-acre parcel detachment is complete.

Mr. Weghorst said that the due diligence investigations for the Property have been completed which include a Preliminary Title Report review; an Environmental Phase 1 site assessment; examination of surface soils, flood and seismic hazards; a crop water use study; a review of mineral rights; an American Land Title Association survey; a review of the general plan for the area; and a review of Williamson Act and zoning designations. Dee Jasper & Associates (DJA) was retained to oversee the due diligence investigations and to complete a Baseline Property Assessment Report on the Eaton Property. He said from a physical standpoint, the Baseline Property Assessment Report concludes that the Eaton Property is in good condition and suitable for purchase. The sites consist of cultivated and fallow agricultural fields, water supply channels and dirt access roads.

Mr. Weghorst said that a Phase 1 Environmental Site Assessment was performed by subcontractor Advanced Environmental Concepts, Inc. (AEC) and the evaluation concluded the Property is acceptable with the exception of ash piles partially located along the northern edge of the access road on the most western parcel. AEC recommends that the ash be profiled, removed and transported for offsite disposal. The presence of the ash piles is not considered to be significant to the decision to purchase the Property.

Mr. Weghorst said an American Land Title Association (ALTA) survey was conducted by DJA which identifies and documents all easements to the Property. The ALTA survey determined the Property boundaries and encroachments, and shows the lands dedicated for field roads and public road easements, underground utilities easements and water district or other public utility easements. The ALTA survey confirms actual gross acreage of 626.12 acres which equates to 9.96 more acres than estimated in the Purchase Agreement. The Property is zoned by Riverside County as agricultural and rural residential. The Property is not within a Williamson Act contract.

Mr. Weghorst said that the Purchase Agreement provides for IRWD to acquire any oil, gas or mineral rights (“mineral rights”) held by the seller. Based on the Preliminary Title Report, the seller owns the mineral rights for the Property.

Mr. Weghorst said that in 2002, MWD and PVID entered into a 35-year Palo Verde Land Management, Crop Rotation and Water Supply Program (Fallowing Program), whereby MWD makes fallowing payments to PVID landowners who chose to participate in the Fallowing Program. The Property owner entered into an agreement in July 2005 to participate in the Fallowing Program for a maximum fallowing commitment of 248 acres. The landowner agreement will be assigned by the seller to IRWD.

Director Swan reported that this item was reviewed and approved by the Water Banking Committee subject to approval of the assignment of the purchase agreement to IRWD by

Bardeen Partners, Inc. On MOTION by Swan, seconded and unanimously carried, THE BOARD, SUBJECT TO BARDEEN PARTNERS, INC. APPROVAL OF THE ASSIGNMENT OF THE PURCHASE AGREEMENT TO IRWD, AUTHORIZED THE GENERAL MANAGER TO EXECUTE THE ASSIGNMENT AND ASSUMPTION OF REAL PROPERTY PURCHASE AGREEMENT ACCEPTING THE ASSIGNMENT OF THE PURCHASE AND SALE AGREEMENT FROM BARDEEN PARTNERS, INC.; FIND THAT ALL MATTERS CURRENTLY IDENTIFIED WITH REGARD TO THE CONDITION OF TITLE, PHYSICAL CONDITION AND SUITABILITY OF THE PROPERTY FOR THE USES CONTEMPLATED ARE ACCEPTABLE; APPROVED THE ADDITION OF PROJECT 11914 (6956) TO THE FY 2015-16 CAPITAL BUDGET IN THE AMOUNT OF \$10,240,000 FOR THE PURCHASE OF THE EATON PROPERTY; FOUND THAT THE PROPERTY ACQUISITION ONLY IS EXEMPT FROM CEQA; APPROVED THE PROJECT AND AUTHORIZED STAFF TO POST AND FILE THE NOTICES OF EXEMPTION IN ORANGE AND RIVERSIDE COUNTIES; AND AUTHORIZED THE GENERAL MANAGER AND TREASURER AND EACH OTHER OFFICER OF THE DISTRICT, EACH ACTING SINGLY, TO EXECUTE AND DELIVER ANY AND ALL DOCUMENTS, PROGRAM ASSIGNMENTS, CERTIFICATES, INSTRUCTIONS AND INSTRUMENTS NECESSARY OR PROPER FOR CARRYING OUT AND CLOSING THE REAL ESTATE PURCHASE TRANSACTION FOR THE ACQUISITION OF PROPERTY.

RATIFICATION OF MEMORANDUM RELATIVE TO THE OFFICERS OF THE BOARD, COMMITTEES AND OTHER ASSIGNMENTS

President Matheis reported that she had made one additional change where she will also be the representative along with Director LaMar on the Southern California Water Committee meetings. There being no objections, on MOTION by Reinhart, seconded and unanimously carried, THE BOARD RATIFIED THE AMENDED MEMORANDUM DATED JANUARY 8, 2016 ENTITLED OFFICERS OF THE BOARD, COMMITTEES AND OTHER ASSIGNMENTS; APPROVED ATTENDANCE FOR THE MEETINGS AND EVENTS FOR THE BOARD'S REPRESENTATION FOR CALENDAR YEAR 2016 AS DELINEATED, AND ADOPTED THE FOLLOWING RESOLUTIONS BY TITLE:

RESOLUTION NO. 2016-1

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT, RESCINDING RESOLUTION NO. 2015-1 AND REVISING THE ASSIGNMENT OF DIRECTORS TO COMMITTEES OF THE BOARD

RESOLUTION NO. 2016-2

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT, RESCINDING RESOLUTION NO. 2006-14 DESIGNATING REPRESENTATIVES OF THE BOARD OF DIRECTORS OF THE NATIONAL WATER RESEARCH INSTITUTE

## OTHER BUSINESS

### GENERAL MANAGER'S REPORT

General Manager Cook reported on the water conservation savings for December noting that customers conserved 13% or 589 acre-feet of water equaling a savings of 17.4%. He said that residents are using an average of 60 gallons per capita per day.

He reported that one of the District's commercial customers, Royalty Carpets, converted to reclaimed water today.

He said that as of January 6, Irvine Lake received 3.22" of rainfall and is up 6/10<sup>th</sup> of an inch.

He noted that Mr. Joe Brieter, a 30-year former employee, recently passed, and asked that the meeting be adjourned in his memory.

### DIRECTORS' COMMENTS

Director LaMar reported that he attended his first ACWA Board meeting this year via teleconference, as well as a meeting with MWDOC and MWD staff discussing levees on the east side.

Director Withers reported that he and Director Matheis will be attending an upcoming ISDOC meeting, an OCSD meeting on the 27<sup>th</sup> of January where they will be kicking off a biosolids strategic plan, and a Tustin Mayors event on January 29th.

Director Swan reported that he attended a Colorado River Water Users conference, a WACO meeting, and an OCWD Committee meeting where they approved Laguna Beach's allocation into the basin.

Director Reinhart reported that he attended a MWDOC Board workshop, a WACO meeting, and a SOCWA Board meeting.

Director Matheis reported that she attended a WACO meeting and a Colorado River Water Users Conference.

### RECESS AND RECONVENE

President Matheis recessed the Board meeting at 6:12 p.m. to hold a Bardeen Partners, Inc. Board meeting. The meeting reconvened with all Board members present.

CLOSED SESSION

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

CLOSED SESSION CONFERENCE with Real Property Negotiator relative to Government Code Section 54956.8  
Property: OCSD Service Area 7 Sewer Infrastructure  
Agency Negotiator: Paul Cook, General Manager  
Purpose of Negotiations: Proposed Acquisition of Property – Price and Terms

OPEN SESSION

Following the Closed Session, the meeting was reconvened with Reinhart, Withers, LaMar, Swan, and Matheis present. President Matheis said that there was no action to report.

ADJOURNMENT

President Matheis adjourned the meeting in memory of former employee Joe Brieter.

APPROVED and SIGNED this 25th day of January, 2016.

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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