

**AGENDA
IRVINE RANCH WATER DISTRICT
BOARD OF DIRECTORS
REGULAR MEETING**

April 9, 2012

PLEDGE OF ALLEGIANCE

CALL TO ORDER

5:00 P.M., Board Room, District Office
15600 Sand Canyon Avenue, Irvine, California

ROLL CALL

Directors Reinhart, LaMar, Swan, Withers and President Matheis

NOTICE

If you wish to address the Board on any item, including Consent Calendar items, please file your name with the Secretary. Forms are provided on the lobby table. Remarks are limited to five minutes per speaker on each subject. Consent Calendar items will be acted upon by one motion, without discussion, unless a request is made for specific items to be removed from the Calendar for separate action.

COMMUNICATIONS TO THE BOARD

1. A. Written:

B. Oral: Mrs. Joan Irvine Smith relative to the Dyer Road Wellfield.

2. **ITEMS RECEIVED TOO LATE TO BE AGENDIZED**

Recommendation: Determine that the need to discuss and/or take immediate action on item(s) introduced come to the attention of the District subsequent to the agenda being posted.

WORKSHOP

Next Resolution No. 2012-16

3. **FISCAL YEAR 2012-13 OPERATING BUDGET AND PROPOSED RATES AND CHARGES**

Recommendation: That the Board review and provide comments on the proposed FY 2012-13 Operating Budget and proposed rates and charges.

CONSENT CALENDAR

Items 4-7

4. **MINUTES OF REGULAR BOARD MEETING**

Recommendation: That the minutes of the March 26, 2012 Regular Board Meeting be approved as presented.

CONSENT CALENDAR – Continued

Items 4-7

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, Douglas Reinhart, Peer Swan and John Withers.

6. 2012 STATE LEGISLATIVE UPDATE

Recommendation: That the Board take a SUPPORT position on SB 1090 (Senate Governance and Finance Committee), AB 2069 (Solorio), AB 2595 (Hall), and an OPPOSE position on AB 2000 (Huber), AB 2421 (Berryhill), SB 1340 (LaMalfa), and the State Board's 2010 Delta Flow Criteria.

7. SUPPORT FOR LAFCO SPECIAL DISTRICT REPRESENTATIVE CANDIDATE AND DIRECTOR OF CALIFORNIA DEPARTMENT OF WATER RESOURCES APPOINTMENT

Recommendation: That the Board support the nomination of Charley Wilson for the LAFCO regular special district seat representative, the confirmation of Mark Cowin as Director of the California Department of Water Resources and designate Mary Aileen Matheis to vote in the LAFCO election on behalf of IRWD and Steve LaMar as the alternate voting member.

ACTION CALENDAR

8. RETIREMENT STUDY UPDATE: SUPPLEMENTAL PROJECTIONS AND PROFESSIONAL SERVICES VARIANCE FOR AON HEWITT

Recommendation: That the Board review and provide feedback regarding Aon Hewitt's supplemental financial projections and modeling for the District's CalPERS pension program and approve Professional Services Variance No. 1 with Aon Hewitt in the sum of \$127,700.

9. IMPLEMENTATION OF CALPERS SECOND BENEFIT TIER FOR FUTURE-HIRED IRWD EMPLOYEES

Recommendation: That the Board adopt a resolution approving an amendment to the contract between the California Public Employees' Retirement System and Irvine Ranch Water District to include 1) Section 20475 – different levels of benefits, 2) Section 21353 – additional 2% at 60 Full Formula, and 3) Section 20037 – additional three-year final compensation.

Reso. No. 2012-

ACTION CALENDAR - Continued

10. AUDITOR SELECTION FOR FIVE-YEAR CONTRACT COMMENCING WITH FY 2011-12

Recommendation: That the Board approve a five-year contract with Mayer Hoffman McCann, P.C. at a cost of \$255,000 plus possible single audit fees not to exceed \$12,490 over the five-year period.

11. LETTERS OF CREDIT REPLACEMENT

Recommendation: That the Board approve the retention of Orrick Herrington & Sutcliffe and Bowie, Arneson, Wiles and Giannone as co-bond counsel, and Stradling Yocca Carlson & Rauth as disclosure counsel, and adopt a resolution authorizing certain actions in connection with replacement of letters of credit (Consolidated Series 1989, Consolidated Series 1991, and Consolidated Series 1993).

Reso. No. 2012-

12. UTILITY BILLING REQUIREMENTS ANALYSIS: VARIANCE NO. 1; ADDITIONAL BUDGET AND EXPENDITURE AUTHORIZATION FOR SERVICES AND SOFTWARE SUPPORT

Recommendation: That the Board authorize a budget increase to projects 3236/11615 and 3237/21615 for the FY 2011-12 Capital Budget and approve accompanying Expenditure Authorizations in the amount of \$182,000 each for Oracle software license support and the Five Point Partners variance, and authorize the General Manager to execute Professional Services Agreement Variance No. 1 with Five Point Partners, LLC in the amount of \$144,700 for the Utility Billing Software Support and requirements analysis projects 3236/11615 and 3237/21615.

OTHER BUSINESS

Pursuant to Government Code Section 54954.2, members of the Board of Directors or staff may ask questions for clarification, make brief announcements, make brief reports on his/her own activities. The Board or a Board member may provide a reference to staff or other resources for factual information, request staff to report back at a subsequent meeting concerning any matter, or direct staff to place a matter of business on a future agenda. Such matters may be brought up under the General Manager's Report or Directors' Comments.

13. A. General Manager's Report

OTHER BUSINESS - Continued

13. B. Directors' Comments

1)

2)

3)

4)

5)

C. Adjourn.

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Availability of agenda materials: Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the Irvine Ranch Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board of Directors are available for public inspection in the District's office, 15600 Sand Canyon Avenue, Irvine, California ("District Office"). If such writings are distributed to members of the Board less than 72 hours prior to the meeting, they will be available from the District Secretary of the District Office at the same time as they are distributed to Board Members, except that if such writings are distributed one hour prior to, or during, the meeting, they will be available at the entrance to the Board of Directors Room of the District Office.

The Irvine Ranch Water District Board Room is wheelchair accessible. If you require any special disability-related accommodations (e.g., access to an amplified sound system, etc.), please contact the District Secretary at (949) 453-5300 during business hours at least seventy-two (72) hours prior to the scheduled meeting. This agenda can be obtained in alternative format upon written request to the District Secretary at least seventy-two (72) hours prior to the scheduled meeting.

April 9, 2012

Prepared by: Christopher Smithson 

Submitted by: Debby Cherney

Approved by: Paul Cook 

WORKSHOP

FISCAL YEAR 2012-13 OPERATING BUDGET AND PROPOSED RATES AND CHARGES

SUMMARY:

The proposed Fiscal Year (FY) 2012-13 Operating Budget is \$111.3 million, representing an increase of \$3.8 million, or 3.5%, over FY 2011-12. In developing the Operating Budget for FY 2012-13, a number of factors were addressed:

- Increases in the cost of water, primarily due to rate increases from outside agencies and increases in the costs of energy and chemicals;
- Increases in labor costs to hire additional personnel into the operations groups to operate the expanded Michelson Water Recycling Plant and the new Wells 21 and 22 Desalter Plant, as well as increases in other areas (some of which are partially offset by reductions in temporary labor costs and overtime);
- Increases in IRWD's costs to treat wastewater and biosolids at the Orange County Sanitation District; and
- Increases to the District's planned contributions to CalPERS as a result of the actuarial analyses and independent retirement benefits study in order to address the current unfunded liability.

The goal of the District's budgeting process remains to fund the resources required to provide services to the District's customers as cost-efficiently as possible. Over the past two years, the District's operating budget has decreased slightly by aggressively pursuing reductions in expenses to offset uncontrollable expenses such as pass-through rate increases from outside agencies on which the District depends for the purchase of water and the treatment of wastewater and biosolids. With significant additional capital facilities coming online in FY 2012-13, the increases in the operating budget reflect additional expenses associated with operating those facilities.

Rate increases are necessary to fund anticipated shortfalls in both the water and sewer/recycled water systems. In the Irvine and Orange Park Acres rate areas, the proposed adjustment to the base commodity rate is \$0.02 per ccf, with a \$0.55 increase in the fixed water service charge. In the Los Alisos rate area, because of their dependence on imported water and the significant cost increases expected from the Metropolitan Water District of Southern California (Met), the proposed adjustment to the base commodity rate is \$0.10 per ccf, with no increase on the fixed charge for most residential meter sizes. The proposed increase to the uniform sewer fixed charge is \$0.30 per month. More detailed rate information is described below and in the staff report.

BACKGROUND:

Detailed information on the FY 2012-13 Operating Budget projected revenues and expenses, as well as projected changes to rates and charges, are detailed in the staff report attached as Exhibit "A". The staff report also includes updated information on the correlation between the District's rate tiers and their attendant costs, in order to maintain alignment with Proposition 218 requirements.

The proposed Operating Budget is attached as Exhibit "B". The budget has been reorganized this year into the five major functional areas, plus separate sections for proposed labor changes and proposed general plant purchases. In addition to the traditional analysis of expected expenditures, there are two notable changes to the employee benefits budget. First, directly allocable benefits have been included in the department-specific budgets (as a percentage of payroll) rather than aggregated in the Human Resources Department budget under "Benefits." These include costs for Medicare and state unemployment taxes as well as the District's anticipated contributions to CalPERS and to the 401(a) deferred compensation programs. Second, the costs associated with the District's annual contribution to CalPERS are now shown as two components: the "PERS Employer Portion" addresses the annual contribution rate established by CalPERS (16.1% for FY 2011/12) and the "PERS In Excess of ARC" addresses the additional funds directed by the Board to fund the District's long-term pension liability.

Impact on IRWD's Rates and Charges:

Prior to consideration of any rate changes for FY 2012-13, the water system's projected expenses are anticipated to exceed revenue by approximately \$1,075,000 and the sewer/recycled water system's projected expenses are anticipated to exceed revenue by approximately \$127,000.

Based upon the Operating Budget for FY 2012-13 as well as proposed and planned capital contributions from user rates and charges, and assuming a countywide average of 18 ccf per month in water usage, the Irvine Ranch rate area customer's current combined monthly water and sewer bill of \$45.13 is proposed to increase by \$1.05 (2.3%) over FY 2011-12. Customers in the Los Alisos rate area will be impacted by the increased costs of imported water and can expect to see a climb of \$1.30 per month (2.2%) in the average residential bill from \$58.20 to \$59.50. Orange Park Acres rate area customers have rates that are indexed to changes in the Irvine Ranch rate area by agreement.

Water rates in the Inefficient, Excessive and Wasteful tiers will see greater increases due to increased costs from Met. These are detailed in the Staff Report attached as Exhibit "A" starting at page A-6.

Exhibit "C" identifies the effects of the proposed rate increases on residential customers within the Irvine Ranch, Los Alisos, and Orange Park Acres rate areas.

FISCAL IMPACTS:

Planned operating expenses in the Proposed Operating Budget reflect an increase of \$3.8 million from the adopted Operating Budget for FY 2011-12. The proposed rate increases will result in a contribution to the replacement and enhancement capital funds of approximately \$3.8 million and \$11.0 million for water and sewer, respectively.

ENVIRONMENTAL COMPLIANCE:

This item is not a project as defined in the California Environmental Quality Act Code of Regulations, Title 14, Chapter 3, Section 15378.

COMMITTEE STATUS:

This item was reviewed by the Finance and Personnel Committee on April 3, 2012.

RECOMMENDATION:

THAT THE BOARD REVIEW AND PROVIDE COMMENTS ON THE PROPOSED FY 2012-13 OPERATING BUDGET AND PROPOSED RATES AND CHARGES.

LIST OF EXHIBITS:

Exhibit "A" – Staff Report

Exhibit "B" – Proposed Operating Budget for Fiscal Year 2012-13

Exhibit "C" – Selected Comparison of Current and Proposed Residential Rates

EXHIBIT "A"

STAFF REPORT

This staff report provides a discussion of the following areas in support of the District's Proposed Operating Budget for FY 2012-13:

- Projected revenues and expenses and resulting net position in each rate area by system;
- Proposed increases to current rates and charges necessary to meet each operating system's revenue requirements, as well as projected funding from rates and charges for both the Replacement Fund and Enhancement Fund; and
- An analysis correlating the upper tiers of the District's rate structure and their attendant costs, as required by Proposition 218 requirements.

PROPOSED OPERATING BUDGET

During the March 21, 2012 Special Finance and Personnel Committee meeting, staff presented the preliminary draft of the FY 2012-13 Operating Budget for review and input by the Committee. Staff reviewed the major areas reflecting changes from the FY 2011-12 operating budget. All of the Committee's comments have been incorporated into the Staff Report and the Proposed Operating Budget in Exhibit "B".

Projected Revenue:

Estimated potable, untreated, sewer, and recycled water system revenues are projected to be \$109.0 million for FY 2012-13 prior to any potential rate adjustments that may be implemented by the Board. This represents a \$0.6 million decrease from FY 2011-12 operating budget revenues, reflecting a small reduction in commodity water sales. These reduced commodity water sales are offset by even greater reductions in water purchase expenses, attributable primarily to increased water conservation and lower water sales.

To date in FY 2011-12, commodity water sales are under budget by approximately 5%. Staff expects this trend to continue and has based commodity sales projections on actual usage and then applied the projected revenue on a monthly basis using a four year-average for each customer user type. While taking a four-year average may slightly overestimate total commodity sales, it is a more conservative approach to do so in order to ensure that the blended base rate for water is set at a sufficient level to capture the melded cost of water between the various water supply sources of the District.

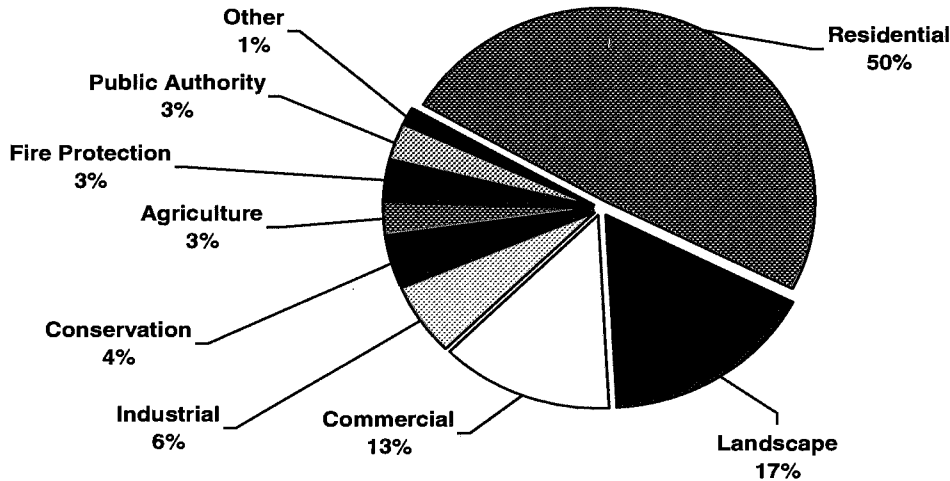
Growth Estimates:

Residential development growth was considered primarily in the apartment sector, although some work has accelerated in the single family residential real estate market within the District. Growth projections are based on the most current projections received from the major developers in the service area. As a result, the growth factor for residential development was estimated at 1% for FY 2012-13.

Commercial volume is flat after the reduction included in the FY 2011-12 Operating Budget which is consistent with commercial vacancy factors. Staff recommends no assumed growth rate for commercial development for FY 2012-13.

Operating Revenue Sources, by Customer Type

Projected Operating Revenue Source: FY 2012-13



Projected Expenses:

The Proposed Operating Budget totals \$111.3 million, which represents a \$3.8 million or 3.5% increase from the prior year's \$107.5 million operating budget (Exhibit "B" Summaries Tab). Of the total expenses, approximately \$97 million is allocated to the operating systems while the balance is allocated to capital projects and capital fund contributions. For purposes of this staff report, the total expenses are examined rather than only those allocated to the operating systems.

The most significant changes to the expenses include the following and are discussed in detail below:

Expense Category	Change from	
	Budget	% Change
Labor	\$1,488,700	6.0%
Overtime	(\$185,180)	(18.7%)
Temporary and Contract Labor	(\$278,100)	(23.4%)
Employee Benefits (retirement, healthcare)	\$552,320	4.2%
Repairs and Maintenance – Other Agencies	\$1,021,790	9.7%
Electrical Usage	\$711,980	7.0%
Chemicals	\$206,060	7.0%
Water Purchases	(\$694,000)	(2.7%)

Labor:

Each year during the process of developing the Operating Budget, staff analyzes the budgeted positions in the current fiscal year to determine the necessary staffing levels and skill base needed to provide the level of service expected by the District's customers in the coming fiscal year and beyond. As part of this analysis, staff also evaluates employee salaries and benefits to ensure that IRWD continues to provide a competitive compensation package within the water industry at a reasonable cost.

Management also researches and identifies opportunities to increase staffing efficiencies and contain costs through technology, outsourcing and other means. At the same time, the District is making sure that it has the appropriate levels of staffing for the operations of the expanded Michelson Water Recycling Plant, Wells 21/22 Desalter project and the ongoing support and development of the District's strategic investments in the Oracle Enterprise Resource Planning solutions.

The Committee requested an analysis of the budget to actual regular labor expense through mid-year of FY 2011-12. There have been a number of vacant positions which are primarily driving the variance between budget and actual for fiscal FY 2011-12 year to date.

	Regular Labor		
	Budget	Actual	Difference
Quarter 1	\$ 5,730,110	\$ 5,403,279	\$ 326,831
Quarter 2	6,056,836	5,661,243	395,593
Mid-Year	<u>\$11,786,946</u>	<u>\$11,064,522</u>	<u>\$ 722,424</u>

The labor budget changes are discussed in more detail in the Assumptions section of Exhibit "B" which factors in reductions in both overtime and temporary contract labor. The current expected financial impact of the staffing changes has been included in the Proposed Operating Budget, as well as increases in the employees' contribution for their pension benefits.

Water Purchases:

Water purchases have been reduced by \$694,000 from the FY 2011-12 budget. Two capital groundwater projects coming online in FY 2012-13 will reduce the melded cost of water by reducing Tier 1 water purchases through the Municipal Water District of Orange County. The first of those two projects is the District's Wells 21 & 22 Desalter project which will provide a less expensive alternative to imported water. This system will come online in October and provide 4,739 acre feet of water. The second project is the Lake Forest Well # 2 coming online in June 2012, providing an additional 500 acre feet of well water for the Los Alisos Service Area. These offset increases in the replenishment assessment rate from Orange County Water District of 5% (\$254-\$267/af), and an increase from MWDOC on its tier 1 rate of 9.3% (\$794-\$868/af).

Chemicals:

Chemicals increased by \$206,060 or 7% over FY 2011-12. The most significant factor is the addition of Wells 21 & 22 Desalter which has an additional \$409,650 of chemicals associated with treatment of the processed water.

Repairs & Maintenance:

Increases in costs associated with Repairs and Maintenance – Other Agencies, account for \$1,021,790 of the overall increase. The most significant factor in this category is the Wells 21 & 22 Desalter which has an additional \$549,000 in brine disposal costs.

PROPOSED RATES AND CHARGES

Staff has prepared a proposed rate change to meet revenue requirements while including increases for replacement and enhancement capital project funding. Exhibit "C" identifies the impact to rates for the Irvine Ranch, Los Alisos, and Orange Park Acres Rate Areas.

Water System:

Irvine Ranch Rate Area

The Irvine Ranch Rate Area treated system experienced an increase in the cost of purchased water from MWD and OCWD, and an increase in funds set aside to build enhancement and replacement capital.

The significant reductions in many areas helped to substantially eliminate the potential impact to commodity rates. Staff recommends an increase of \$0.02 per ccf of water, reflecting additional costs derived from an expected MWDOC rate increase for imported water (\$794 to \$868/af) and a \$13.00/acre foot increase in the groundwater Replenishment Assessment (\$254 to \$267/af). The fixed service charge includes a \$0.55 per month increase, primarily to fund the planned increases to fund replacement and enhancement capital needs.

Based upon countywide average residential usage of 18 ccf/month, the recommended increases in the Irvine Ranch Rate Area will result in an expected rate increase to the average residential customer of \$1.05 or 2.3% from \$45.13 to \$46.18 per month.

Los Alisos Rate Area

The Los Alisos Rate Area experienced cost increases in water since almost all source water used in this rate area is imported water purchased from the Metropolitan Water District of Southern California through the Municipal Water District of Orange County. The addition of the Los Alisos Well # 2 helped reduce the effect of the 9.3% increase from MWDOC. Offsetting these expense increases requires a commodity rate increase (\$0.10/ccf), and a fixed service charge increase of 19.5% for meters larger than one-inch in diameter. This is consistent with the approach the District took in Fiscal Years 2010-11 and 2011-12 to gradually escalate the Los Alisos Rate Area's larger meter fixed charges to bring them closer to the Irvine Ranch fixed service charges. The full 19.5% increase will only affect meters that are below the District's rate by more than that; the District expects to continue applying rate increases to the meter charges until such time as the Los Alisos and Irvine Ranch area rates are at parity.

Based upon countywide average residential usage of 18 ccf/month, the recommended increases in the Los Alisos Rate Area will result in an overall percentage rate increase to the average residential customer of \$1.30 or 2.2% from \$58.20 to \$59.50 per month.

Orange Park Acres Rate Area

In FY 2007-08, the District consolidated with the Orange Park Acres Mutual Water Company. The agreement provided that rates within the new Orange Park Acres Rate Area (OPA) will be changed by the amount necessary to maintain constant the dollar amounts of the difference between commodity and fixed charges in relation to the overall District. In other words, rate increases applied to the Irvine

Ranch rate area will be applied at the same nominal rate to OPA, rather than matching a percentage increase. Exhibit “C” shows the indexed changes to the OPA rates, based upon the proposed changes to the Irvine Ranch area rates.

The following table summarizes the current and proposed water rates for the different rate areas within IRWD:

<u>Revenue Source</u>	<u>Rate Area</u>	<u>Current</u>	<u>Proposed</u>
Base commodity rate	Irvine Ranch	\$ 1.22/ccf	\$ 1.24/ccf
Base commodity rate	Los Alisos	\$ 2.05/ccf	\$ 2.15/ccf
Base commodity rate	OPA	\$ 1.74/ccf	\$ 1.76/ccf
Residential Service rate	Irvine Ranch	\$ 8.75/meter	\$ 9.30/meter
Residential Service rate	Los Alisos	\$ 9.60/meter	\$ 9.60/meter
Residential Service rate	OPA	\$17.25/meter	\$17.80/meter

Untreated Water Rates

The untreated system demands have decreased each year over the last six years and this trend is expected to continue as more customers are converted to using recycled water. The trend of reduced system demands could eventually lead to water needs being met solely by native water. Setting the untreated rate based exclusively on native water costs would result in a rate below recycled water, and thereby eliminate the incentive for converting to the recycled system.

In FY 2011-12, 5,856 acre feet of purchased water spilled over the dam wall when it was replaced by native rainwater. The 1928 Irvine Lake Agreement makes this system unique in that purchased or inventoried water can provide several years of inventory and resolution does not generally occur annually. The District will account for this rainwater at no cost in place of the purchased water and this will continue through seven months of FY 2012-13. This action results in the untreated system operating in a positive position for FY 2012-13. Native water will supply the difference between the rainwater and total demand at a recommended internal rate of \$240 per acre foot.

Staff recommends increasing the untreated rate which is currently \$0.01 /ccf above the recycled rate \$1.09 per ccf. Setting the rate at \$490 per acre foot or \$1.12 per ccf will help to promote conversion from the untreated system to the recycled system and it will provide a reasonable cost of water for those customers on the system with no alternative.

Sewer/Recycled Water System:

The consolidated sewer system has significant replacement capital needs over the coming years based on the District’s Replacement Planning Model. As a result, the District will continue to implement planned increases in the monthly service charges to adequately fund the Sewer Replacement Fund. No portion of the sewer rate increase is related to any operating expense changes. The proposed fixed service charge increase is \$0.30 per month.

TIERED RATE STRUCTURE COST ALLOCATION

In the FY 2010-11 budget, staff provided the detailed methodology for allocating costs to the tiered rates consistent with Proposition 218 requirements. Provided herein is an analysis and recommendation for FY 2012-13 of the cost allocation for each tier consistent with this methodology.

Irvine Ranch Rate Area

The District moved to an allocation-based rate structure in 1991 and established the excessive use tiers with the rates doubling from tier to tier to incentivize water conservation. This approach immediately resulted in a decrease of water consumption that exceeded 10% and it laid the groundwork for the efficient use of water by IRWD customers that is firmly established today. The excessive use tiers provide funding for many programs that are geared toward preserving the water conservation approach established years ago including funding:

- The difference between the Base Rate and the Low Volume (LV) rate
- Conservation programs and incentives
- Conservation outreach efforts that includes identifying and working with Excessive and Wasteful tier users and providing education on conservation for all users
- Maintenance and management of Natural Treatment System (NTS) sites

The methodology utilizes the five tiers beginning with a low volume tier and three conservation tiers. The allocation of costs associated with the tiers follow:

IRVINE RANCH RATE AREA METHODOLOGY	
Tiers	Proposed
Low Volume	Melded cost of pumped water (DATS, DRWF, & IDP)
Base Rate	Melded cost of budgeted sales
Inefficient	MET Tier 1 rate + 33% x (LV differential, Conservation, NTS, and Recycled Conversions) / Inefficient usage
Excessive	MET Tier 2 rate + 33% x (LV differential, Conservation, NTS, and Recycled Conversions) / Excessive usage
Wasteful	MWDOC Penalty + 33% x (LV differential, Conservation, NTS, and Recycled Conversions) / Wasteful usage

When this approach is applied to the budgeted expenses and sales within each tier, the resulting proposed rates for the Irvine Ranch Rate Area for FY 2012-13 follows in the table below:

Tiers	Current Rate (FY 10-11) (per ccf)	Proposed Rate (FY 11-12) (per ccf)	Difference	Description
Low Volume	\$0.91	\$0.91	\$0.00	Pumped water melded cost (Dyer Road Well, DAT, IDP)
Base Rate	\$1.22	\$1.24	\$0.02	All sources melded cost of budgeted water
Inefficient	\$2.50	\$2.76	\$0.26	All-in Met Tier 1 (\$2.20) + 33% of various conservation programs (\$0.56)
Excessive	\$4.32	\$4.70	\$0.38	All-in Met Tier 2 (\$2.75) + 33% of various conservation programs (\$1.95)
Wasteful	\$9.48	\$9.84	\$0.36	MWDOC Penalty Tier (\$5.19) + 33% of various conservation programs (\$4.65)

Los Alisos Rate Area

The Los Alisos Rate Area converted to a tiered rate structure for commodity sales in FY 2011-12. The methodology used for the Los Alisos Rate Area differs from the one identified for Irvine Ranch in the Low Volume, Base Rate, and first excessive use tier. This is due primarily to the difference in source water for these rate areas. The proposal continues to utilize five tiers beginning with a low volume tier and three excessive use tiers. The allocation of costs associated with the tiers follow:

LOS ALISOS RATE AREA METHODOLOGY	
Tiers	Proposed
Low Volume	80% of the all-in cost for MWDOC - MWDOC Water
Base Rate	Melded cost of budgeted sales
Inefficient	120% of MWDOC Water + 33% x (LV differential, Cons., NTS, and Recycled Conversions) / Inefficient usage
Excessive	MET Tier 2 rate + 33% x (LV differential, Conservation, NTS, and Recycled Conversions) / Excessive usage
Wasteful	MWDOC Penalty Tier + 33% x (LV differential, Cons., NTS, and Recycled Conversions) / Wasteful usage

Currently each tier would pay the uniform rate so the variance between the current and proposed rates grow substantially in each successive excessive use tier. This provides the motivation for customer

conservation and it establishes the necessary nexus for Proposition 218. The proposed rate structure for the Los Alisos Rate Area follows:

Tiers	Current Rate (FY 10-11) (per ccf)	Proposed Rate (FY 11-12) (per ccf)	Difference	Description
Low Volume	\$1.54	\$1.54	\$0.00	MWDOC x 80%
Base Rate	\$2.05	\$2.15	\$0.10	MWDOC x 100% + \$0.03 operating component (\$2.05)
Inefficient	\$2.98	\$3.16	\$0.18	MWDOC x 120% (\$2.60) + 33% of various conservation programs (\$0.56)
Excessive	\$4.49	\$4.70	\$0.21	MWDOC Tier 2 (\$2.75) + 33% of various conservation programs (\$1.95)
Wasteful	\$9.84	\$9.84	\$0.00	MWDOC Penalty Tier (\$5.19) + 33% of various conservation programs (\$4.65)

Exhibit “B”

**A complete copy of the
Proposed Operating Budget for FY 2012-13
is available with the District Secretary**





Selected Comparison of Current and Proposed Residential Rates

(in thousands)

	Irvine Ranch		Los Alisos		Orange Park Acres	
Current Residential Rates:	Water	Sewer/ Recycled Water	Water	Sewer/ Recycled Water	Water	Sewer/ Recycled Water
Commodity Rate	\$1.22	\$1.09	\$2.05	\$1.09	\$1.73	
Residential Service	\$8.75	\$16.90	\$9.60	\$16.90	\$16.50	\$2.07
Operations	\$7.65	\$11.90	\$8.50	\$11.90	\$16.15	
Replacements	\$0.60	\$4.50	\$0.60	\$4.50	\$0.60	
Enhancements	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	
Total Service Charge	<u>\$8.75</u>	<u>\$16.90</u>	<u>\$9.60</u>	<u>\$16.90</u>	<u>\$17.25</u>	
Commodity (18 ccf)	<u>\$19.48</u>		<u>\$31.70</u>		<u>\$33.86</u>	
Current Monthly	<u>\$45.13</u>		<u>\$58.20</u>		<u>\$51.11</u>	
Proposed Residential Rate Adjustment:						
Base Commodity Rate	\$1.24	\$1.11	\$2.15 ⁽¹⁾	\$1.11	\$1.75	\$2.09
Operations	\$7.80	\$11.90	\$8.10 ⁽¹⁾	\$11.90	\$16.30	
Replacements	\$0.80	\$4.65	\$0.80	\$4.65	\$0.80	
Enhancements	\$0.70	\$0.65	\$0.70	\$0.65	\$0.70	
Total Service Charge	<u>\$9.30</u>	<u>\$17.20</u>	<u>\$9.60</u>	<u>\$17.20</u>	<u>\$17.80</u>	
Commodity	<u>\$19.68</u>		<u>\$32.70</u>		<u>\$34.22</u>	
Proposed Monthly	<u>\$46.18</u>		<u>\$59.50</u>		<u>\$52.02</u>	
Current Monthly	<u>\$45.13</u>		<u>\$58.20</u>		<u>\$51.11</u>	
Difference	\$1.05		\$1.30		\$0.91	
Change %	2.3%		2.2%		1.8%	

⁽¹⁾ The larger meter service charge in the Los Alisos rate area are much lower than equivalent meters in the Irvine Ranch rate area. In anticipation of establishing a uniform rate, the larger meters are being increased by a greater percentage. Meters larger than 1" will have a service charge increase of 19.5%.

April 9, 2012
Prepared and
Submitted by: L. Bonkowski 
Approved by: P. Cook 

CONSENT CALENDAR

MINUTES OF REGULAR BOARD MEETING

SUMMARY:

Provided are the minutes of the March 26, 2012 Regular Board Meeting for approval.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

Not applicable.

RECOMMENDATION:

THAT THE MINUTES OF THE MARCH 26, 2012 REGULAR BOARD MEETING BE APPROVED AS PRESENTED.

LIST OF EXHIBITS:

Exhibit "A" – March 26, 2012 Regular Board Meeting

EXHIBIT "A"

MINUTES OF REGULAR MEETING –MARCH 26, 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 March 26, 2012 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Swan, LaMar, Withers, and Matheis

Directors Absent: Reinhart

Also Present: General Manager Cook, Executive Director of Operations Pedersen, Executive Director of Engineering and Planning Burton, Executive Director of Finance Cherney, Executive Director of Water Policy Heiertz, Secretary Bonkowski, Legal Counsel Arneson, Director of Water Resources Weghorst, Director of Water Operations Posey, Director of Human Resources Wells, Assistant Director of Water Policy Sanchez, Ms. Jo Ann Corey, Ms. Shannon Reed, Ms. Gina Jackson, Mr. Dave Hayden, Ms. Rosemary Riddle, Ms. Amy McNulty, Mr. Charley Wilson, Ms. Carolyn Emery, Mr. Jim Reed 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, 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 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.

PRESENTATIONS

CAL-STATE FULLERTON PUBLIC SECTOR LEADERSHIP

Using a PowerPoint presentation, Mrs. Shelly Wang, Program Developer with the University Extended Education California State University, Fullerton and Sally Starr, Director, Corporate Relations and Workplace Solutions, provided a presentation about their series entitled "Leadership Development for Public Agencies". Following the presentation, the District's most recent employees to complete the program, including Ms. Amy McNulty, Mr. Dave Hayden, Ms. Rosemary Riddle, and Ms. Jo Ann Corey, were acknowledged for their participation in this program.

ORANGE COUNTY LAFCO ACTIVITIES AND PROJECTS UPDATE

The Orange County Local Agency Formation Commission's (LAFCO) Chairman Charley Wilson thanked the Board for its continued support and partnership. Ms. Carolyn Emery, LAFCO's Assistant Executive Officer, provided the Board with an update on its latest activities and projects, including the revamp of its Municipal Service Reviews featuring the Fiscal Trend Analysis and Shared Services Program. In response to Director Swan's inquiry relative to Elastic Revenue, Ms. Emery said that Executive Director of Finance Cherney will be working with LAFCO for a better understanding of this measure relative to its Fiscal Trends Analysis. Director Withers left the Board room.

CONSENT CALENDAR

Director Swan asked that Item No. 10 be moved to the Action Calendar for discussion. There being no objection, this item was placed on the Action Calendar. On MOTION by LaMar, seconded and carried (3-0) (Matheis, LaMar, and Swan voting aye and Withers absent), CONSENT CALENDAR ITEMS 3 THROUGH 9 AND 11 THROUGH 13 WERE APPROVED AS FOLLOWS:

CONSENT CALENDAR (CONTINUED)

5. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the February 22, 2012 Adjourned Regular Meeting and February 27, 2012 Regular 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, Peer Swan and John Withers.

7. FEBRUARY 2012 FINANCIAL REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for February 2012; approve the February 2012 Summary of Payroll ACH payments in the total amount of \$1,400,794.94, and approve the February 2012 accounts payable Disbursement Summary of Warrants Nos. 327179 through 327967, Workers' Compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$22,751,234.66.

8. DISTRICT STRATEGIC MEASURES DASHBOARD

Recommendation: That the Board receive and file the Strategic Measures Dashboard and information items.

9. 2012 STATE LEGISLATIVE UPDATE

Recommendation: That the Board take a support position on AB 2398 (Hueso) and SB 250 (Rubio); a watch position on AB 1750 (Solorio); and remove opposition and take a neutral position on AB 1354 (Huber), AB 246 (Wieckowski), and SB 200 (Wolk).

11. REIMBURSEMENT AGREEMENT WITH THE CITY OF IRVINE FOR INSTALLATION AND ADJUSTMENT OF IRWD FACILITIES TO GRADE

Recommendation: That the Board authorize the addition of projects 11658 (3786), 21658 (3787), and 31658 (3788) to the FY 2011-12 Capital Budget in the amount of \$222,200, \$95,700, and \$28,600, respectively; approve Expenditure Authorizations for projects 11658 (3786) and 21658 (3787) in the amount of \$222,200 and \$95,700, respectively; and authorize the General Manager to execute a Reimbursement Agreement with the City of Irvine for its annual slurry seal and pavement rehabilitation project, capital improvement projects 311106, 311203, 341203, and 361204.

CONSENT CALENDAR (CONTINUED)

12. OPERATIONS CENTER EXPANSION PROJECT PHASE I MEZZANINE
CONVERSION REDUCTION OF RETENTION

Recommendation: That the Board find that satisfactory progress is being made on the contract; authorize the reduction of retention from 10% to 5% of the contract amount; and release funds in excess of 5% of the contract amount from retention currently held for the Operations Center Expansion Project Phase I Mezzanine Conversion, projects 11422 (1388), 21422 (1120), and 31422 (1156).

13. WELL 107 DRILLING AND EQUIPPING PROJECT REDUCTION OF RETENTION

Recommendation: That the Board find that satisfactory progress is being made on the District's construction contract with Pascal & Ludwig Constructors; authorize the reduction of retention from 10% to 5% of the contract amount; and release funds in excess of 5% of the contract amount from retention currently held for the Well 107 drilling and equipping, project 11432 (1403).

ACTION CALENDAR

AMENDMENT NO. 1 TO AGREEMENT BETWEEN ORANGE COUNTY SANITATION
DISTRICT AND IRVINE RANCH WATER DISTRICT

In response to Director Swan's inquiry, Legal Counsel Arneson said that in July of 2003, OCSD and IRWD had entered into an agreement concerning the transfer of sewer facilities from OCSD to IRWD within the Irvine Business Complex; however, at that time they neglected to include right-of-way transfers, which will be accomplished with this Amendment. On MOTION by Swan, seconded and carried (3-0) (Matheis, LaMar, and Swan voting aye and Withers absent), THE BOARD AUTHORIZED THE DISTRICT OFFICERS TO EXECUTE AMENDMENT NO. 1 TO THE AGREEMENT WITH THE ORANGE COUNTY SANITATION DISTRICT; AND ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2012 – 15

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT APPROVING EXECUTION
OF AMENDMENT NO. 1 TO AGREEMENT
BETWEEN ORANGE COUNTY SANITATION DISTRICT
AND IRVINE RANCH WATER DISTRICT

WELLS 21 AND 22 PIPELINES CONTRACT CHANGE ORDER AND VARIANCE, AND
WELLS 21 AND 22 WELLHEAD FACILITIES EXPENDITURE AUTHORIZATION,
CONTRACT CHANGE ORDER AND VARIANCE

General Manager reported that Wells 21 and 22 pipelines are being constructed by Flatiron West, Inc. and that the Wells 21 and 22 wellhead facilities are being constructed by F.T. Ziebarth Company. Director Withers returned to the Board room.

Executive Director of Engineering Burton reported that for the Wells 21 and 22 Pipeline Project, Contract Change Order (CCO) No. 7 is for work related primarily to the untreated water pipe and the well pump-to-waste pipelines being constructed as part of the contract. Mr. Burton said that the costs include design revisions implemented after receiving the contractor's pothole data and changed conditions encountered during construction. The pothole revisions resulted in costs for increased excavation and backfill, additional lateral utility crossings, and additional steel pipe and fittings. Changed conditions that resulted in additional costs include: 1) mismarked or unidentified utilities; 2) realignment of the 18-inch concrete pipe to avoid the base of an existing manhole; 3) additional effort to cross a 12-inch water main due to the City of Tustin's difficulties in isolating the line for removal and replacement; and 4) replacement of 500 feet of curb and gutter.

Mr. Burton said that during the initial pipeline work, the City of Tustin requested additional pavement testing as well as more frequent testing and multiple sampling locations which were not included in the original scope of work and budget. As a part of this effort, the District's consultant, Ninyo & Moore, has also been participating with LaBelle Marvin on pavement remediation requirements. Variance No. 2 includes the additional pavement testing and engineering support performed by Ninyo & Moore, and Flatiron's extended pipeline construction schedule through April 2012. Variance No. 2 in the amount of \$69,500.

Mr. Burton said relative to the Wells 21 and 22 wellhead facilities project, these wells were initially rehabilitated in 2008 to identify flow rates and water quality characteristics, from which reverse osmosis treatment design criteria for the Wells 21 and 22 Desalter Plant could be developed. He said that since the wells were idle for over three years, video surveys were completed in July 2011 prior to starting construction, which resulted in limited well rehabilitations being recommended to remove the accumulated tubercles. CCO No. 2 was approved in October 2011 for the well drilling subcontractor, Best Drilling, to perform limited well rehabilitations. After well brushing and bailing were completed, subsequent video surveys showed holes and severe corrosion in the upper 300 feet of each well, where the 20-inch copper-bearing steel casing was used. The proposed well repair work includes installation of a 300-foot long section of 304L stainless steel liner, a specially designed landing shoe for the 16-inch by 20-inch reducer, and cement fill in the resulting annular space for each well. Additional airlifting, swabbing and bailing will also be performed at each well. Mr. Burton said that staff received a quote for this work from Ziebarth/Best Drilling, which was found to be reasonable.

Mr. Burton said that the total contract time extension for CCO No. 5 is 113 days. Ziebarth, Best Drilling, and staff worked together to develop an acceptable approach and schedule. He said that the Wellheads Project's completion date is May 10, 2012 and the current American Recovery and Reinvestment Act (ARRA) deadline is June 30, 2012. He further said that United

States Bureau of Reclamation (USBR) staff appears to be amenable to a proposed time extension of four months.

Mr. Burton said that Geoscience was contracted in October 2011 to assist with the hydrogeologic services for the CCO No. 2 work which consisted of well rehabilitation work only. He said that Variance No. 1 is for the additional work for the recent well videos, casing thickness testing, metallurgic testing, gyroscopic surveys, investigation of well repair options, summary reports for the proposed well repairs, technical specifications and bid schedule for the well liners, change order negotiations and schedule evaluations, working with the well liner supplier, upcoming field inspection for the installation of the full-length liners in both wells, and adding well repair work to the summary rehabilitation reports.

Director Withers reported that this item was reviewed and approved by the Engineering and Operations Committee on March 20, 2012. Following discussion, on MOTION by Withers, seconded and unanimously carried, 1) THE BOARD APPROVED CONTRACT CHANGE ORDER NO. 7 IN THE AMOUNT OF \$138,320.51 TO FLATIRON WEST AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE VARIANCE NO. 2 IN THE AMOUNT OF \$69,500 WITH NINYO & MOORE FOR GEOTECHNICAL SERVICES DURING CONSTRUCTION FOR THE PIPELINES FOR THE WELLS 21 AND 22, PROJECT 10286 (1081); AND 2) APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$1,577,800; APPROVED CONTRACT CHANGE ORDER NO. 5 IN THE AMOUNT OF \$791,166 TO F.T. ZIEBARTH COMPANY; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE VARIANCE NO. 1 IN THE AMOUNT OF \$105,630 WITH GEOSCIENCE FOR ENGINEERING SERVICES DURING CONSTRUCTION OF THE WELLHEAD FACILITIES FOR THE WELLS 21 AND 22, PROJECT 10286 (1081).

ORANGE PARK ACRES TRANSMISSION PIPELINE PROJECT – CONTRACT CHANGE ORDER NO. 28

General Manager Cook reported that construction of the Orange Park Acres Transmission Pipeline Project was awarded to Leatherwood Construction, Inc. in October 2010 for the amount of \$6,786,397. Mr. Cook said that this project replaces the existing riveted steel pipeline installed in 1929 that has experienced repeated failures, and will also improve fire flow and water system pressure to the Orange Park Acres area.

Executive Director of Engineering Burton said that Contract Change Order (CCO) No. 28, in the amount of \$668,679, includes the following Change Requests (CR): 1) additional work related to the Delta No. 9 plan revisions along Rancho Santiago for added pot-holing, saw-cutting, breaking and removal of Portland cement concrete beneath the asphalt pavement sections and for additional utility crossings and slurry backfill required by the City of Orange in intersections (CR-41, 43, 44, 46 and 51); 2) additional labor, equipment and materials for the construction of the jack and bore operation at Hewes Avenue due to the unforeseen presence of large rocks which necessitated a larger casing, a deeper excavation and more dewatering (CR-45-1 through CR 45-41); 3) additional work related to the Delta No. 10 plan revisions along Bond Avenue for additional utility crossings and additional slurry backfill required by the City of Orange in the intersections (CR-52, 53 and 54); and 4) additional base paving of 20,641 square feet for trenches over and above the bid quantity of 127,160 square feet at the contract unit price of \$9.00 per SF (CR 58).

He said that staff has reviewed Leatherwood's cost proposals and negotiated changes, and believes that Leatherwood's final costs are appropriate and reasonable.

Director Withers said that this item was reviewed by the Engineering and Operations Committee on March 20, 2012. On MOTION by Withers, seconded and unanimously carried, THE BOARD AUTHORIZED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$1,839,800 FOR THE ORANGE PARK ACRES TRANSMISSION PIPELINE, PROJECT 11408 (1279), AND APPROVED CONTRACT CHANGE ORDER NO. 28 WITH LEATHERWOOD CONSTRUCTION, INC. IN THE AMOUNT OF \$668,679.

DEVELOPMENT AGREEMENT AND ENVIRONMENTAL COMPLIANCE FOR A JOINT WATER BANKING PROJECT INVOLVING THE STOCKDALE WEST RANCH

Director of Water Resources Weghorst reported that staff has been working with Rosedale in initiating a Joint Water Banking Project that would utilize IRWD's Stockdale West Ranch and Rosedale's Enos property located directly east of the Strand Ranch. Mr. Weghorst said that the project would provide for each agency to receive reciprocal use of each other's facilities on a second priority basis. This project would also incorporate additional storage rights for IRWD that would offset the use of existing storage capacity to store water on behalf of IRWD's unbalanced exchange partners and in exchange would incorporate the construction of additional recovery capacity for Rosedale. He said to begin work on the project, an agreement needs to be executed that will provide for the development of an Environmental Impact Report (EIR) and the development of a long-term agreement for the construction and operation of the project. He then reviewed the draft terms of the agreement including: 1) the determination of recharge, recovery and storage rights; 2) reciprocal second priority rights to facilities with Rosedale being able to use the Stockdale West Ranch Facilities once IRWD has used the facilities to satisfy its own requirements and IRWD being able to use equivalent capacity in Rosedale's service area after Rosedale satisfies its own requirements; 3) the division of costs for CEQA, design and construction; 4) an additional storage account in the amount of 50,000 acre-feet for IRWD's use in Rosedale's Conjunctive Use Program with spill provisions that would allow IRWD to store water in Rosedale's Conjunctive Use Program; 5) the construction of additional recovery capabilities for Rosedale on the Enos Property for a cost not to exceed \$1,500,000; 6) the division of high flow Kern River water spread on Joint Banking Project facilities; 7) the division of Kern River flood waters spread on the Joint Banking Project facilities; 8) Rosedale's support of IRWD's pursuit of water supply programs with Friant 215 water suppliers; 9) the operation of the facilities consistent with the long-term IRWD and Rosedale program for the Strand Ranch Integrated Banking Project; and 10) the identification of infrastructure improvements that would benefit the parties. He said that the draft terms have been finalized with Rosedale and IRWD legal counsel has developed an agreement that commits IRWD and Rosedale to the development of an EIR for the project and to the development of a comprehensive long-term agreement that incorporates the proposed terms (Development Agreement). The Rosedale Board of Directors has approved the Development Agreement.

Mr. Weghorst said that both IRWD and Rosedale have extensive experience working with Environmental Science Associates (ESA) on water banking projects including the preparation of the comprehensive Strand Ranch Integrated Banking Project EIR. He said that staff has successfully negotiated a scope of work, schedule and cost estimate with ESA to prepare an

EIR for the proposed Joint Banking Project that incorporates efficiencies based on ESA's prior work on the Strand Ranch EIR and other environmental documentation prepared for Rosedale. He said that staff recommends that ESA be awarded a sole-source professional services contract to prepare the EIR.

Mr. Weghorst said that staff is working with Rosedale in negotiating with Rosedale's hydrogeologist, Mr. Thomas Harder, on a scope of work and costs associated with hydrogeologic evaluations. Staff expects that this cost will be less than the cost of the EIR and that Rosedale will be reimbursing IRWD for a portion of the cost of the EIR. Staff will update the Committee in the future on the reconciled costs of the preparation of the EIR.

Mr. Weghorst said that in addition to the work that Rosedale's hydrogeologist will be performing for the EIR, staff recommends contracting with Wildermuth Environmental, Inc. to summarize previous analyses and groundwater work performed at the Strand Ranch that are relevant to the Joint Banking Project, provide pertinent peer review support for the EIR, an independent technical support to IRWD during the development of the Joint Banking Project EIR, and conducting peer reviews of Rosedale's geohydrologic evaluations and in responding to public comments. He said that staff has negotiated a scope of work and cost estimate for Wildermuth to perform the above work for \$32,710. At the request of staff, Wildermuth has included in its scope of work tasks associated with groundwater elevation monitoring on the Strand Ranch for a two year period. This work, valued at \$17,208, is relevant to the operation of the Strand Ranch wells and will be funded through the Strand Ranch annual operating budget.

Director Swan said that the components of this item were reviewed by the Water Banking Ad-Hoc Committee on January 11, 2012 and March 22, 2012. Following discussion relative to storage capacity, on MOTION by Swan, seconded and unanimously carried, **THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE THE AGREEMENT WITH ROSEDALE THAT WILL FACILITATE THE COST SHARING OF AN EIR AND THE DEVELOPMENT OF A LONG-TERM AGREEMENT FOR A JOINT BANKING PROJECT; AUTHORIZED THE ADDITION OF PROJECT 11645 (3766) TO THE FY 2011-12 CAPITAL BUDGET FOR THE STOCKDALE WEST JOINT BANKING IN THE AMOUNT OF \$246,400; APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$246,400 FOR PROJECT 11645 (3766) FOR THE PREPARATION OF THE EIR, PREPARATION OF SUMMARY TECHNICAL REPORTS, PROVIDING FOR PEER REVIEW SUPPORT AND STAFF AND LEGAL TIME; AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT IN THE AMOUNT OF \$135,675 FOR PROJECT 11645 (3766) WITH ENVIRONMENTAL SCIENCE ASSOCIATES TO PREPARE THE EIR AND SUPPORTING STUDIES; AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT IN THE AMOUNT OF \$49,918 (\$32,710 FOR PROJECT 11645 (3766) AND \$17,208 FOR OPERATIONS RELATED WELL MONITORING AT THE STRAND RANCH PROJECT) WITH WILDERMUTH ENVIRONMENTAL, INC. TO PREPARE REPORTS ON AQUIFER-SYSTEM PARAMETERS, RECHARGE MOUNDING AND GROUNDWATER QUALITY TO SUPPLEMENT AND SUPPORT THE EIR AS WELL AS TO PROVIDE INDEPENDENT PEER REVIEWS OF THE HYDROLOGIC EVALUATIONS TO BE COMPLETED BY ROSEDALE'S GEOHYDROGEOLOGIST AND TO PROVIDE OPERATIONS RELATED WELL MONITORING AT THE STRAND RANCH.**

OTHER BUSINESS

GENERAL MANAGER'S REPORT

General Manager Cook reported on an upcoming meeting with General Managers and Board Members in South County to coordinate efforts for the April 5 meeting with MWDOC.

Mr. Cook said that on Friday a meeting is scheduled with the Army Corps of Engineers' Colonel Toy, along with Directors LaMar and Matheis and staffing from both agencies, relative to potential funding for the District's Syphon Reservoir.

Mr. Cook said that this Friday, several staff members will be attending Corcordia University's one day class entitled: *Creating High Performance Government in Orange County and Beyond*. Staff was asked to inquire if the class is going to be videotaped, and if so, to provide a copy to Director Swan.

DIRECTORS' COMMENTS

Director LaMar reported that he will be attending a Water Education Foundation meeting along with an ACWA Federal Affairs meeting this week.

Director Swan reported that he will be attending a Southern California Dialogue meeting this Wednesday, a Newport Beach Rotary Club meeting on Thursday, an ACWA Board of Directors meeting and an Executive Board meeting on Friday in Sacramento. He said that he attended a Sea & Sage Audubon's annual event on March 16. He asked staff to submit an item to the Finance and Personnel Committee relative to late water fee assessments and trending.

Director Matheis reported that she will be attending a WateReuse Education Foundation meeting, a meeting with Colonel Toy and staff this Friday, and an upcoming ISDOC meeting this Thursday.

CLOSED SESSION

President Matheis said that the following Closed Sessions would be held: 1) CLOSED SESSION with legal counsel relative to existing litigation - Government Code Section 54956.9(a) – SEMA Construction vs. City of Tustin and City of Tustin vs. IRWD; and Sloan vs. Davis, et al.; and 2) CLOSED SESSION with legal counsel relative to anticipated litigation- Government Code Section 54956.9(b) - significant exposure to litigation – one potential case concerning claim filed by Jaimie Davis against IRWD under the Government Tort Claims Act, on file with the District.

OPEN SESSION

Following the Closed Session, the meeting was reconvened with Directors Swan, LaMar, Withers, and Matheis present.. No action was reported under Closed Session Agenda Item (1). President Matheis reported the following action under Closed Session Agenda Item (2):

by a unanimous vote (Reinhart absent), the claim presented by Jaimie Davis was rejected as untimely and without merit.

ADJOURNMENT

There being no further business, President Matheis adjourned the meeting.

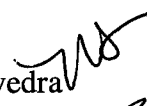
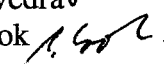
APPROVED and SIGNED this 9th day of April, 2012.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles and Giannone

April 9, 2012
Prepared and
Submitted by: N. Savedra 
Approved by: P. Cook 

CONSENT CALENDAR

RATIFY/APPROVE BOARD OF DIRECTORS'
ATTENDANCE AT MEETINGS AND EVENTS

SUMMARY:

Pursuant to Resolution 2006-29 adopted on August 28, 2006, approval of attendance of the following events and meetings are required by the Board of Directors.

Events/Meetings

Steven LaMar

3/07/12 ACWA Legislative Symposium, Sacramento, CA
3/13/12 Watershed GIS Presentation by PACE
4/04/12 District tour with Senator Mimi Walters
4/27/12 Southern California Water Committee Quarterly Meeting

Mary Aileen Matheis

2/29-3/1/12 ACWA 2012 Washington, D.C. Conference
3/30/12 Meeting w/Colonel Mark Toy regarding Syphon Reservoir
4/04/12 District tour with Senator Mimi Walters

Douglas Reinhart

3/28/12 South County Group Agencies Meeting
4/05/12 MWDOC Board & Member Agency Elected Officials' Forum
4/27/12 Southern California Water Committee Quarterly Meeting

Peer Swan

3/28/12 MWD-Southern California Water Dialogue Meeting

John Withers

4/25/12 2012 Santa Ana River Watershed Conference, San Bernardino, CA
4/27/12 Southern California Water Committee Quarterly Meeting

RECOMMENDATION:

THAT THE BOARD RATIFY/APPROVE THE MEETINGS AND EVENTS FOR STEVEN LaMAR, MARY AILEEN MATHEIS, DOUGLAS REINHART, PEER SWAN AND JOHN WITHERS AS DESCRIBED.

LIST OF EXHIBITS:

None

April 9, 2012

Prepared by: K. McLaughlin *KGM*

Submitted by: G. Heiertz

Approved by: Paul Cook *Paul Cook*

CONSENT CALENDAR

2012 STATE LEGISLATIVE UPDATE

SUMMARY:

This report provides an update on the 2012 legislative session and IRWD state legislative priorities. A copy of the 2012 State Legislative Matrix is attached as Exhibit "A".

Staff recommends that the Board consider the following positions:

- SB 1090: Senate Local Government Omnibus Act of 2012 – SUPPORT
- AB 2069 (Solorio): Sanitation, Sewerage, Water Charges: Collection – SUPPORT
- AB 2595 (Hall): Desalination – SUPPORT
- AB 2000 (Huber): Sacramento-San Joaquin Delta: Conveyance Facilities – OPPOSE
- AB 2421 (Berryhill): Sacramento-San Joaquin Delta: Peripheral Canal – OPPOSE
- SB 1340 (LaMalfa): Appropriation of Water: Sewerage Commission Oroville – OPPOSE
- 2010 State Board Delta Flow Criteria – OPPOSE

BACKGROUND:

The 2012 legislative session is in full swing with policy committees ramping up and spot and intent bills being amended into substantive proposals as Legislators work to have their legislation heard in time to meet the policy committee deadlines of late April and early May. On the Assembly side, 1,227 new bills were introduced in 2012, while the Senate introduced 624 new bills.

IRWD 2012 Legislative Priorities:

AB 2398 (Hueso) – The Water Recycling Act of 2012:

AB 2398 (Hueso) was substantively amended on March 29, 2012 to reflect the language that the Water Reuse Association (WRA) and its members have been working on throughout the past several months. The amendments also address many of the questions and issues raised by WRA members and the state agencies. WRA continues to solicit feedback from its members and stakeholders to ensure that AB 2398 is widely vetted and does not create unintended consequences. WRA has reached out to a wide variety of stakeholders including the State Board and Department of Public Health, industry associations, and environmental groups such as Surfrider, PCL, and the Green California Water Committee (a coalition of environmental groups).

AB 2398 has been "double-referred" to the Assembly Water, Parks, and Wildlife (WPW) Committee and the Assembly Environmental Safety and Toxic Materials (ES & TM) Committee. WPW will hear the bill on April 10, 2012 and ES & TM will hear the bill on April 24, 2012.

SB 1090 – Senate Governance and Finance Omnibus Bill and AB 2069 (Solorio):

The IRWD “bona fide encumbrancer” language was circulated by the Senate Governance and Finance Committee in March as one of the eight amendments to SB 1090, the Local Government Omnibus Act of 2012. As of this writing, no comments have been received on the proposal and staff expects the language to be amended into SB 1090. SB 1090 will be heard in the Senate Governance and Finance Committee on April 18. Assembly Member Solorio has also introduced the IRWD language as a placeholder in a stand-alone bill, AB 2069 (Solorio). AB 2069 will be heard in the Assembly Local Government Committee on April 18. Assuming the language remains in the Omnibus bill, IRWD will not need to move forward with the language in AB 2069. ACWA took a support position on AB 2069 on March 23, 2012.

Staff recommends that the Board consider taking a *support* position on both SB 1090 and AB 2069 (Solorio).

Other 2012 Legislation:

AB 2595 (Hall) – Desalination:

AB 2595 (Hall), sponsored by CalDesal, would direct the Ocean Protection Council to establish a task force to review and assess all currently required permitting processes for the planning, design, construction and operation of desalination facilities and report back to the legislature by December 31, 2013. The bill would also direct \$250,000 in Proposition 84 funding to the development of this report. AB 2595 is designed to provide clarity and predictability to the desalination permitting process in an effort to move feasible desalination projects forward in California. AB 2595 will be heard in the Assembly WPW Committee on April 10, 2012.

As a member of CalDesal, staff recommends that the Committee consider taking a *support* position on AB 2595 (Hall).

SB 1340 (LaMalfa) – Appropriation of Water: Sewerage Commission Oroville:

SB 1340 (LaMalfa) would allow the Sewerage Commission of Oroville to file an application with the State Board to appropriate water based upon the volume of treated wastewater that it discharges into the Feather River. This bill seeks to build upon the Sacramento Regional County Sanitation District language chaptered in AB 134 (Dickenson) in 2011. IRWD, along with a small coalition of agencies including the Metropolitan Water District (MWD), Eastern Municipal Water District, Cucamonga Valley Water District, Three Valleys Municipal Water District and Upper San Gabriel Municipal Water District, opposed SB 134 on the basis of its precedent-setting nature and the bill’s potential to be interpreted as support from the Legislature for Sacramento Regional’s water rights application. The introduction of SB 1340 is exactly what opponents of SB 134 feared – that other agencies would seek the same specific legislation. SB 1340 passed unanimously in the Senate Natural Resources and Water Committee on March 27, 2012 and has been referred to the Senate Appropriations Committee.

Staff recommends that the Board consider taking an *oppose* position on SB 1340 (LaMalfa).
Delta Legislation:

Several bills have been introduced this year that would place additional requirements on the Bay Delta Conservation Plan (BDCP) and efforts stemming from the Sacramento-San Joaquin Delta Reform Act of 2009. Several remain in spot bill form and are not expected to move forward this year. However, currently there are two that attempt to undo the heavily negotiated agreements of the 2009 Delta legislation and add additional requirements in an attempt to derail current efforts around the BDCP, the Delta Plan, and alternative conveyance.

- AB 2000 (Huber) – Sacramento-San Joaquin Delta: Conveyance Facilities: AB 2000 (Huber) was amended on March 29 to add significant and onerous additional requirements prior to the construction of a new Delta conveyance facility and place additional prohibitions on a new Delta conveyance facility. AB 2000 would also authorize three statewide water supply studies: 1) determining the interrelationship between Delta outflow and wildlife resources in the San Francisco Bay System; 2) interconnections between the State Water Resources Development System and the water supply systems serving Alameda, Contra Costa, San Joaquin, San Mateo and San Francisco Counties; and 3) the expansion of Shasta Dam/Reservoir and other existing federal facilities.
- AB 2421 (Berryhill) – Sacramento-San Joaquin Delta: Peripheral Canal: AB 2421 (Berryhill) would require the Legislative Analyst's Office to complete a prescribed economic feasibility analysis prior to the enactment of a statute authorizing the construction of a peripheral canal. According to the Author's office, AB 2421 is currently a spot bill and they intend to amend it to require a cost-benefit analysis of the BDCP.

Staff recommends that the Board consider taking an *oppose* position on AB 2000 (Huber), and AB 2421 (Berryhill).

Delta Flow Criteria:

In August 2010, the State Water Resources Control Board issued a report on new flow criteria for the Delta ecosystem that calls for increased flows into and through the Delta. In its executive summary, the State Board warned of the limitations associated with flow criteria and stated that the report had "no regulatory or adjudicatory effect." In the interim, the flow criteria have gained greater weight and, as the State Board begins the process of developing Delta flow objectives, there is growing concern that the Board will adopt the flow criteria developed in 2010.

If adopted, the 2010 flow criteria could be devastating to California's water and energy supplies, fish and other habitat, and many recreational uses in the state. A coalition of public water and power agencies including ACWA, California Municipal Utilities Association (CMUA), and others have completed an analysis of the potential impacts of the State Water Resources Control Board's Delta flow criteria. The analysis studies the potential impacts on water, energy, the environment and recreation if the criteria were to be adopted as flow objectives and outlines the detrimental impacts of their adoption. The Coalition developed a fact sheet, which is attached as

Exhibit "B", outlining the findings and proposed alternative approaches. The Coalition has asked the State Board to delay any formal process to revise the Delta flow requirements until a more complete picture of the impacts is developed through the BDCP process. The Coalition is also asking that the State Board engage stakeholders through workshops on this issue. To date, State Board staff has not committed to a stakeholder workshop process.

Staff recommends that the Board consider taking an *oppose* position on the 2010 Delta flow criteria and join the coalition efforts to encourage a broader, more balanced approach as the State Board considers adopting Delta flow objectives.

FISCAL IMPACTS:

Not applicable.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed at the Water Resources Policy and Communications Committee meeting on April 4, 2012.

RECOMMENDATION:

THAT THE BOARD TAKE A SUPPORT POSITION ON SB 1090 (SENATE GOVERNANCE AND FINANCE COMMITTEE), AB 2069 (SOLORIO), AB 2595 (HALL), AND AN OPPOSE POSITION ON AB 2000 (HUBER), AB 2421 (BERRYHILL), SB 1340 (LAMALFA), AND THE STATE BOARD'S 2010 DELTA FLOW CRITERIA.

LIST OF EXHIBITS:

Exhibit "A" – IRWD 2012 State Legislative Matrix
Exhibit "B" – Delta Flow Criteria Brochure

EXHIBIT "A"
IRWD 2012 LEGISLATIVE MATRIX
Updated March 22, 2012

Bill No. Author	Title	IRWD Position	Summary/Effects	Status	Notes
<u>AB 246</u> Wieckowski (D)	Income Taxes: Credit: Hiring		Redefines, under the Personal Income Tax and Corporation Tax laws, the term qualified employer to mean a disabled veteran business enterprise, a disadvantaged business enterprise, a microbusiness, or small business. Allows a credit for each net increase in full-time employees, who are paid qualified wages according to specified hourly wage rates.	03/01/2012 - Re-referred to SENATE Committee on GOVERNANCE AND FINANCE.	3/26/12 Board meeting - remove IRWD oppose in response to 2/13/12 amends.
<u>AB 403</u> Campos (D)	Public Drinking Water Standards: Hexavalent Chromium	Watch	Requires the Department of Public Health to post its progress on the establishment of primary drinking water standard hexavalent chromium on the department's Internet Web site. Includes the adoption of a primary drinking water standard for hexavalent chromium among the proposed regulations relating to maximum contaminant levels for primary or secondary water standards that are subject to a review by the Department of Finance of not more than 90 days.	03/01/2012 - In ASSEMBLY. Ordered returned to SENATE. *****To SENATE.	
<u>AB 1508</u> Carter (D)	Junk Dealers and Recyclers: Nonferrous Materials		Amends existing law that regulates junk dealers and recyclers recordkeeping of purchases and sales made in the course of their business and the payment for nonferrous materials, and exempts from the payment by cash or check requirement the redemption of nonferrous materials in connection with the redemption of beverage containers and those sellers of junk or recycling who conduct a specified number of transactions per month. Eliminates these exemptions.	03/05/2012 - Re-referred to ASSEMBLY Committee on BUSINESS, PROFESSIONS & CONSUMER PROTECTION.	
<u>AB 1514</u> Lowenthal B (D)	Public Works: Excavations: Violations		Amends existing law that generally requires any person planning to conduct an excavation to contact a regional notification center prior to excavation, and, if practical, to delineate the areas to be excavated. Authorizes the Attorney General, a district attorney, or the state or a local agency that issued a permit to excavate to bring an action for the enforcement of a civil penalty against an operator or excavator who negligently or knowingly and willfully violates these and related provisions.	02/09/2012 - To ASSEMBLY Committee on UTILITIES AND COMMERCE.	RE: Excavations. Could be detrimental to IRWD. Working with CMUA.

<u>AB 1669</u> Perea (D)	Safe Drinking Water and Water Quality Projects		Relates to grants for projects to prevent or reduce the contamination of groundwater that serves as a source of drinking water. Eliminates the requirement that they be immediate projects needed to protect public health, as prescribed.	02/23/2012 - To ASSEMBLY Committee on WATER, PARKS AND WILDLIFE.	Spot bill for water bond changes.
<u>AB 1686</u> Jeffries (R)	Waterways: Lake Mathews		Requires the Department of Boating and Waterways to allow public access to Lake Mathews, in Riverside County, for the purposes of boating, fishing, and hiking, including access by nonmotorized bicycles. Prohibits body contact with the lake, and limits the type of boats and fuel permitted on the lake. Allows the Metropolitan Water District of Southern California to develop, fund, and operate any necessary infrastructure, place limits on the number of boats and persons accessing and establish a fee.	02/23/2012 - To ASSEMBLY Committee on WATER, PARKS AND WILDLIFE and LOCAL GOVERNMENT.	
<u>AB 1750</u> Solorio (D)	Rainwater Capture Act of 2012	Watch	Enacts the Rainwater Capture Act of 2012. Authorizes residential, commercial and governmental landowners to install, maintain, and operate rain barrel systems and rainwater capture systems for specified purposes, provided that the systems comply with specified requirements. Authorizes a landscape contractor working within the classification of his or her license to enter into a prime contract for the construction of a rainwater capture system if the system is used exclusively for landscape irrigation.	03/01/2012 - To ASM Coms on BUSINESS, PROFESSIONS & CONSUMER PROTECTION and WATER, PARKS AND WILDLIFE.	3/12/12 Board meeting - IRWD watch
<u>AB 1813</u> Buchanan (D)	Sacramento-San Joaquin Delta Reform Act of 2009		Makes a technical, nonsubstantive change to the Sacramento-San Joaquin Delta Reform Act of 2009 establishing the Delta Stewardship Council as an independent agency of the state and requiring the State Water Resources Control Board to establish an effective system of Delta watershed diversion data and public reporting.	02/21/2012 - INTRODUCED.	
<u>AB 1971</u> Buchanan (D)	Theft: Junk, Metals, and Secondhand Materials		Makes technical, nonsubstantive changes to existing law providing that every dealer in junk, metals, or secondhand materials who buys or receives any wire, cable, copper, lead, or brass which he or she knows is ordinarily used by a railroad or other transportation, gas, or electric light company engaged in furnishing utility service without using due diligence to ascertain that the person delivering the same has the right to do so is guilty of criminally receiving that property.	02/23/2012 - INTRODUCED.	
<u>AB 2000</u> Huber (D)	Sacramento-San Joaquin Delta: Delta Plan		States findings and declarations regarding the lack of information about the regulatory and environmental consequences of incorporating the Bay Delta Conservation Plan into the Delta Plan.	02/23/2012 - INTRODUCED.	4/4 WRP - recommended IRWD oppose

			States the intent of the Legislature to enact legislation that would include elements in the environmental impact report and environmental impact statement for the Bay Delta Conservation Plan and to include certain changes in the Bay Delta Conservation Plan.		position.
<u>AB 2003</u> Torres (D)	Junk Dealers and Recyclers: Nonferrous Materials		Relates to existing law requiring junk dealers and recyclers to keep written records of all sales and purchases made in the course of their business. Allows payment for nonferrous materials by check only.	03/08/2012 - To ASM Com on BUS, PROFESSIONS & CONS PROTECT.	
<u>AB 2011</u> Gatto (D)	CalConserve State Revolving Fund		Requires a percentage of Safe, Clean, and Reliable Drinking Water Supply Act funds to be allocated to establish a CalConserve State Revolving Fund to provide grants and loans to private entities for water use efficiency retrofit projects.	03/08/2012 - To ASM Committee on WATER, PARKS AND WILDLIFE.	
<u>AB 2021</u> Wagner (R)	Works of Improvement: Disputed Amounts		Relates to existing law providing, with respect to contracts, an increase in the amount that may be withheld from progress payments or final payments for works of improvement. Increases the amount that may be withheld from progress payments, or final payments, depending on the circumstances, to a sum of various amounts and percentages, as specified.	03/08/2012 - To ASM Coms on BUSINESS, PROFESSIONS & CONSUMER PROTECTION and JUDICIARY.	Commitment from sponsor/author to carve out public agencies.
<u>AB 2051</u> Campos (D)	Public Drinking Water Standards: Hexavalent Chromium		Expresses the intent of the Legislature to enact legislation that would set a deadline for the State Department of Public Health to establish a maximum contaminant level for hexavalent chromium in drinking water.	02/23/2012 - INTRODUCED.	
<u>AB 2069</u> Solorio (D)	Sanitation, Sewerage, and Water Charges: Collection		Relates to an existing law authorizing various local public entities to prescribe fees for services and facilities furnished in connection with their water, sanitation, storm drainage, or sewerage system and providing that such charges may be collected on the tax roll in the same manner as property taxes, the amount of the charges constituting a lien against the lot or parcel, unless the real property has been transferred or conveyed. Makes changes concerning a transfer, conveyance, or attachment.	03/08/2012 - To ASSEMBLY Committee on LOCAL GOVERNMENT.	Introduced on behalf of IRWD as back up if not part of Omnibus Bill. 4/4/12 WRP - recommended IRWD support.
<u>AB 2075</u> Fong (D)	State Water Policy		Declares that it is the policy of the state to promote water conservation, water efficiency, and water recycling as the most cost-effective means of increasing water supply and protecting the environment.	02/23/2012 - INTRODUCED.	

AB 2105 Grove (R)	Junk Dealers: Scrap Metal		Expresses the intent of the Legislature to enact legislation regarding scrap metals and recycling.	02/23/2012 - INTRODUCED.	
AB 2230 Gatto (D)	Recycled Water: Car Washes		Requires an in-by car wash, or a conveyor car wash to either install, use, and maintain a water recycling system, or enter into a contract to use recycled water provided by a retail water supplier to wash and rinse vehicles.	02/24/2012 - INTRODUCED.	
AB 2298 Achadjian (R)	Theft: Scrap Metal and Alloys		Expresses the intent of the Legislature to enact legislation to specifically proscribe the theft of ferrous and nonferrous scrap metals and metal alloys.	02/24/2012 - INTRODUCED.	
AB 2398 Hueso (D)	Water Recycling	Support	Enacts the Water Recycling Act of 2012. Establishes a statewide goal to recycle a total of 1.5 million acre-feet of water per year by the year 2020 and 2.5 million acre-feet of water per year by the year 2030. Requires the State Water Resources Control Board and regional boards, the department, the PUC, the Department of Water Resources, and other state agencies to exercise the authority and discretion granted to them to encourage the use of recycled water and meet the goals of the act.	03/15/2012 - To ASM Committees on WATER, PARKS AND WILDLIFE and ENVIRONMENTAL SAFETY AND TOXIC MATERIALS.	3/26/12 Board meeting - IRWD support.
AB 2421 Berryhill B (R)	Sacramento-San Joaquin Delta: Peripheral Canal		Requires the Legislative Analyst's Office to complete a prescribed economic feasibility analysis prior to the enactment of a statute authorizing the construction of a peripheral canal.	02/24/2012 - INTRODUCED.	4/4/12 WRP - recommended IRWD oppose position.
AB 2423 Berryhill B (R)	Comprehensive Sacramento-San Joaquin Delta Planning		Makes a technical, nonsubstantive change to the Sacramento-San Joaquin Delta Reform Act establishing the Delta Stewardship Council as an independent agency of the state.	02/24/2012 - INTRODUCED.	
AB 2443 Williams (D)	Vessels: Registration Fee: Mussels		Authorizes a county to assess a fee in an unspecified amount on a vessel registered in that county. Requires funds from the fee to be used to establish and operate a dreissenid mussel monitoring, inspection, and eradication program in the county.	02/24/2012 - INTRODUCED.	
AB 2595 Hall (D)	Desalination		Requires the Ocean Protection Council to report to the Legislature on opportunities for streamlining the statewide permitting process for seawater desalination facilities. Requires the council to convene the Seawater Desalination Permit Streamlining Task Force. Appropriates specified bond funds to pay the costs of convening the Task Force and preparation of the report.	02/24/2012 - INTRODUCED.	sponsor: CalDesal 4/4/12 WRP - recommended IRWD support
SB 27 Simitian (D)	Public Employees' Retirement		Amends the State Teachers' Retirement Law. Relates to the Defined Benefit Supplement Program and creditable compensation. Relates to the receipt of lump-sum payments. Relates to substitute	08/25/2011 - In ASSEMBLY Committee on	

			employees' postretirement compensation. Authorizes penalties for late or improper adjustments to on Cash Balance Benefit Program contributions. Requires a Public Employees' Retirement System participating employer to notify the Board of Administration of payrate changes.	APPROPRIATIONS: Not heard.	
SB 31 Correa (D)	Post Government Employment: Restrictions		Applies the post government employment restrictions of the Political Reform Act of 1974 to other public officials serving as members of local governing boards or commissions with decision making authority.	01/26/2012 - In SENATE. Passed SENATE. *****To ASSEMBLY.	2_Year_Bill
SB 46 Correa (D)	Public Officials: Compensation Disclosure	Oppose_Am end	Requires every designated employee and other person, except a candidate for public office, who is required to file a statement of economic interests to include a compensation disclosure form that provides compensation information for the preceding calendar year. Requires every agency to post of that agency's Internet Web site information contained on the compensation disclosure form filed by a person required to file a statement of economic interests. Requires the adoption of emergency regulations.	08/22/2011 - In SENATE. Read third time, urgency clause adopted. Passed SENATE. *****To ASSEMBLY.	Correa not expected to move forward with SB 46 in its current form.
SB 52 Steinberg (D)	Environmental Quality: Jobs and Economic Improvement		Amends the Environmental Quality Act. Requires that a project result in a specified minimum financial investment that is spent on planning, design, and construction of the project. Requires a lead agency to place the highest priority on feasible measure that will reduce greenhouse gas emissions on the site and in the neighboring communities of the project site. Relates to judicial review of an environmental impact report. Relates to the Judicial Council's reporting requirements.	01/31/2012 - In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY.	2_Year_Bill
SB 186 Kehoe (D)	The Controller		Authorizes the Controller to exercise discretionary authority to perform an audit or investigation of any county, city, special district, joint powers authority, or redevelopment agency. Expands existing law, providing that if reports are not made in a specified manner of if there is reason to believe that reports are false, an investigation may be made and a copy of the results transmitted to the grand jury of the county, to also include a special district, joint powers authority, or redevelopment agency.	06/29/2011 - In ASSEMBLY Committee on LOCAL GOVERNMENT: Reconsideration granted.	
SB 200 Wolk (D)	Delta Levee Maintenance		Declares the legislative intent to reimburse eligible local agencies up to a specified percentage of maintenance or improvement or project or no project levees in the Sacramento-San Joaquin Delta until an specified date and to increase the reimbursement rate on and after	01/26/2012 - In SENATE. Read third time. Passed SENATE. *****To	3/26/12 Board meeting - remove IRWD oppose due to

			that date. Extends the authorization of the Reclamation Board to provide funds to an eligible local agency in the form of an advance in an amount that does not exceed a specified percentage of the estimated state share.	ASSEMBLY.	1/12/12 amends. <u>2_Year_Bill</u>
SB 250 Rubio (D)	Sacramento-San Joaquin Delta: Delta Plan: Facility	Support	Amends the Sacramento-San Joaquin Delta Reform Act of 2009 which requires the incorporation of the Bay Delta Conservation Plan into the Delta Plan and requires the Bay Plan to include a review and analysis of Delta conveyance alternatives including specified canals and pipelines. Requires the Department of Water Resources development of certain Delta conveyance facilities to be completed on or before a specified date, and the construction of those facilities to be completed by a specified date.	08/29/2011 - In ASSEMBLY. Read second time and amended. Re-referred to Committee on RULES.	3/26/12 Board meeting - IRWD support <u>2_Year_Bill</u>
SB 449 Pavley (D)	Controller: Local Agency Financial Review		Authorizes the Controller to conduct a preliminary review to determine the existence of a local agency financial problem, and perform an audit upon completion of that review and to convene a local agency financial review committee and to authorize the committee to recommend a financial recovery plan for a local agency requesting assistance. Requires the Controller to report to the Legislature on the actions of the committee and the status of all engagements with local agencies.	06/29/2011 - In ASSEMBLY Committee on LOCAL GOVERNMENT: Reconsideration granted.	
SB 900 Steinberg (D)	Regional Water Quality Control Boards: Members		Amends the Porter-Cologne Water Quality Control Act. Deletes provisions of the act prohibiting a board member from participating in actions that involve the member or a waste discharger with which the member is connected. Specifies that the limitation on the member's financial interest applies only to a disqualifying financial interest within the Political Reform Act. Relates to requirements, qualifications, and to disqualifying factors for regional board members.	07/01/2011 - In ASSEMBLY. To Inactive File.	
SB 911 De Leon (D)	Local Agency Bonds: Reports		Requires the Chief Fiscal Officer of a local agency issuing bonds to file a report on any project funded with its governing body within 60 days after the close of the agency's fiscal year. Provides that failure to do so on time shall result in a suspension of bond proceeds until the report is submitted. Requires a issuing local agency, upon a request about any expenditure of bond proceeds exceeding a specified amount, to make specified information available with respect to any expenditure or expenditures.	05/23/2011 - To ASSEMBLY Committee on LOCAL GOVERNMENT.	

SB 964 Wright (D)	State Water Resources Control Board		Provides that the exemption for the adoption of regulations for the issuance, denial or revocation of specified waste discharge requirements and permits shall not apply to any general permits or waivers issued under state law or the federal National Pollutant Discharge Elimination System, thereby requiring the State Water Resources Control Board and the regional water quality control boards to comply with provisions that require the adoption of regulations under those circumstances.	03/08/2012 - In SENATE. Read second time and amended. Re-referred to Committee on ENVIRONMENTAL QUALITY.	
SB 965 Wright (D)	Water Resources Control Boards: Ex Parte Communications		Prohibits a state water resources control board, regional board member, or a person, other than a board staff member acting in his or her official capacity, who intends the influence the decisions of a board member on a matter before the board, from conducting an ex parte communication. Provides that if such communication occurs, the board member shall notify the interested party that a full disclosure of the communication shall be entered in the board's record.	03/08/2012 - In SENATE. Read second time and amended. Re-referred to Committee on ENVIRONMENTAL QUALITY.	
SB 1090 Governance and Finance Cmt	Local Government: Omnibus Bill		Requires the legislative body of a general law city to submit a sidewalk installation charge to the voters and receive a 2/3 vote to approve the charge prior to imposing the charge. Specifies that, if the improvements and activities proposed for each year of operation of the district are the same, this requirement may be satisfied if the management plan includes a description of the first year's proposed improvements and activities. Relates to the refunding of district revenues upon district expiration.	03/01/2012 - To SENATE Committee on GOVERNANCE AND FINANCE.	4/4/12 WRP - recommended IRWD support
SB 1146 Pavley (D)	Wells: Reports: Public Availability		Relates to well reports. Requires the Department of Water Resources to make the well reports available to the public. Requires the department to provide specified disclaimers. Allows the department to charge a reasonable fee to recover the cost of reproducing the report and for compliance with the Information Practices Act.	03/01/2012 - To SEN Com on NATURAL RESOURCES AND WATER and EQ.	
SB 1251 Evans (D)	Invasive Aquatic Species: Quagga Mussels		States the intent of the Legislature to enact legislation to require the Department of Fish and Game to develop a new statewide quagga mussel prevention and management plan dependent on criteria, including, but not limited to, inspection protocols and the tracking of vessels.	03/08/2012 - To SENATE Committee on RULES.	
SB 1340 LaMalfa (R)	Appropriation of Water: Sewerage Commission Oroville		Authorizes the Sewerage Commission Oroville to file an application for a permit to appropriate a specified amount of water that is based on the volume of treated wastewater that it discharges into the	03/08/2012 - To SENATE Committee on NATURAL	Expansion of AB 134 (Dickenson),

			Feather River. Authorizes the State Water Resources Control Board to grant a permit to appropriate that treated wastewater upon terms and conditions determined by the board. Requires the board to comply with permit, approval and review requirements, prior to granting a permit pursuant to these provisions.	RESOURCES AND WATER.	sponsored by Sac Regional in 2011. 4/4/12 WRP - Recommended IRWD oppose
<u>SB 1387</u> Emmerson (R)	Metal Theft		Prohibits any junk dealer or recycler from possessing a public fire hydrant, fire department connection, including, but not limited to, bronze or brass fittings or parts, a public manhole cover or lid, or any part of that cover or lid, or a public backflow device and connections to that device without a written certification on the letterhead of the public agency or utility that owns or previously owned the material and that the entity has sold. Makes such dealers civilly liable.	03/08/2012 - To SENATE Committees on BUSINESS, PROFESSIONS AND ECONOMIC DEVELOPMENT and RULES.	
<u>SB 1395</u> Rubio (D)	State Auditor: Local Government Agency Audit Program		Makes technical, nonsubstantive changes to existing law authorizing the State Auditor to establish a high-risk local government agency audit program for the purpose of identifying, auditing, and issuing reports on any local government agency that the State Auditor identifies as being at high risk for the potential of waste, fraud, abuse, and mismanagement or that has major challenges associated with its economy, efficiency, or effectiveness.	03/08/2012 - To SENATE Committee on RULES.	
<u>SB 1495</u> Wolk (D)	Sacramento-San Joaquin Delta Reform Act of 2009		Excludes from the definition of covered action, under the Sacramento-San Joaquin Delta Reform Act of 2009, specified leases approved by specified special districts, and dredging activities and projects conducted by the federal government or specified special districts to improve interstate and international commerce through the navigable waters.	02/24/2012 - INTRODUCED.	4/4/12 WRP - recommended IRWD oppose
<u>SB 1498</u> Emmerson (R)	Local Agency Formation Commission: Powers		Authorizes the Local Agency Formation Commission to authorize a city or district to provide new or existing services outside its jurisdictional boundaries and outside its sphere of influence to support existing or planned uses involving public or private properties, subject to approval at a noticed public hearing.	02/24/2012 - INTRODUCED.	Sponsor: League of Cities. ACWA concerns - working with author/sponsor



RISKS AHEAD

Flows and the Delta:

The Consequences of Using a One-Dimensional Approach to Address a Complex Problem

In August 2010, the State Water Resources Control Board issued a report on new flow criteria for the Delta ecosystem that calls for increased flows into and through the Delta. In its executive summary, the State Board cautioned readers about the limitations of any flow criteria and made it clear the report had "no regulatory or adjudicatory effect." The State Board emphasized that because the criteria were developed in an accelerated process required by law, the Board focused only on aquatic resources in the Delta and did not consider other public trust resources. The State Board stated clearly that a more comprehensive review and consideration of a broad range of public trust resources would be required before setting flow objectives with regulatory effect.

Despite these cautions, some interest groups have assigned greater weight to the flow criteria than they deserve. With the State Board set to begin the process of developing actual flow objectives for the Delta, it is critical to understand the limitations of the flow criteria and the broader consequences of trying to resolve the Delta's ecosystem problems through a one-dimensional, natural flow regime.

To help bring these issues into focus, a coalition of public water and power agencies has completed an analysis of the potential impacts the proposed flow criteria would have on water, energy, the environment and recreation if they were to be adopted as flow objectives. The analysis illustrates the severe consequences under a flow-centric approach, and underscores why a more comprehensive planning effort is needed.

Impacts of a One-Dimensional, Flows-Only Approach

- Reservoir levels critically reduced.
- Loss of available water supplies for cities, farms, businesses and species.
- Harm to fish / habitat due to warmer, slower-moving water.
- Significant reduction in hydropower generation and the potential for increased carbon emissions from replacement energy sources.

To achieve the coequal goals of improved ecosystem health and water supply reliability, California must address all aspects of the challenge, not just flows. The coalition believes that due consideration of all the public interests will lead to sound future policy decisions.

Current Coalition:

- Association of California Water Agencies
- California Municipal Utilities Association
- City of Redding; Department of Public Works
- Northern California Water Association
- Northern California Power Agency
- Placer County Water Agency
- Redding Electric Utility
- Sacramento Municipal Utility District
- San Luis and Delta-Mendota Water Authority
- State Water Contractors
- Westlands Water District
- Yuba County Water Agency

Delta Water Flows: A Careful Balancing Act

The Delta: A Water Hub and Treasured Estuary

The snowmelt and rainfall flowing from the vast Sierra Nevada watershed are vital to virtually every corner of California. The hub of this critical water system lies in the Sacramento-San Joaquin Delta. This system is managed by the federal Central Valley Project, California's State Water Project and many local projects.

By design, the water flows are managed by an intricate system of reservoirs, levees and weirs that serve many equally important purposes:

- Generating clean hydropower to help keep California's energy grid humming.
- Ensuring plants, fish and wildlife have proper water flows and temperatures.
- Distributing fresh water to cities, industries and farms.
- Protecting communities from flooding.

What the State Water Resources Control Board Was Directed to Do

In 2009, the Legislature directed the State Board to develop new, non-binding flow criteria for the Delta. The purpose was to help inform two major planning processes under way — the Delta Stewardship Council's Delta Plan and the Bay Delta Conservation Plan. These two plans seek to create a more reliable water supply while restoring the ecosystem.

What the Flow Criteria Could Do

The State Board accepted a report identifying flow criteria that called for increased reservoir releases to flow into the Delta and eventually out to the Pacific Ocean. The criteria proposed to:

- Increase flows from the Sacramento and San Joaquin rivers into the Delta by approximately 25 percent overall in an average weather year.
- Require increased reservoir releases in winter and spring months.
- Reduce water available as a public water supply.

The State Board stated that a more comprehensive review and consideration of a broad range of public trust resources would be required before setting flow objectives. Such a process would consider:

- Impacts on other public trust resources, including cold water pool in upstream reservoirs.
- Impacts on fish habitat.
- Impacts on navigation, commerce and recreation on upstream rivers.
- Impacts on beneficial uses of water, including municipal, industrial, agricultural and other environmental uses.
- Impacts on power production.
- Economic impacts.
- Effects of flow measures on non-aquatic resources, such as habitat for terrestrial species.

Public water and power agencies are committed to working with the State Board to advance an approach to flows that truly supports the coequal goals.

"The (State Water Resources Control Board) shall, pursuant to its public trust obligations, develop new flow criteria for the Delta ecosystem necessary to protect public trust resources."

— *Delta Reform Act, November 2009*

"In this forum, the State Water Board has not considered.... any balancing between potentially competing public trust resources (such as potential adverse effects of increased Delta outflow on the maintenance of coldwater resources for salmonids in upstream areas)."

— *Delta Flow Criteria, State Water Resources Control Board, August 2010*



Environmental Impacts: Distress for Spawning Grounds, Flyways and Refuges; Loss of Clean Power

Forcing larger flows into the Delta from January through June would have serious consequences upstream. In the fall, spawning salmon and steelhead need cold water, not warm, for their eggs and baby fry to survive. Currently, water and fisheries managers are already struggling to maintain adequate cold water temperatures below dams during spawning and rearing seasons. The impacts of climate change would cause additional challenges for maintaining colder temperatures. California's efforts to address climate change by increasing renewable power generation (AB 32) may be set back by the loss of clean summer hydropower.

Double Whammy: Warmer Waters, Lower Flows

If reservoirs reach low levels or "dead pool" status, healthy water conditions would diminish.

- Water releases would be warmer and less suitable for spawning fish.
- Low summer flows would be more susceptible to warm ambient air temperatures, pushing water temperatures even higher.
- Lower flows and slower moving water in summer months would mean less dilution of pollutants and wastewater releases, worsening their harmful effects.

Shasta Dam

Low and "dead pool" levels at Shasta Lake reservoir would cause temperature objectives for fish survival to be exceeded in 90 percent of years below the dam, threatening the survival of salmonid eggs and fry. This will impact:

- Fall-run and winter-run Chinook salmon
- Steelhead

Folsom Reservoir

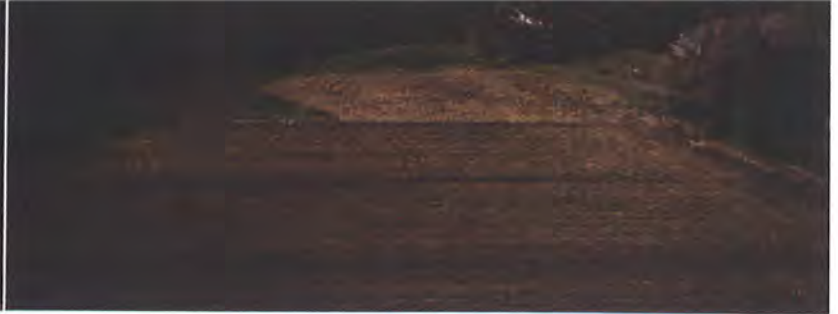
Low water levels at Folsom Lake reservoir and subsequent higher water temperatures similarly jeopardize important salmon and steelhead populations along the lower American River as well as operations at the Nimbus Fish Hatchery.

Pacific Flyway

Reduced water supplies to farmers north of the Delta would result in the loss of rice fields, with the domino effect of reducing food availability for waterfowl to support the Pacific Flyway, especially in the fall.

Loss of Clean Hydropower

California would lose a significant portion of a clean, renewable energy resource at a time when the state is seeking to reduce carbon emissions.



Water Supply Impacts: Empty Reservoirs, Fallowed Fields, Failed Water Standards

The Water Board's 2010 Delta flow criteria — if imposed — would greatly increase reservoir releases in winter and spring months. An additional 4.6 million acre-feet of water a year on average would flow out to the ocean and be unavailable as a public water supply. In some years, these additional reservoir releases would redirect as much as 6 million acre-feet as new outflow. This would be on top of the 18 million acre-feet of water on average that already follows this course.

Increased reservoir releases in winter and spring translate into decreased water supplies for the California economy. Here is a look at the impacts:

Overall

Freshwater exports from the Delta — which in average rain years now constitute 17 percent of all the water that flows into the estuary — would be cut in half.

On average, 2.8 million acre-feet of water supply per year would be lost to communities and farms in the Bay Area, Central and Southern California.

Urban and Industrial

- Communities would lose 1.1 million acre-feet of water supply.
- The lost urban supply is roughly equivalent to the entire water supply of the greater San Francisco Bay urban area.

Agriculture

The cost to California's \$36 billion agricultural economy would be severe.

- Farmers would lose 2.4 million acre-feet of water supply.
- Groundwater supplies are limited and cannot sustain the water losses.
- In farming regions north of the Delta, 700,000 acres would be fallowed.
- In farming regions south of the Delta, 1 million acres would be fallowed.

Preparing for Droughts

The state frequently would be unable to store water for times of drought, magnifying the adverse social, economic and environmental impacts of these inevitable dry cycles.

Meeting Water Standards

The Water Board's own existing requirements for freshwater flows and salinity standards in the Delta would no longer be met in many years and months due to the lack of available reservoir supply.

Reservoir Impacts:


A California Landscape of "Dead Pools"

In reservoir operations, "dead pool" refers to the condition when the water level falls to the very bottom of the lowest outlets on the face of a dam. Once a reservoir is at dead pool, no storage can be released. No hydropower can be generated. This condition is now a rarity for most reservoirs in Northern California.

Under the Water Board's flow criteria, "dead pool" would become a common occurrence.

Notably, San Luis Reservoir, which lies south of the Delta and is largely fed by exported water from the Delta, not river flows, would be at dead pool **98 percent of all years**.

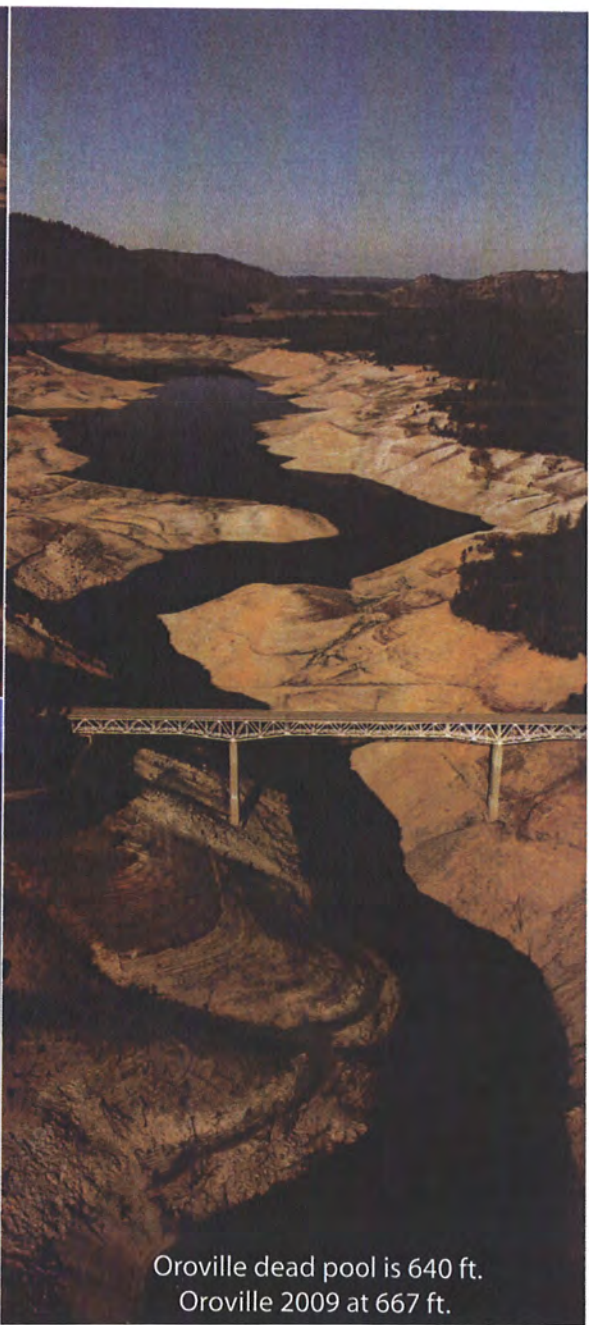
Reservoir	Location	Capacity	Likely Years at Dead Pool
Trinity	Trinity County	2.5 million ac-ft	Nearly half of all years
Shasta	Shasta County	4.5 million ac-ft	More than half of all years
Oroville	Butte County	3.5 million ac-ft	More than half of all years
Folsom	Placer County	1 million ac-ft	Nearly half of all years
San Luis	Merced County	2 million ac-ft	98 percent of all years



Folsom dead pool is 206 ft.
Folsom Lake 2008 at 366 ft.



Shasta Lake dead pool is 738 ft.
Shasta Lake 1977 at its lowest elevation 836 ft.



Oroville dead pool is 640 ft.
Oroville 2009 at 667 ft.

Hydropower Impacts: The Backbone of California's Power Supply

Hydroelectricity is a power source that's often taken for granted and overlooked. It's not flashy like solar or eye-catching like wind farms. Most hydro facilities have been there for decades. Yet, it's the never-failing reliability of hydropower that makes it the backbone of California's power supply. A few indisputable facts:

- California has nearly 400 hydropower plants, and the majority are located in the Sacramento and San Joaquin river watersheds.
- The 400 hydro plants have a combined capacity of 14,000 MW, which produces 28 million megawatt hours of electricity each year.
- Nearly 14 percent of all the power generated in California comes from hydro.
- More than 52 percent of California's renewable power resources are hydro.
- Hydropower can meet up to 45 percent of Northern California's summer peak load.
- Using California's hydropower avoids over 29 million metric tons of carbon pollution each year – equal to the output of over 5.5 million passenger cars.

Devastating Impacts to California's Power Supply

Hydropower is a simple, yet effective concept: Reservoirs capture a significant amount of winter and spring river runoff. The stored water is then released through turbines throughout the year, with the largest releases occurring in the summer to meet the state's high energy demands.

Dramatically increasing winter and spring river flows on the Sacramento and San Joaquin watersheds would leave reservoirs severely depleted and too often near-empty, reducing hydroelectric generation up to 50 percent in the summertime. How important is hydropower to the families, businesses and farms of California? Consider this:

- The recommended river flows would mean an overall power loss that's equivalent to the needs of a city the size of San Francisco.
- Hydropower is instantaneous—throw a lever and clean power pulses immediately through the system, keeping the lights on. During California's long, hot summers, hydropower plays a vital role in keeping the power flowing and the state's power grid stable.
- Hydropower's flexibility is crucial for the development of renewable energy sources. It can be ramped up or down on short notice to help smooth out the intermittency of other renewable sources such as solar and wind.
- Hydropower is the most economical source of power available. If the ability to generate low-cost hydropower is reduced when demand is highest, electricity costs would significantly increase.
- Hydropower is clean power. Carbon-emitting resources may be the only alternative power available.
- Reducing hydropower would be a step backwards from a cleaner, greener power supply and the state's effort to reduce carbon emissions.



Recreational and Economic Impacts: Dry Docks, Lost Tourism Dollars

The reservoirs that help sustain the state and federal water projects also serve as economic engines for nearby communities. These beautiful bodies of water provide important recreational opportunities to the public, including boating, swimming, fishing, sailing, picnicking, houseboating, kayaking, camping, rowing events, food services and wildlife viewing. If reservoir levels fall to "dead pool" levels on a recurring basis, tourism, sales tax income, local jobs, aesthetics and public enjoyment will be diminished. California's past droughts have shown what low lake levels can do to the recreational and economic picture for communities:

- Waters replaced by cracked earth.
- Docked boats ordered out of the water.
- Boat ramps surrounded by dry land.
- Holiday disruptions.
- Local marinas, restaurants and tackle shops struggling for business.
- Declines in local property values.

Here is a look at some of the major reservoirs that would feel the impacts:

Shasta Reservoir

- Dubbed "Houseboating Capital of the West"
- Recreation is Shasta County's fourth-largest industry sector for employment.
- 21.9 percent of Shasta County local tax receipts were visitor-generated in 2009.
- \$107.6 million in Shasta County earnings from travel-generated employment in 2009, and this was a drought year.

Folsom Reservoir

- Folsom Lake State Recreation Area: 1.3 million visitors in 2009-'10.
- 75 miles of coastline, third-largest lake in the California State Parks system.
- Peak season: Memorial Day through Labor Day.
- 13 concessionaires operating at the lake. Among them:
 - Folsom Lake Marina with 500 boat slips and gross annual receipts of more than \$1 million.
 - 12 other lake-based businesses with collective gross receipts of \$500,000 a year.

Oroville Reservoir

- Second-largest reservoir in California, largest in the State Water Project, with more than 150 miles of shoreline.
- Salmon, trout, bass, catfish, sturgeon, mackinaw, crappie and blue gill fishing.
- 800 boat moorings and other enterprises at Bidwell Marina; 2009-'10 gross sales in excess of \$1.4 million.
- 300 boat moorings at Lime Saddle Marina; gross receipts just over \$1 million a year.

What's Needed:

A Broader Look at the Delta, Water and Power

The Water Board's flow criteria exemplify a one-dimensional look at a multi-dimensional resource problem. Lasting solutions for the Delta ecosystem and California's water and power needs will have to take into account all aspects of the challenge, not just one. The Water Board has initiated proceedings to review flow objectives on the San Joaquin River. It has recently announced it intends to review flow objectives throughout Northern California. Now is a critical time to establish a more comprehensive, broad approach to balancing California's many water needs.

Understanding the Real-World Impacts of Proposals

- Any proposal to change the operations of California's major reservoirs has many consequences.
- Impacts on habitat and ecosystems, both upstream and downstream, must be understood.
- Public trust values must be identified and properly balanced.
- Water supply impacts must be analyzed for upstream and downstream users in all year types.
- Hydropower impacts must be identified and taken into full account.

Taking Advantage of Existing Efforts

- The Bay Delta Conservation Plan is an example of an ongoing effort to establish a habitat conservation plan that combines Delta water system improvements with ecosystem enhancements.
- Establishing future flow needs in the Delta, as part of a process that balances public trust and public interests, should happen **AFTER** the completion of habitat plans, not **BEFORE**.
- Understanding impacts should happen **BEFORE**, not **AFTER**, proposals are advanced.

Adopting a More Holistic Approach to Healing the Delta Ecosystem

- The Delta has lost 95 percent of its natural wetlands since settlements began in the 1850s.
- Invasive species now comprise more than 90 percent of the overall population of the ecosystem.
- A comprehensive approach to promoting ecosystem health, rather than a focus on reservoir releases, will be more effective and avoid unintended, negative consequences to the environment and economy.

For more information, contact California Municipal Utilities Association at 916.326.5800 or State Water Contractors at 916.447.7357.


Source: *Hydrologic Modeling Results and Estimated Potential Hydropower Effects Due to the Implementation of the Sacramento Water Resources Control Board Delta Flow Criteria*, December 2011, http://www.sfcwa.org/category/programs/delta_governance_water_management/.



April 9, 2012

Prepared by: B. Beeman/K. McLaughlin

Submitted by: Greg Heiertz

Approved by: Paul Cook 

CONSENT CALENDAR

SUPPORT FOR LAFCO SPECIAL DISTRICT REPRESENTATIVE CANDIDATE AND DIRECTOR OF CALIFORNIA DEPARTMENT OF WATER RESOURCES APPOINTMENT

SUMMARY:

The Orange County Local Agency Formation Commission (LAFCO) will hold elections in June 2012 for the special district's regular seat representative. Charley Wilson's request for support is attached as Exhibit "A". Additionally, the California State Senate has scheduled a confirmation vote for Mark Cowin, the Director of the California Department of Water Resources, on April 18, 2012.

Staff recommends that IRWD support the nomination of Charley Wilson for the LAFCO regular special district seat representative and the confirmation of Mark Cowin as Director of the California Department of Water Resources. Staff also recommends that the Board designate Mary Aileen Matheis to vote in the LAFCO election on behalf of IRWD and Steve LaMar as the alternate voting member.

BACKGROUND:

Orange County Local Agency Formation Commission Election:

LAFCO has announced that it will conduct an election for the special district's regular seat representative and city representatives. On or shortly after May 15, 2012, ballots and voting instructions will be mailed with a deadline to return mail-in ballots of June 15, 2012. Charley Wilson, a member of the Santa Margarita Water District Board of Directors, is currently the Chairman of LAFCO and is running for the regular special district seat. Attached is Exhibit "A" which is a letter from Charley Wilson outlining his experience with special district issues and requesting support of his candidacy.

Appointment of the Director of the Department of Water Resources:

The California State Senate has scheduled a confirmation vote for Mark Cowin, the California Department of Water Resources Director, on April 18, 2012. Mr. Cowin was initially appointed as Director of Water Resources by then-Governor Arnold Schwarzenegger on February 1, 2010 and has remained in the role of Director under Governor Jerry Brown.

During his time as Director, Mr. Cowin has overseen a wide array of Department activities including operation of the California State Water Project; management of the Sacramento-San Joaquin Delta; administration of more than \$5 billion in bond funding for flood protection and ecosystem restoration; and promotion of sustainable resource management. Prior to his appointment as Director, Mr. Cowin served as Deputy Director of Integrated Water Management for the Department. His primary responsibilities included overseeing the Department's flood

management and dam safety programs, implementing Integrated Regional Water Management, coordinating the Department's efforts related to climate change, and updating and implementing the California Water Plan. In previous assignments, Mr. Cowin served for five years as Chief of the Department's Division of Planning and Local Assistance and was responsible for the state's strategic planning for water management and for providing technical and financial assistance for water management to local agencies and communities. Mr. Cowin also served as an Assistant Director for the CALFED Bay-Delta Program where he was responsible for the Bay-Delta Program's water management planning activities. He received a B.S. in Civil Engineering from Stanford University in 1980.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

None.

COMMITTEE STATUS:

This item was reviewed at the Water Resources Policy and Communications meeting on April 4, 2012.

RECOMMENDATION:

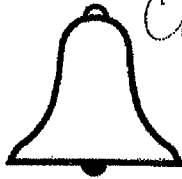
THAT THE BOARD SUPPORT THE NOMINATION OF CHARLEY WILSON FOR THE LAFCO REGULAR SPECIAL DISTRICT SEAT REPRESENTATIVE, THE CONFIRMATION OF MARK COWIN AS DIRECTOR OF THE CALIFORNIA DEPARTMENT OF WATER RESOURCES AND DESIGNATE MARY AILEEN MATHEIS TO VOTE IN THE LAFCO ELECTION ON BEHALF OF IRWD AND STEVE LAMAR AS THE ALTERNATE VOTING MEMBER.

LIST OF EXHIBITS:

Exhibit "A" – Request for Support from Charley Wilson

EXHIBIT A

cc: Beeman
Cook



BOARD OF DIRECTORS
BETTY H. OLSON, PH.D. CHARLEY WILSON
SAUNDRA F. JACOBS BILL LAWSON
ROGER FAUBEL JOHN J. SCHATZ
GENERAL MANAGER

Santa Margarita Water District

March 7, 2012

Honorable Mary Aileen Matheis, President
Irvine Ranch Water District
P. O. Box 57000
Irvine, California 92619-7000

RE: RE-ELECTION OF LAFCO CHAIRMAN CHARLEY WILSON

Dear Mary Aileen,

As the current Chairman of the Local Agency Formation Commission and special districts regular seat representative, I am honored and pleased to inform you of my candidacy for election to the regular seat. I have served as your special district representative since 2001.

On or shortly after May 15, 2012, your district will receive a ballot and voting instructions by mail or, if your district elects, via email. The deadline to return mail-in ballots is June 15, 2012 by 3:00 p.m.

I have also attached a list of LAFCO actions and accomplishments over the last two years. In addition to my LAFCO Chairman role, I am also the Chairman of the Southern California Water Committee.

My long-term experience with a broad array of issues facing local government entities and all types of special districts uniquely qualifies me to continue representing you. As importantly, my excellent working relationships with the other county, city and public member LAFCO Commissioners enables me to strongly advocate and protect special district interests.

I will be contacting you soon in connection with my candidacy and to reinforce how I can remain an effective advocate for your district and matters of importance to you.

I look forward to your vote and support for my election to the regular LAFCO special district seat. You can reach me anytime at: 949-632-2074.

Sincerely,



Charley Wilson

26111 Antonio Parkway, Rancho Santa Margarita, CA 92688 • Mailing - P.O. Box 7005, Mission Viejo, CA 92690-7005

Web: www.SMWD.com

Customer Service (949) 459-6420 • Administration (949) 459-6600 • Operations (949) 459-6430

OC LAFCO Accomplishments for Special Districts (2010 – 2012)

- Reduced Special District apportionment costs in FY 08/09 and again in FY 09/10; maintained reduced FY 09/10 special district apportionment costs in FY 10/11 and FY 11/12.
- With ISDOC helped to draft amendments to the Special District Selection Committee Bylaws to clarify the election process for LAFCO Special District members.
- Approved the following Special District reorganizations:
 - Rancho Santiago Annexation to the Orange County Sanitation District (DA 09-18)
 - Savi Ranch Annexation to the Yorba Linda Water District (DA 19-03)
 - Detachment of Garden Grove Sanitation District from City of Fountain Valley (DD 09-14)
 - Preserved the Sunset Beach Sanitation District as an independent Special District following the annexation of Sunset Beach to the City of Huntington Beach (IA 10-05)
 - Annexation of four non-contiguous islands to the Costa Mesa Sanitation District (DA 11-07)
 - Annexation of Locke Ranch to the Yorba Linda Water District (DA 11-06)
 - Reaffirmation of the Mesa Consolidated Water District boundary
- Approved Special District application fee waivers for Mesa Consolidated Water District and Costa Mesa Sanitation District-initiated applications.
- Completed the “Water/Sewer Infrastructure & Changing Demographics Study” which examined the impact of Orange County’s changing demographics, particularly its aging population, on future water and sewer infrastructure needs.
- Initiated LAFCO Special District outreach program with staff attending at least one Special District Board Meeting of each District in 2010 and 2012.
- Developed and implemented the Fiscal Trend Analysis Program.
- Developed and implemented the Shared Services Program which provides a information data base to link agencies which provide specific services with those agencies needing services to increase efficiency and save money; the program has also incorporated a Countywide CIP data base to facilitate agencies working together on infrastructure projects located in close proximity to one another.

- Jointly conducted a workshop with the Independent Special Districts of Orange County (ISDOC) on shared services opportunities and resources.
- Designed and published regular quarterly newsletter to all Special Districts in Orange County.

April 9, 2012

Prepared and

Submitted by: Janet Wells/Debby Cherney *DC*

Approved by: Paul Cook *PC*

ACTION CALENDAR

RETIREMENT STUDY UPDATE: SUPPLEMENTAL PROJECTIONS AND PROFESSIONAL SERVICES VARIANCE FOR AON HEWITT

SUMMARY:

As a continuation of the Board workshop discussion on February 22, 2012, consultants from Aon Hewitt (Aon) have prepared a set of supplemental financial projections for the funding of the District's CalPERS pension program using a variety of differing contribution rates. These projections reflect the additional employee contributions being made as of March 1, 2012 as well as an assumed discount rate of 7.25%.

At the Board workshop on February 22, 2012, and the Finance and Personnel Committee meeting on March 5, 2012, staff was directed to proceed with the steps necessary to implement a second pension tier for newly-hired employees. The first step in that process is to obtain a valuation of the effect of the potential change on the District's pension program, which has been received. A separate item is agendaized for this Board meeting to adopt a resolution of intent to move forward with the implementation of the second tier for future employees.

Aon's initial proposal was for a scope of services totaling \$217,700. The Board authorized a contract not to exceed \$150,000 and directed staff to prepare a variance for its consideration should additional funds be required. Additional meetings and financial modeling services have been required and will continue to be required of the Aon team in order to complete the retirement and health benefits study. Staff recommends that the Board approve a variance on a time and materials basis not to exceed \$127,700, bringing the total Aon Professional Services Agreement to \$277,700.

BACKGROUND:

On September 12, 2011 the Board authorized the retention of Aon Hewitt and Hanson Bridgett to perform a study to evaluate potential changes to the District's retirement and health benefits as well as a review of the District's compensation survey methodology. As part of the study, a series of workshops has been and will continue to be conducted with the Finance and Personnel Committee and the full Board on topics which are outlined in the updated project schedule attached as Exhibit "A".

Retirement Study Objectives:

At a workshop conducted on October 7, 2011, the Board identified a series of high-level objectives to be used for guiding the development of any potential changes to the retirement benefit provided by IRWD. These objectives are as follows:

1. Any changes to the retirement plans must be explained to employees and ratepayers in the context of:
 - a. Appropriate pay and benefits package, and a well understood competitive position, and
 - b. Need to provide exceptional water and wastewater service at competitive prices.
2. Develop retirement income program with a sustainable cost structure:
 - a. Ongoing contribution level around 10 to 15% of payroll;
 - b. Mechanism to control year-to-year cost volatility; and
 - c. Maintain healthy funded position based on reasonable market expectations.
3. Deliver adequate retirement benefits:
 - a. Provide opportunity for employees to accumulate sufficient retirement income;
 - b. District-paid benefits should target no more than 65% income replacement for a full-career employee;
 - c. Target replacement income at age 65; and
 - d. Provide ability to retire sooner than 65 through a supplemental benefit for field employees under certain circumstances.
4. Retirement program should encourage employee savings.
5. The District should bear a portion of the investment and longevity risks and the program should have a defined benefit component.
6. The District will be fair and equitable to current and former employees.
7. Ideally, the District should maintain a single retirement structure for all current and future employees.

Financial Analysis and Potential Solutions:

Aon's scope of work relative to the retirement program included developing a realistic understanding of IRWD's current and future unfunded liabilities and to model a variety of options to meet the District's retirement plan objectives. At the Board workshop on February 22, 2012, the Aon team presented a detailed discussion of the following items:

- Financial analysis of IRWD's existing plan and funding levels;
- An overview of Governor Brown's proposed pension reform legislation;
- Alternate retirement plan design options as mapped to the District's established objectives on retirement programs; and
- A "straw man" proposed design along with suggested implementation steps that could then be incorporated into the Study.

The Aon team projected the current plan's funding status over the next 20 years using CalPERS' assumed 7.75% rate of return. That analysis demonstrated that without changes to the plan, the District's contributions of approximately 20% of salary each year will not improve the funding levels of the District's CalPERS liability over the next 20 years.

Alternative Plan Design Scenarios:

Choices for making changes to the existing CalPERS plan are very limited. As mentioned above, terminating the plan is not a viable option. Most legal opinions cite that California public sector employers cannot make any type of plan “freeze” that would halt the accrual of additional pension benefits, as private sector employers can do under the federal Employee Retirement Income Security Act (ERISA). The District is not able under current State law to reduce the benefit from the current 2.5% at 55 to a lower benefit (such as 2.0% at 60) for future service credit for existing employees.

Two “levers” that are immediately available to the District with regard to the CalPERS plan include: 1) the implementation of a lower benefit tier for future hires; and 2) the decrease of Employer-Paid Member Contributions and corresponding increase of employee contributions into the plan. The existing 2.5% at 55 plan has an “employee contribution” (as defined by CalPERS) of 8%, although the District could require its employees to contribute above the 8% level under certain circumstances in the future.

On February 22, 2012, the Aon team presented its analysis of those options including how they align with the District’s objectives. Given the constraints provided by existing law, only one of the previously considered plan designs is implementable, but it does not meet all of the Board’s established objectives. This plan, reflected as the “straw man” design, provided as follows:

- A second tier would be established for future hires reflecting a 2.0% at 60 benefit formula, using a three-year final average salary to determine benefit. This tier has a CalPERS-established employee contribution of 7%, which the Aon consultants have recommended be increased over a two-year period to 8%.
- Existing employees would remain in the current 2.5% at 55 benefit formula, with single-year highest salary to determine benefit. For discussion purposes, the Aon consultants have modeled the impacts to the retirement program where District employees contribute 8% by 2014 and then subsequent shifts up to 12% would occur over the two subsequent years; for this analysis, District contributions were modeled at 25% of payroll with an assumed rate of return at 7.25%.

The “straw man” design further contemplated that the District request CalPERS and the legislature to change existing law to permit employees, in the future, to optionally elect between multiple benefit levels. More generous benefits with early retirement ages would require higher employee contributions, and vice versa. This would permit employees to opt into a plan that best reflects their personal financial situation and planning needs, while allowing the District to be cost-neutral between plan designs. Again, this approach would be a future phased effort that would require changes in law and CalPERS rules.

Supplemental Projections:

The Aon team was requested to prepare a series of supplemental projections which reduced the employee contributions from the 12% straw man design. The supplemental projections, attached as Exhibit “B”, illustrate the effects that lowering the employee contribution rate would have on

the District's contribution rate. Specifically, page two of that exhibit includes a table reflecting four scenarios of gradual increases in employee contributions starting at the current 5% contribution rate (for most full-time employees) and increasing over time to between 8% and 12%. The Aon team's findings are that each 2% decrease in the ultimate employee contribution rate for existing employees increases the employer contribution rate by less than 1% (over a 20-year period). These findings assume that the District adopts the second tier for newly-hired employees by July 1, 2012.

Supplemental Replacement Income Analysis:

In addition to the alternative modeling included in the supplemental projections, the Aon team also updated its replacement income analysis for the original straw man design using the current 5% contribution rate. Aon was also asked to model the replacement income impact if the District was to potentially terminate its 3% match on the District's deferred compensation program and use that 3% to "buy down" a higher employee contribution rate to a lower rate (e.g., a 12% employee PERS contribution to 9%). This analysis is included on page four of a PowerPoint presentation attached as Exhibit "C" which illustrates the range of replacement income for full-career employees at retirement ages 55, 62 and 65.

Board Input:

Staff requests that the Board provide its input on the supplemental projections in advance of holding employee all-hands workshops to discuss the alternatives during the month of April.

Professional Services Variance for Aon Hewitt:

Aon's initial proposal was for a scope of services totaling \$217,700. The Board authorized a contract not-to-exceed \$150,000 and directed staff to prepare a variance for its consideration should additional funds be required. A proposed variance, attached as Exhibit "D", has been prepared to include the additional meetings and financial modeling services requested and will continue to be required of the Aon team in order to complete the retirement and health benefits study. Staff recommends that the Board approve a variance to Aon's Professional Services Agreement for an amount not to exceed \$127,700, bringing the total Aon contract to \$277,700.

FISCAL IMPACTS:

On September 12, 2011, the Board approved an addition of \$335,000 to the FY 2011-12 Operating Budget, and authorized a contract with Aon up to \$150,000 and with Hanson Bridgett up to \$50,000. With the requested variance, the total study costs will not exceed \$327,700. The fiscal impacts of changes, if any, to the retirement and health benefits, will be determined through the course of the study itself.

ENVIRONMENTAL COMPLIANCE:

This item is not a project as defined in the California Environmental Quality Act Code of Regulations, Title 14, Chapter 3, Section 15378.

April 9, 2012

Page 5

COMMITTEE STATUS:

Elements of the Retirement Study were reviewed by the Board on October 7, 2011, November 28, 2011, and February 22, 2012, and by the Finance and Personnel Committee on November 1 and 22, 2011, February 6, 2012, March 5, 2012 and April 3, 2012.

RECOMMENDATION:

THAT THE BOARD REVIEW AND PROVIDE FEEDBACK REGARDING AON HEWITT'S SUPPLEMENTAL FINANCIAL PROJECTIONS AND MODELING FOR THE DISTRICT'S CALPERS PENSION PROGRAM AND APPROVE PROFESSIONAL SERVICES VARIANCE NO. 1 WITH AON HEWITT IN THE SUM OF \$127,700.

LIST OF EXHIBITS:

Exhibit "A" – Retirement and Health Benefits Study Project Schedule

Exhibit "B" – Aon Supplemental Projections

Exhibit "C" – Aon Supplemental Replacement Analysis

Exhibit "D" – Professional Services Variance No. 1 with Aon Hewitt

Exhibit "A"



SCHEDULE

Consulting Services to Evaluate Changes to Irvine Ranch Water District's Retirement and Health Benefits Package

Updated March 27, 2012

Request for Proposal Issued	April 20, 2011
Deadline for RSVP to Pre-Proposal Meeting	May 3, 2011
Pre-Proposal Meeting	May 5, 2011
Questions and Additional Documents Provided	May 12, 2011
Proposal Deadline	June 1, 2011
Interviews of Selected Finalists	August 10 and 12, 2011
Finance & Personnel Committee Discussion	August 19, 2011
Finance & Personnel Committee Interviews	August 31, 2011
Board Approval	September 12, 2011
Notice of Award	September 13, 2011
CalPERS census data received	September 22, 2011
Finance & Personnel Committee Meeting (Basic information and assumptions, objectives framework)	October 4, 2011
Board Objective Setting – Strategic Planning Workshop (High level objectives, education on current retirement programs)	October 7, 2011
Finance & Personnel Committee Meeting (Review financial and actuarial models – retirement benefits , begin evaluating alternatives)	November 1, 2011
Finance & Personnel Committee Meeting (Review financial and actuarial models – retirement benefits , additional alternatives)	November 22, 2011
Board Workshop (Set detailed objectives, discuss alternatives)	November 28, 2011
Finance & Personnel Committee Meeting (Review alternatives, review health benefits)	December 6, 2011
Finance & Personnel Committee Meeting (Review health benefits)	January 12, 2012
Special Finance & Personnel Committee Meeting (Continuing discussion from January 12, 2012)	January 23, 2012
Board Workshop – Establish health benefit objectives	January 30, 2012
Board Workshop – Review preliminary recommendations	February 22, 2012
Finance & Personnel Committee Meeting (Review second tier)	March 5, 2012
<hr/>	
Finance & Personnel Committee Meeting (Review supplemental modeling)	April 3, 2012

Schedule: Evaluation of IRWD Retirement and Health Benefits

Page Two

Finance & Personnel Committee Meeting
(Review health benefits, recommend preferred alternatives)

May 4, 2012

Additional Committee and Board Workshops
Salary and Benefit Survey Methodology and Final Report

TBD – April/May/June
July 2012

*Additional Special Finance & Personnel Committee meeting or Board Workshops may be scheduled as project progresses.

Evaluation of Retirement Benefits Package

Supplemental Projections

Irvine Ranch Water District

March 13, 2012

B-1

Exhibit "B"

To protect the confidential and proprietary information included in this material, it may not be disclosed or provided to any third parties without the approval of Aon Hewitt

AON Hewitt

Overview

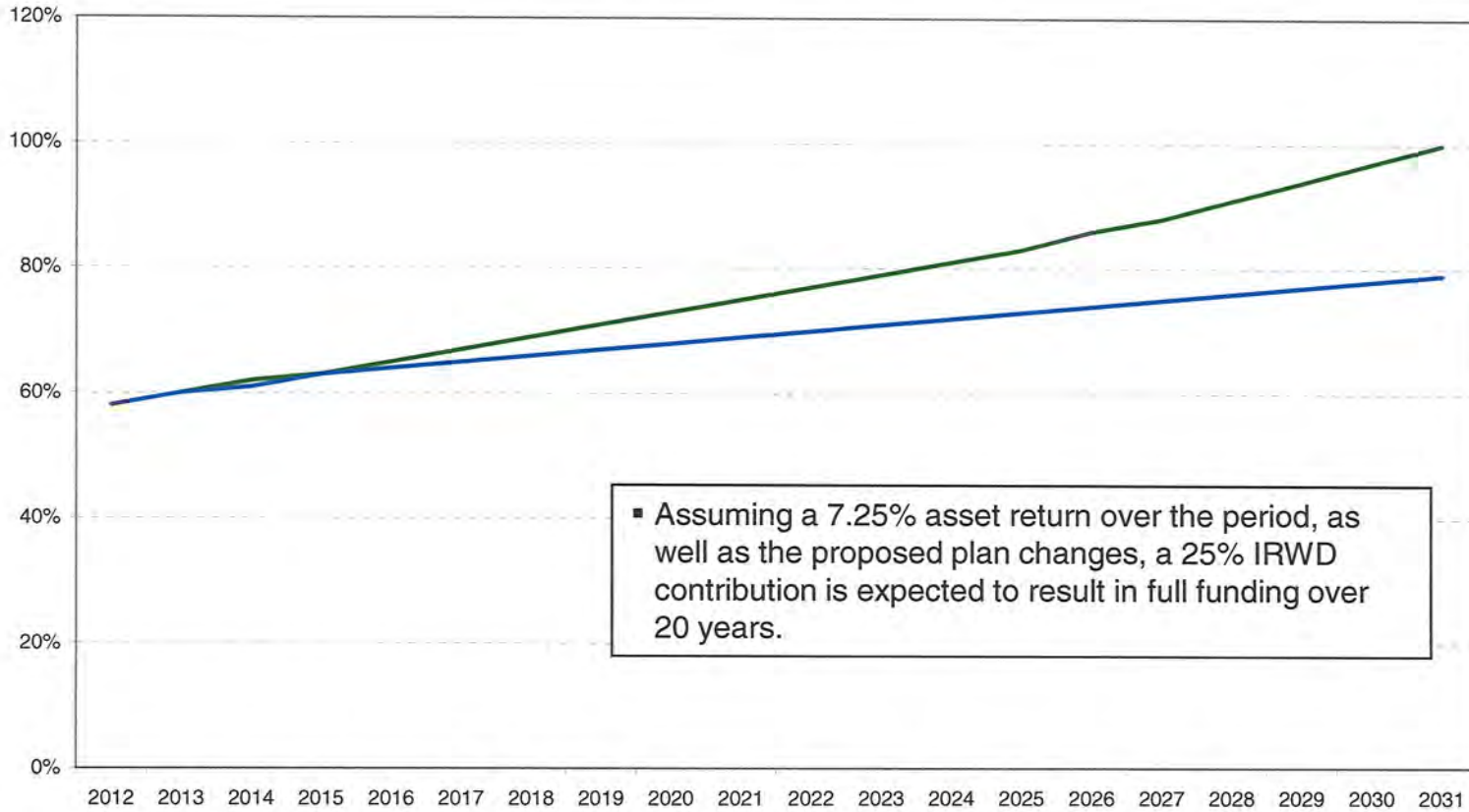
- Supplemental analysis pursuant to February 22, 2012 Board Session
 - Unless noted otherwise, assumptions and plan designs remain unchanged
- “Current” Design updated to capture 5% Employee DB Contributions
- Illustrate lowering ultimate Employee DB Contribution under “New Plan” for existing employees and/or new hires

	Current Plan	Proposed Plan (A)	Proposed Plan (B)	Proposed Plan (C)	Proposed Plan (D)
<i>Employee Contributions [Existing / New Hires]</i>					
Year					
- 2012	5.0% / N/A	5.0% / 6.0%	5.0% / 6.0%	5.0% / 6.0%	5.0% / 6.0%
- 2013	5.0% / N/A	6.5% / 7.0%	6.5% / 7.0%	6.5% / 7.0%	6.5% / 6.0%
- 2014	5.0% / N/A	8.0% / 8.0%	8.0% / 8.0%	8.0% / 8.0%	8.0% / 6.0%
- 2015	5.0% / N/A	10.0% / 8.0%	10.0% / 8.0%	8.0% / 8.0%	8.0% / 6.0%
- 2016 +	5.0% / N/A	12.0% / 8.0%	10.0% / 8.0%	8.0% / 8.0%	8.0% / 6.0%

B-2

Deterministic Projection (7.25% Asset Return)

Funded Status with Employer Contributions of 25%
(7.25% Asset Return)



Proposed (A)
Described on slide 2.

Current
Updated to reflect 5% employee contributions throughout.

Assuming a 7.25% asset return over the period, as well as the proposed plan changes, a 25% IRWD contribution is expected to result in full funding over 20 years.

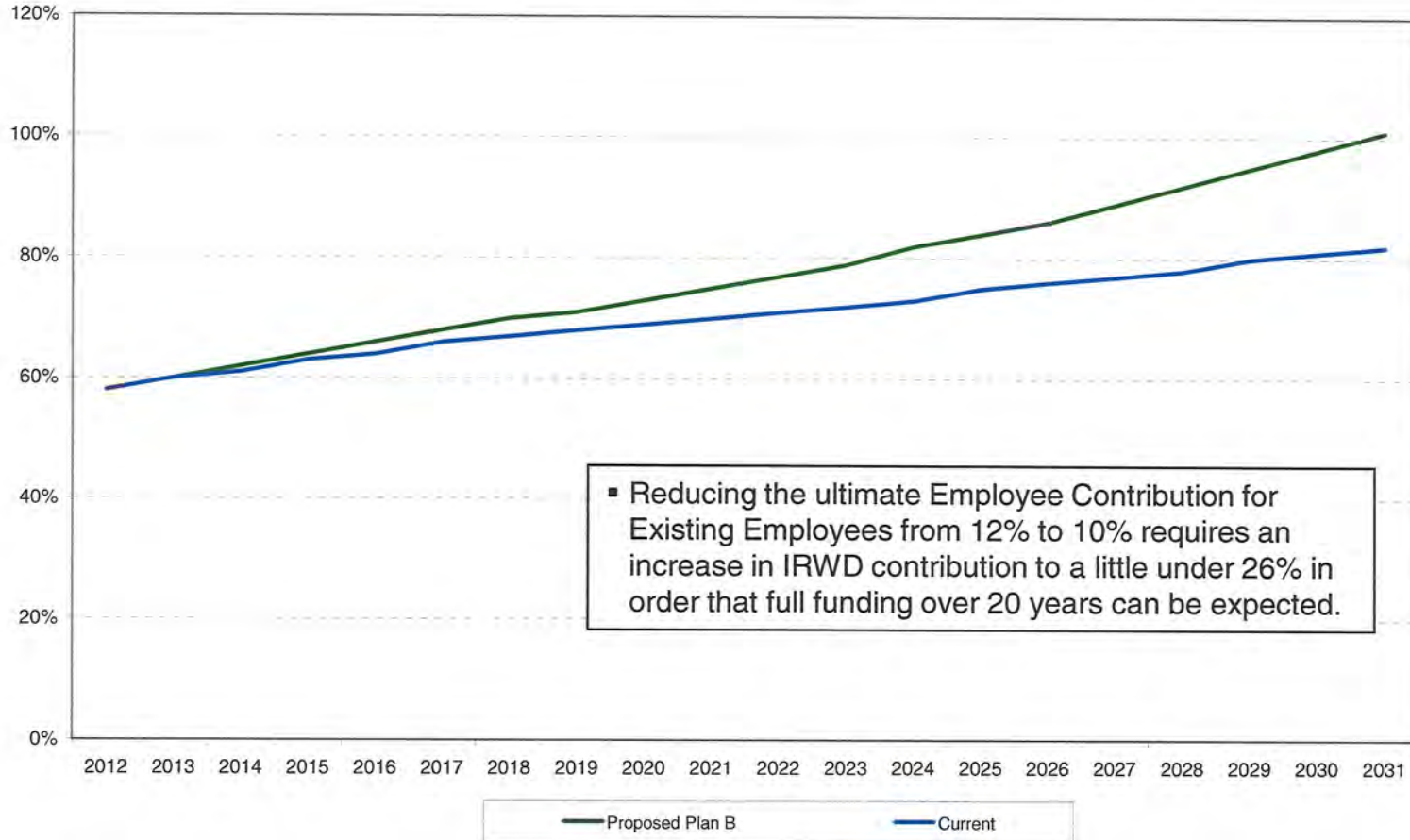
Proposed Plan A Current

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
Current	58%	60%	61%	63%	64%	65%	66%	67%	68%	69%	70%	71%	72%	73%	74%	75%	76%	77%	78%	79%
Proposed A	58%	60%	62%	63%	65%	67%	69%	71%	73%	75%	77%	79%	81%	83%	86%	88%	91%	94%	97%	100%

B-3

Deterministic Projection (7.25% Asset Return)

Funded Status with Employer Contributions of 26%
(7.25% Asset Return)



Proposed (B)
Described on slide 2.

Current
Updated to reflect 5% employee contributions throughout.

▪ Reducing the ultimate Employee Contribution for Existing Employees from 12% to 10% requires an increase in IRWD contribution to a little under 26% in order that full funding over 20 years can be expected.

— Proposed Plan B — Current

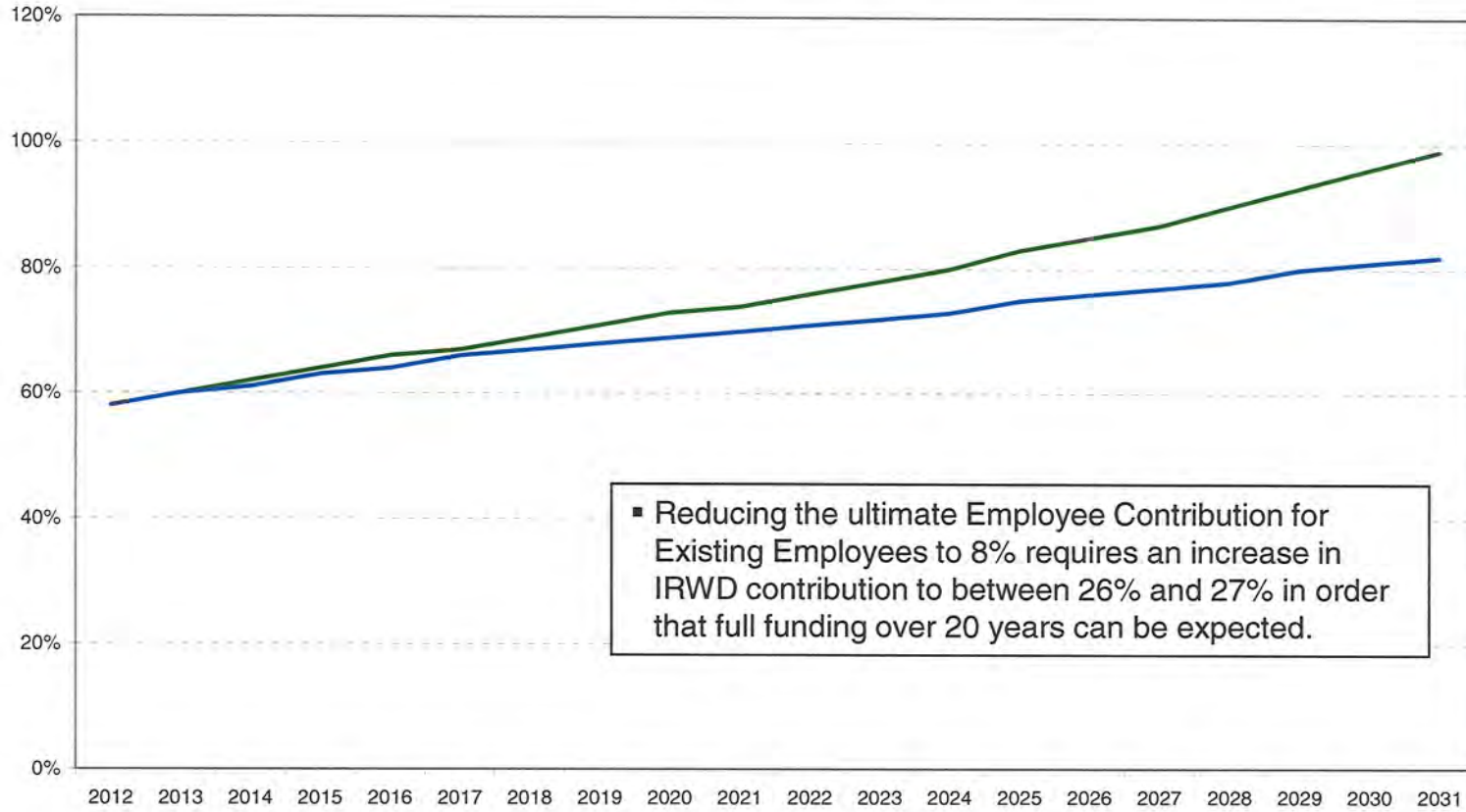
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
Current	58%	60%	61%	63%	64%	66%	67%	68%	69%	70%	71%	72%	73%	75%	76%	77%	78%	80%	81%	82%
Proposed B	58%	60%	62%	64%	66%	68%	70%	71%	73%	75%	77%	79%	82%	84%	86%	89%	92%	95%	98%	101%

B-4

Deterministic Projection (7.25% Asset Return)

Funded Status with Employer Contributions of 26%
(7.25% Asset Return)

B-5



Proposed (C)
Described on slide 2.

Current
Updated to reflect 5% employee contributions throughout.

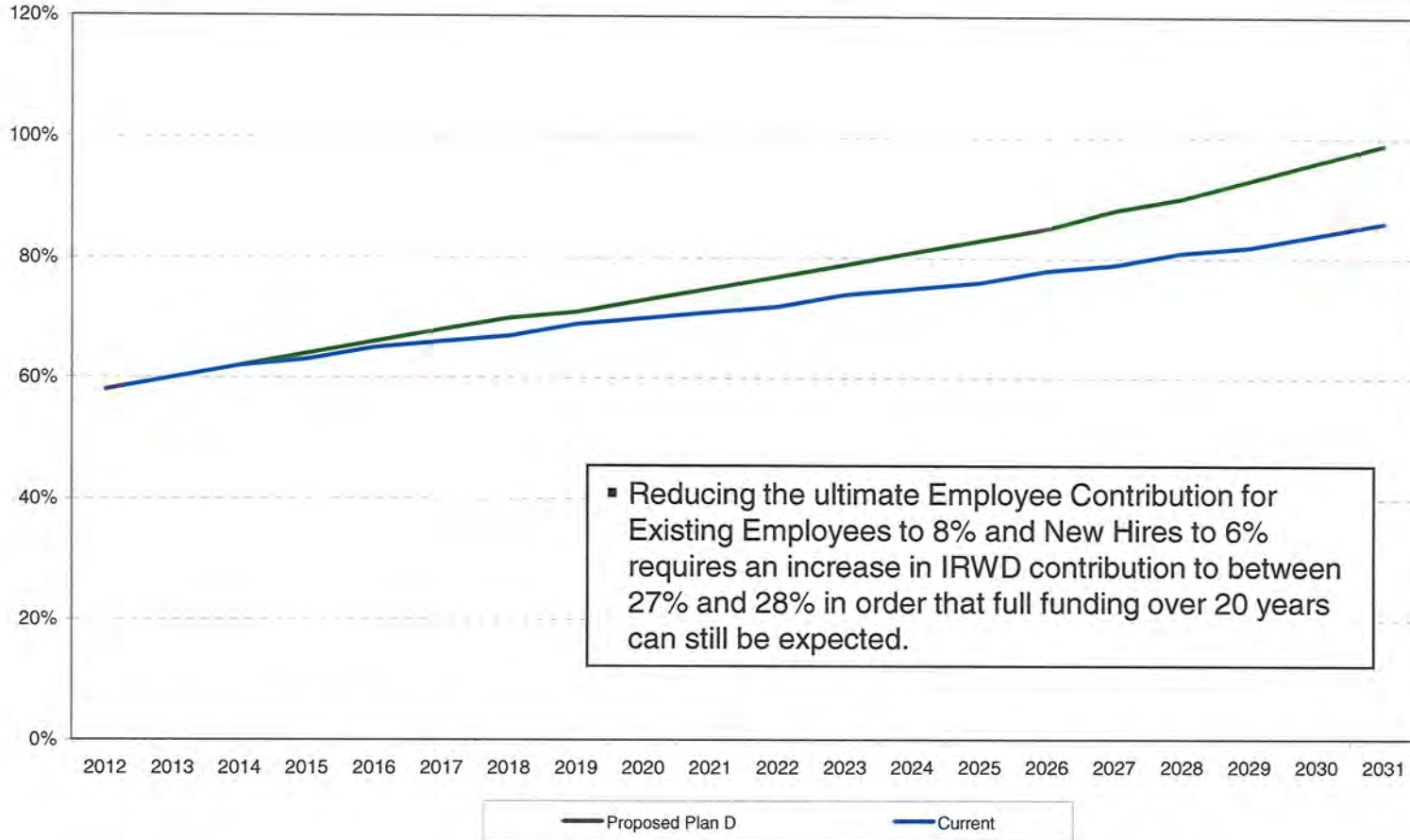
▪ Reducing the ultimate Employee Contribution for Existing Employees to 8% requires an increase in IRWD contribution to between 26% and 27% in order that full funding over 20 years can be expected.



	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
Current	58%	60%	61%	63%	64%	66%	67%	68%	69%	70%	71%	72%	73%	75%	76%	77%	78%	80%	81%	82%
Proposed C	58%	60%	62%	64%	66%	67%	69%	71%	73%	74%	76%	78%	80%	83%	85%	87%	90%	93%	96%	99%

Deterministic Projection (7.25% Asset Return)

Funded Status with Employer Contributions of 27%
(7.25% Asset Return)

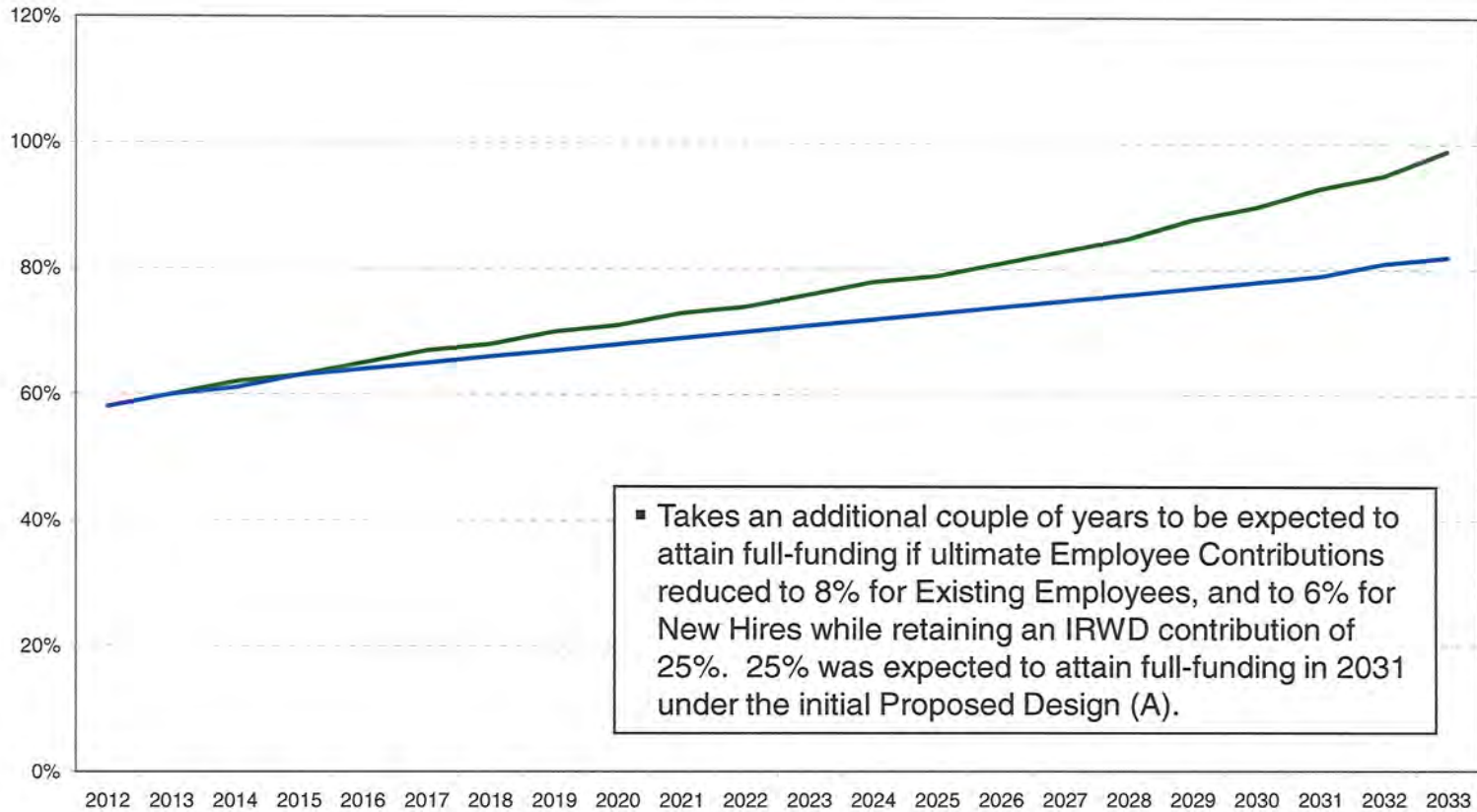


B-6

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
Current	58%	60%	62%	63%	65%	66%	67%	69%	70%	71%	72%	74%	75%	76%	78%	79%	81%	82%	84%	86%
Proposed D	58%	60%	62%	64%	66%	68%	70%	71%	73%	75%	77%	79%	81%	83%	85%	88%	90%	93%	96%	99%

Deterministic Projection (7.25% Asset Return)

Funded Status with Employer Contributions of 25%
(7.25% Asset Return)



Proposed (D)
Described on slide 2.

Current
Updated to reflect 5%
employee contributions
throughout.

▪ Takes an additional couple of years to be expected to attain full-funding if ultimate Employee Contributions reduced to 8% for Existing Employees, and to 6% for New Hires while retaining an IRWD contribution of 25%. 25% was expected to attain full-funding in 2031 under the initial Proposed Design (A).

Full funding under
Proposal D takes
2-3 years longer
than Proposal A
(per slide 3)

— Proposed Plan D — Current

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Current	58%	60%	61%	63%	64%	65%	66%	67%	68%	69%	70%	71%	72%	73%	74%	75%	76%	77%	78%	79%	81%	82%
Proposed D	58%	60%	62%	63%	65%	67%	68%	70%	71%	73%	74%	76%	78%	79%	81%	83%	85%	88%	90%	93%	95%	99%

B-7

Conclusions

- Each 2% decrease in the ultimate employee contribution for existing employees increases the employer contribution by a little under 1% (for 20 years)
 - There is not a 1% for 1% tradeoff because of the projected transition of the workforce to the new plan (IRWD contribution are in terms of total payroll)

The original draft design incorporated a 4% delta between employee contributions required by existing and new employees.

This was done to acknowledge the difference in the value of the two formula and to facilitate potentially offering choice to existing employees in the future.

Projection Methods and Assumptions

- Past benefits under current program; Options affect future benefits only
- Compensation increases – CalPERS
 - <5 years, ~6%-14% / year
 - >5 years, ~3%-5% / year
- Termination of employment – CalPERS
 - <5 years, ~7%-16% / year
 - >5 years, ~0%-5% / year
- Retirement age – CalPERS
 - 2.5% @ 55, average ~59
 - 2.0% @ 60 and 2.0% @ 65, average ~61
- Constant active population – new entrants replace exiting employees

B-9

Projections

- Funded status projections:
 - Roll forward CalPERS June 30, 2010 valuation results
 - Assumes all assumptions are realized
 - No changes in assumptions outlined in CalPERS valuation report unless noted
 - Assets projections assume rebalance to targets at July 1
 - Asset returns based on returns on market indices over same period

- Retirement income projections:
 - 3.5% pay increase
 - 7.0% return on defined contribution accounts
 - 6.0% annuity conversion rate
 - 2.0% COLA adjustment post-retirement
 - Assumes employees contribute enough to receive full employer match; employee contributions taken into account in projected retirement income

B-10

Evaluation of Retirement Benefits Package

Supplemental Replacement Income Analysis

Irvine Ranch Water District

March 19, 2012

To protect the confidential and proprietary information included in this material, it may not be disclosed or provided to any third parties without the approval of Aon Hewitt

AON Hewitt

Overview

- Supplemental analysis pursuant to February 22, 2012 Board Session
 - Unless noted otherwise, assumptions and plan designs remain unchanged
- “Current” Design updated to capture 5% Employee DB Contributions
- Illustrates lowering ultimate Employee DB Contribution under “New Plan” for existing employees while removing DC Match
 - While this change may appear cost-neutral, because take-up in the DC plan does not generate an aggregate 3% match, the change would likely result in higher IRWD costs

C-2

Income Replacement – Hired at Age 30

C-3

	Current Plan	Original Strawman	
		Existing Employees	Future Hires
Age 55 Retirement			
- Employer-paid	62%	47% - 56%	23%
- Employee-paid	<u>14%</u>	<u>30% - 21%</u>	<u>27%</u>
- Total Replacement	77%	77%	50%
Age 62 Retirement			
- Employer-paid	80%	48% - 72%	50%
- Employee-paid	<u>25%</u>	<u>57% - 33%</u>	<u>45%</u>
- Total Replacement	105%	105%	95%
Age 65 Retirement			
- Employer-paid	87%	45% - 78%	57%
- Employee-paid	<u>31%</u>	<u>74% - 41%</u>	<u>56%</u>
- Total Replacement	119%	119%	113%
	2.5% @ 55 DB Employee = 3% DC = 100% Match on 3%	2.5% @ 55 Ultimate Employee DB = 12% DC = 100% on 3%	2.0% @ 60 DB Employee = 8% DC = 100% Match on 3%

Income Replacement – Hired at Age 30

C-4

	Current Plan	Revised Strawman	
		Existing Employees	Future Hires
Age 55 Retirement			
- Employer-paid	58% - 62%	41% - 62%	23%
- Employee-paid*	<u>19% - 14%</u>	<u>29% - 14%</u>	<u>27%</u>
- Total Replacement	77%	70% - 77%	50%
Age 62 Retirement			
- Employer-paid	72% - 80%	43% - 80%	50%
- Employee-paid*	<u>33% - 25%</u>	<u>49% - 25%</u>	<u>45%</u>
- Total Replacement	105%	92% - 105%	95%
Age 65 Retirement			
- Employer-paid	77% - 87%	41% - 87%	57%
- Employee-paid*	<u>42% - 31%</u>	<u>62% - 31%</u>	<u>56%</u>
- Total Replacement	119%	103% - 119%	113%
	2.5% @ 55 Ultimate Employee DB = 5% DC = 100% Match on 3%	2.5% @ 55 Ultimate Employee DB = 9% DC = No Match on 3%	2.0% @ 60 DB Employee = 8% DC = 100% Match on 3%

*Assumes a consistent 3% deferred comp contribution by employees, regardless of whether match is present.

Conclusions

- Move to 5% Employee DB Contributions under “Current” Design
 - No impact to total benefit
 - Range of cost-sharing proportions (employees hired recently will pay 5% for much more of their career than longer-service counterparts)

- Lowering ultimate Employee DB Contribution under “New Plan” for existing employees while removing DC Match
 - Recently hired have no match for most of career and get lower total replacement
 - Such employees could end up paying proportionately more for a lower benefit
 - Not cost neutral due to less than 100% utilization of 3% match (see slide 2)
 - Highlights the importance of internal consistency between the designs and for developing a robust transition strategy for existing workforce to identify groups

C-5

Projections

- Funded status projections:
 - Roll forward CalPERS June 30, 2010 valuation results
 - Assumes all assumptions are realized
 - No changes in assumptions outlined in CalPERS valuation report unless noted
 - Assets projections assume rebalance to targets at July 1
 - Asset returns based on returns on market indices over same period

- Retirement income projections:
 - 3.5% pay increase
 - 7.0% return on defined contribution accounts
 - 6.0% annuity conversion rate
 - 2.0% COLA adjustment post-retirement
 - Assumes employees contribute enough to receive full employer match; employee contributions taken into account in projected retirement income

**IRVINE RANCH WATER DISTRICT
PROFESSIONAL SERVICES VARIANCE**

Exhibit "D"

Project Title: RETIREMENT & BENEFITS STUDY File No. N/A _____
 Date: _____
 Variance No.: 1 _____

Project No.: N/A – FUNDED BY OPERATIONS _____
 Purchase Order No.: 505232

Originator: IRWD ENGINEER/CONSULTANT Other (Explain) _____

Description of Variance (*attach any back-up material*):

Original budget of \$217,000 was underfunded. Board/staff has added additional meetings and scope to retirement study aspects of work.

Cost Impact:

Classification	Labor \$	Direct	Subcon. \$	Total \$
Remaining from Original Scope of Work				
Retirement	\$37,160			\$67,700
Health Benefits	\$19,840			
Salary & Benefit Survey Methodology	\$10,700			
Additional analysis on retirement contribution options and funding status; ~4 additional meetings	\$35,000			\$35,000
Recalculation of PERS reports after 2 nd tier implemented; update projected funding needs	\$15,000			\$15,000
Miscellaneous other activities as requested, communications support	\$10,000			\$10,000
			Total \$ =	\$127,700

Schedule Impact:

Task No.	Task Description	Original Schedule	Schedule Variance	New Schedule

Required Approval Determination:

Total Original Contract	\$150,000	<input type="checkbox"/> General Manager: Single Variance less than or equal to \$30,000. <input type="checkbox"/> Committee: Single Variance greater than \$30,000, and less than or equal to \$60,000. <input checked="" type="checkbox"/> Board: Single Variance greater than \$60,000. <input type="checkbox"/> Board: Cumulative total of Variances greater than \$60,000, or 30% of the original contract, whichever is higher.
Previous Variances \$0		
This Variance	\$127,700	
Total Sum of Variances	\$127,700	
New Contract Amount	\$277,700	
Percentage of Total Variances to Original Contract	<u>85</u> %	

ENGINEER/CONSULTANT: _____
 Company Name

IRVINE RANCH WATER DISTRICT

Project Engineer/Manager _____ Date _____

Department Director _____ Date _____

Engineer's/Consultant's Management _____ Date _____

General Manager/Comm./Board _____ Date _____

IRVINE RANCH WATER DISTRICT

PROFESSIONAL SERVICES VARIANCE REGISTER

Project Title: Retirement and Benefits Study_____


Project No.: N/A - Operations___ Project Manager: Cherney_____

Variance No.	Description	Dates		Variance Amount
		Initiated	Approved	
1	Remaining original scope of work; additional work	3/15/2012		\$127,700

April 9, 2012

Prepared by: Gretchen Maswadeh

Submitted by: Janet Wells

Approved by: Paul Cook 

ACTION CALENDAR

IMPLEMENTATION OF CALPERS SECOND BENEFIT TIER FOR FUTURE-HIRED IRWD EMPLOYEES

SUMMARY:

The IRWD Board of Directors has indicated its intent to establish a second tier of pension benefits through CalPERS for future-hired employees. The California Public Employees' Retirement System (CalPERS) has provided a Resolution of Intention to amend IRWD's contract to provide for the following:

- Section 20475 – providing different level of benefits
- Section 21353 – additional 2% @ 60 Full Formula
- Section 20037 – additional three-year final compensation

Section 21353 and Section 20037 are applicable to local miscellaneous entering membership for the first time in the miscellaneous classification after the effective date of the amendment to the contract. The required local miscellaneous member contribution for Section 21353 is 7% of reportable earnings for those miscellaneous members entering membership for the first time in the miscellaneous classification after the effective date of the amendment to the contract. Employees hired after the effective date of the contract amendment are expected to pay the full 7% required employee contribution.

BACKGROUND

At the Board workshop on February 22, 2012 and the Finance and Personnel Committee meeting on March 5, 2012, staff was directed to proceed with the necessary steps to implement a second pension tier for newly-hired employees. The adoption of the Resolution of Intention is the next step in the contract amendment process. Following the adoption of the Resolution of Intention, which is included as Exhibit "A", the Board must adopt a Final Resolution. A draft of the Amendment to the Contract is included as Exhibit "B" with a summary of the major provisions for Section 21353 which is included as Exhibit "C."

The following is the anticipated schedule for completing the implementation of the second tier retirement benefit:

District requested that CalPERS prepare valuation	March 5, 2012
First Board Meeting to adopt a Resolution of Intent	April 9, 2012
Second Board Meeting to adopt contract amendments	May 14, 2012
Effective date of new formula for future-hired employees	May 26, 2012

It is also important to note that based on current CalPERS rules, an agency can only amend its contract to provide a different level of benefits once every three years with respect to each member category.

FISCAL IMPACTS:

The projected future fiscal impacts for the contract amendment were reviewed at the Finance and Personnel Committee meeting on April 4, 2012. A copy of the letter received from CalPERS regarding the projected employer contribution rate impact from this amendment is included as Exhibit “D”. The final information received from CalPERS projects a future decrease in the employer contribution rate of 2.7% at the time when the mix of active member entry ages is the same for both the existing tier of benefits and the new tier. This decrease will occur gradually beginning no earlier than July 1, 2014 and will be based on the ratio of the second tier annual payroll as compared to the District’s annual payroll as of June 30, 2011 (the most recent valuation available at the time of the contract amendment). IRWD is required to disclose that the decreases in the employer rate will occur as employees are hired into the second tier.

ENVIRONMENTAL COMPLIANCE:

This item is not a project as defined in the California Environmental Quality Act Code of Regulations, Title 14, Chapter 3, Section 15378.

COMMITTEE STATUS:

This item was reviewed at the Finance and Personnel Committee meeting on March 5, 2012.

RECOMMENDATION:

THAT THE BOARD ADOPT THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2012-__

RESOLUTION OF INTENTION
TO APPROVE AN AMENDMENT TO THE CONTRACT
BETWEEN THE BOARD OF ADMINISTRATION OF THE
CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM AND
THE BOARD OF DIRECTORS OF THE IRVINE RANCH WATER DISTRICT

LIST OF EXHIBITS:

- Exhibit “A” – Resolution of Intention
- Exhibit “B” – Draft of Amended CalPERS Contract
- Exhibit “C” – Summary of Major Provisions of Section 21353 - 2% @ 60 Full Formula
- Exhibit “D” – Letter to IRWD regarding the contract amendment impact on future employer contribution rates

EXHIBIT "A"

**RESOLUTION OF INTENTION
TO APPROVE AN AMENDMENT TO CONTRACT
BETWEEN THE
BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
AND THE
BOARD OF DIRECTORS
IRVINE RANCH WATER DISTRICT**

WHEREAS, the Public Employees' Retirement Law permits the participation of public agencies and their employees in the Public Employees' Retirement System by the execution of a contract, and sets forth the procedure by which said public agencies may elect to subject themselves and their employees to amendments to said Law; and

WHEREAS, one of the steps in the procedures to amend this contract is the adoption by the governing body of the public agency of a resolution giving notice of its intention to approve an amendment to said contract, which resolution shall contain a summary of the change proposed in said contract; and

WHEREAS, the following is a statement of the proposed change:

To provide Section 20475 (Different Level of Benefits).
Section 21353 (2% @ 60 Full formula) and Section 20037
(Three-Year Final Compensation) are applicable to local
miscellaneous entering membership for the first time in the
miscellaneous classification after the effective date of this
amendment to contract.

NOW, THEREFORE, BE IT RESOLVED that the governing body of the above agency does hereby give notice of intention to approve an amendment to the contract between said public agency and the Board of Administration of the Public Employees' Retirement System, a copy of said amendment being attached hereto, as an "Exhibit" and by this reference made a part hereof.

By: _____
Presiding Officer

Title

Date adopted and approved

EXHIBIT "B"




EXHIBIT

California
Public Employees' Retirement System



AMENDMENT TO CONTRACT

Between the
Board of Administration
California Public Employees' Retirement System
and the
Board of Directors
Irvine Ranch Water District



The Board of Administration, California Public Employees' Retirement System, hereinafter referred to as Board, and the governing body of the above public agency, hereinafter referred to as Public Agency, having entered into a contract effective March 1, 1965, and witnessed February 5, 1965, and as amended effective June 16, 1979, July 25, 2000, December 31, 2000, February 1, 2003, September 1, 2004, November 16, 2006 and July 1, 2008 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

- A. Paragraphs 1 through 14 are hereby stricken from said contract as executed effective July 1, 2008, and hereby replaced by the following paragraphs numbered 1 through 16 inclusive:
1. All words and terms used herein which are defined in the Public Employees' Retirement Law shall have the meaning as defined therein unless otherwise specifically provided. "Normal retirement age" shall mean age 55 for local miscellaneous members entering membership in the miscellaneous classification on or prior to the effective date of this amendment to contract and age 60 for local miscellaneous members entering membership for the first time in the miscellaneous classification after the effective date of this amendment to contract.

2. Public Agency shall participate in the Public Employees' Retirement System from and after March 1, 1965 making its employees as hereinafter provided, members of said System subject to all provisions of the Public Employees' Retirement Law except such as apply only on election of a contracting agency and are not provided for herein and to all amendments to said Law hereafter enacted except those, which by express provisions thereof, apply only on the election of a contracting agency.
3. Public Agency agrees to indemnify, defend and hold harmless the California Public Employees' Retirement System (CalPERS) and its trustees, agents and employees, the CalPERS Board of Administration, and the California Public Employees' Retirement Fund from any claims, demands, actions, losses, liabilities, damages, judgments, expenses and costs, including but not limited to interest, penalties and attorneys fees that may arise as a result of any of the following:
 - (a) Public Agency's election to provide retirement benefits, provisions or formulas under this Contract that are different than the retirement benefits, provisions or formulas provided under the Public Agency's prior non-CalPERS retirement program.
 - (b) Public Agency's election to amend this Contract to provide retirement benefits, provisions or formulas that are different than existing retirement benefits, provisions or formulas.
 - (c) Public Agency's agreement with a third party other than CalPERS to provide retirement benefits, provisions, or formulas that are different than the retirement benefits, provisions or formulas provided under this Contract and provided for under the California Public Employees' Retirement Law.
 - (d) Public Agency's election to file for bankruptcy under Chapter 9 (commencing with section 901) of Title 11 of the United States Bankruptcy Code and/or Public Agency's election to reject this Contract with the CalPERS Board of Administration pursuant to section 365, of Title 11, of the United States Bankruptcy Code or any similar provision of law.
 - (e) Public Agency's election to assign this Contract without the prior written consent of the CalPERS' Board of Administration.
 - (f) The termination of this Contract either voluntarily by request of Public Agency or involuntarily pursuant to the Public Employees' Retirement Law.
 - (g) Changes sponsored by Public Agency in existing retirement benefits, provisions or formulas made as a result of amendments, additions or deletions to California statute or to the California Constitution.

4. Employees of Public Agency in the following classes shall become members of said Retirement System except such in each such class as are excluded by law or this agreement:
 - a. Employees other than local safety members (herein referred to as local miscellaneous members).
5. In addition to the classes of employees excluded from membership by said Retirement Law, the following classes of employees shall not become members of said Retirement System:
 - a. **ALL HOURLY PAID OR HOURLY BASIS EMPLOYEES;**
 - b. **ASSESSOR;**
 - c. **COLLECTORS; AND**
 - d. **LOCAL SAFETY EMPLOYEES.**
6. This contract shall be a continuation of the contract of the Los Alisos Water District, hereinafter referred to as "Former Agency". The accumulated contributions, assets and liability for prior and current service under the Former Agency's contract shall be merged pursuant to Section 20508 of the Government Code. Such merger occurred December 31, 2000.
7. This contract shall be a continuation of the contract of the Santiago County Water District, hereinafter referred to as "Former Agency". The accumulated contributions, assets and liability for prior and current service under the Former Agency's contract shall be merged pursuant to Section 20508 of the Government Code. Such merger occurred July 1, 2006.
8. The percentage of final compensation to be provided for each year of credited prior and current service for local miscellaneous members in employment before and not on or after July 1, 2008 shall be determined in accordance with Section 21354 of said Retirement Law, subject to the reduction provided therein for service prior to March 31, 1975, termination of Social Security, for members whose service has been included in Federal Social Security (2% at age 55 Full and Modified).
9. The percentage of final compensation to be provided for each year of credited prior and current service for local miscellaneous members in employment on or after July 1, 2008 and not entering membership for the first time in the miscellaneous classification after the effective date of this amendment to contract shall be determined in accordance with Section 21354.4 of said Retirement Law, subject to the reduction provided therein for service prior to March 31, 1975, termination of Social Security, for members whose service has been included in Federal Social Security (2.5% at age 55 Full and Modified).

10. The percentage of final compensation to be provided for each year of credited current service as a local miscellaneous member entering membership for the first time in the miscellaneous classification after the effective date of this amendment to contract shall be determined in accordance with Section 21353 of said Retirement Law (2% at age 60 Full).
11. Public Agency elected and elects to be subject to the following optional provisions:
 - a. Section 21574 (Fourth Level of 1959 Survivor Benefits).
 - b. Section 20042 (One-Year Final Compensation) for local miscellaneous members entering membership on or prior to the effective date of this amendment to contract.
 - c. Section 20938 (Limit Prior Service to Members Employed on Contract Date).
 - d. Section 21548 (Pre-Retirement Option 2W Death Benefit).
 - e. Section 21024 (Military Service Credit as Public Service).
 - f. Section 20475 (Different Level of Benefits). Section 21353 (2% @ 60 Full formula) and Section 20037 (Three-Year Final Compensation) are applicable to local miscellaneous members entering membership for the first time in the miscellaneous classification after the effective date of this amendment to contract.
12. Public Agency, in accordance with Government Code Section 20790, ceased to be an "employer" for purposes of Section 20834 effective on June 16, 1979. Accumulated contributions of Public Agency shall be fixed and determined as provided in Government Code Section 20834, and accumulated contributions thereafter shall be held by the Board as provided in Government Code Section 20834.
13. Public Agency shall contribute to said Retirement System the contributions determined by actuarial valuations of prior and future service liability with respect to local miscellaneous members of said Retirement System.
14. Public Agency shall also contribute to said Retirement System as follows:
 - a. Contributions required per covered member on account of the 1959 Survivor Benefits provided under Section 21574 of said Retirement Law. (Subject to annual change.) In addition, all assets and liabilities of Public Agency and its employees shall be pooled in a single account, based on term insurance rates, for survivors of all local miscellaneous members.

- b. A reasonable amount, as fixed by the Board, payable in one installment within 60 days of date of contract to cover the costs of administering said System as it affects the employees of Public Agency, not including the costs of special valuations or of the periodic investigation and valuations required by law.
 - c. A reasonable amount, as fixed by the Board, payable in one installment as the occasions arise, to cover the costs of special valuations on account of employees of Public Agency, and costs of the periodic investigation and valuations required by law.
15. Contributions required of Public Agency and its employees shall be subject to adjustment by Board on account of amendments to the Public Employees' Retirement Law, and on account of the experience under the Retirement System as determined by the periodic investigation and valuation required by said Retirement Law.
16. Contributions required of Public Agency and its employees shall be paid by Public Agency to the Retirement System within fifteen days after the end of the period to which said contributions refer or as may be prescribed by Board regulation. If more or less than the correct amount of contributions is paid for any period, proper adjustment shall be made in connection with subsequent remittances. Adjustments on account of errors in contributions required of any employee may be made by direct payments between the employee and the Board.

B. This amendment shall be effective on the _____ day of _____, _____.

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF DIRECTORS
IRVINE RANCH WATER DISTRICT

BY _____
KAREN DE FRANK, CHIEF
CUSTOMER ACCOUNT SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY _____
PRESIDING OFFICER

Witness Date

Attest:

Clerk

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Actuarial and Employer Services Branch
Public Agency Contract Services
(888) CalPERS (225-7377)

SUMMARY OF MAJOR PROVISIONS

2% @ 60 Formula (Section 21353)
Local Miscellaneous Members

SERVICE RETIREMENT

To be eligible for service retirement, a member must be at least age 50 and have five years of CalPERS credited service. There is no compulsory retirement age.

The monthly retirement allowance is determined by age at retirement, years of service credit and final compensation. The basic benefit is 2% of final compensation for each year of credited service upon retirement at age 60. If retirement is earlier than age 60, the percentage of final compensation decreases for each quarter year of attained age to 1.092% at age 50. If retirement is deferred beyond age 60, the percentage of final compensation increases for each quarter year of attained age to 2.418% at age 63.

Final compensation is the average monthly pay rate during the last consecutive 36 months of employment, or 12 months if provided by the employer's contract, unless the member designates a different period of 36 or 12 consecutive months when the average pay rate was higher.

DISABILITY RETIREMENT

Members substantially incapacitated from performing the usual duties for the position for his/her current employer, and from performing the usual duties of the position for other CalPERS covered employers (including State agencies, schools, and local public agencies), and where similar positions with these other employers with reasonably comparable in pay, benefits, and promotional opportunities are not available, would be eligible for disability retirement provided they have at least five years of service credit. The monthly retirement allowance is 1.8% of final compensation for each year of service. The maximum percentage for members who have between 10.000 and 18.518 years of service credit is one-third of their final compensation. If the member is eligible for service retirement the member will receive the highest allowance payable, service or disability. If provided by the employer's contract, the benefit would be a minimum of 30% of final compensation for the first five years of service credit, plus 1% for each additional year of service to a maximum benefit of 50% of final compensation.

INDUSTRIAL DISABILITY RETIREMENT

If provided by the employer's contract, members permanently incapacitated from performing their duties, as defined above under Disability Retirement, and the disability is a result of a job-related injury or illness may receive an Industrial Disability Retirement benefit equal to 50% of their final compensation. If provided in the employer's contract and the member is totally disabled, the disability retirement allowance would equal 75% of final compensation in lieu of the disability retirement allowance otherwise provided. If the member is eligible for service retirement, the service retirement allowance is payable. The total allowance cannot exceed 90% of final compensation.

PRE-RETIREMENT DEATH BENEFITS

Basic Death Benefit: This benefit is a refund of the member's contributions plus interest and up to six months' pay (one month's salary rate for each year of current service to a maximum of six months).

1957 Survivor Benefit: An eligible beneficiary may elect to receive either the Basic Death Benefit or the 1957 Survivor Benefit. The 1957 Survivor Benefit provides a monthly allowance equal to one-half of the highest service retirement allowance the member would have received had he/she retired on the date of death. The 1957 Survivor Benefit is payable to the surviving spouse or registered domestic partner until death or to eligible unmarried children until age 18.

1959 Survivor Benefit: (If provided by the employer's contract and the member is not covered under social security.) A surviving spouse or registered domestic partner and eligible children may receive a monthly allowance as determine by the level of coverage. This benefit is payable in addition to the Basic Death Benefit or 1957 Survivor Benefit. Children are eligible if under age 22 and unmarried.

Pre-Retirement Optional Settlement 2 Death Benefit: (If provided by the employer's contract.) The spouse or registered domestic partner of a deceased member, who was eligible to retire for service at the time of death, may to elect to receive the Pre-Retirement Optional Settlement 2 Death Benefit in lieu of the lump sum Basic Death Benefit. The benefit is a monthly allowance equal to the amount the member would have received if he/she had retired for service on the date of death and elected Optional Settlement 2, the highest monthly allowance a member can leave a spouse or registered domestic partner.

COST-OF-LIVING ADJUSTMENTS

The cost of living allowance increases are limited to a maximum of 2% compounded annually unless the employer's contract provides a 3, 4, or 5% increase.

DEATH AFTER RETIREMENT

The lump sum death benefit is \$500 (or \$600, \$2,000, \$3,000, \$4,000 or \$5,000 if provided by the employer's contract) regardless of the retirement plan chosen by the member at the time of retirement.

TERMINATION OF EMPLOYMENT

Members who have separated from employment may elect to leave their contributions on deposit or request a refund of contributions and interest. Those who leave their contributions on deposit may apply at a later date for a monthly retirement allowance if the minimum service and age requirements are met. Members who request a refund of their contributions terminate their membership and are not eligible for any future benefits unless they return to CalPERS membership.

EMPLOYEE CONTRIBUTIONS

Miscellaneous members covered by the 2% @ 60 formula contribute 7% of reportable earnings. Those covered under a modified formula (coordinated with Social Security) do not contribute on the first \$133.33 earned.

The employer also contributes toward the cost of the benefits. The amount contributed by the employer for current service retirement benefits generally exceeds the cost to the employee. In addition, the employer bears the entire cost of prior service benefits (the period of time before the employer provided retirement coverage under CalPERS). All employer contribution rates are subject to adjustment by the CalPERS Board of Administration.

EXHIBIT "D"



California Public Employees' Retirement System
Actuarial Office
P.O. Box 942709
Sacramento, CA 95812-1494
TTY: (877) 249-7442
(888) 225-7377 phone • (916) 795-2744 fax
www.calpers.ca.gov

March 14, 2012
CALPERS ID: 5161985321
Employer Name: IRVINE RANCH WATER DISTRICT
Rate Plan: MISCELLANEOUS PLAN

Re: New 2% @ 60 Full Formula and 3 Year Final Compensation Second Tier within a Non-pooled Plan (Section 20475: Different Level of Benefits Provided for New Employees)

Dear Requestor:

As requested, employer contribution rate information on your proposed second tier follows.

If you are aware of others interested in this information (i.e. payroll staff, county court employees, port districts, etc.), please inform them.

The information is based on the most recent annual valuation and is good until the completion of the next annual valuation, that is, the annual valuation as of June 30, 2011. If your agency has not taken action to amend its contract and we have already completed the June 30, 2011 annual valuation report, **you must contact the Retirement Contract Services Unit for an updated cost analysis.**

If the employee contribution rate changes, that change would take place immediately. There will be no immediate employer contribution rate impact from this amendment. Ultimately, though, your employer normal cost will decrease. If the mix of active member entry ages were the same for both the current continuing first tier employees and the new second tier employees, the decrease in the employer rate would be 2.7% and the decrease in the employee contribution rate would be 1%.

The employer rate reduction will occur gradually, beginning on July 1, 2014, if there are second tier employees hired on or before June 30, 2012. For fiscal years 2014/2015 and beyond, the projected annual amount of rate reduction you can expect from introducing a second tier is approximately equal to the ratio of your second tier annual payroll to your total plan annual payroll two and a half years earlier. For example if 1/10 of your Miscellaneous Plan members were in second tier on June 30, 2012 and the ultimate expected normal cost decrease was 2.7%, the cumulative rate reduction you can expect by the 2014/2015 fiscal year would be $1/10 \times 2.7\% = 0.27\%$.

To initiate an amendment to the contract, please follow the Contract Amendment Request process on MyCalPERS with our Retirement Contract Services Unit, indicating your wish to contract for Section 20475 (Different Level of Benefits) and identifying the group(s) to which the benefit reduction applies.

In sections 20463 (b) and (c), the California Public Employees' Retirement Law requires the governing body of a public agency within five days of receipt of the contract amendment cost analysis, to provide each employee organization with a copy of the analysis. If this cost analysis was requested by an employee organization, the employee organization is also required within five days of receipt of the analysis, to provide a copy of the analysis to the public agency.

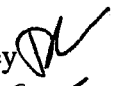
If you have questions, please call (888) CalPERS (225-7377).


A handwritten signature in black ink, appearing to read "Kerry J. Worgan".

KERRY J. WORGAN, MAAA, FSA, FCIA
Senior Pension Actuary, CalPERS

April 9, 2012

Prepared and

Submitted by: Debby Cherney 

Approved by: Paul Cook 

ACTION CALENDAR

AUDITOR SELECTION FOR FIVE-YEAR CONTRACT COMMENCING WITH FY 2011-12

SUMMARY:

In 2006, the Board authorized a five-year audit services contract with Mayer Hoffman McCann P.C., Conrad Government Services Division (MHM) for financial statement audit services each year, including single-audit services as required by the Federal government for certain grant funding. In April 2011, the Board authorized a one-year contract extension for the Fiscal Year (FY) 2010-11 financial statement audits and single audit at a proposed cost of \$55,400 for each year. Staff solicited proposals from 10 qualified audit firms, and received proposals from four of those firms for a five-year contract commencing with the FY 2011-12 financial statement audit and single audit. After evaluating the proposals received and interviewing the top two scoring firms, staff recommends the retention of Mayer Hoffman McCann P.C. at an annual cost commencing at \$51,400 for FY 2011-12, escalating to an annual cost of \$55,638 for FY 2015-16.

BACKGROUND:

Historically, IRWD has retained the services of private accounting firms to provide audit services for the District. Staff is once again soliciting proposal for these services, as the contract with IRWD's most recent auditor, Mayer Hoffman McCann P.C. has expired. Staff sent the Request for Proposals to 10 qualified firms and received proposals from the following firms:

- Mayer Hoffman McCann, P.C.
- White Nelson Diehl Evans LLP
- Lance, Soll & Lunghard
- Charles Z. Fedak & Company

Staff evaluated the proposals based upon the following primary criteria:

- Experience in auditing water/sewer service agencies in the local area;
- Active Participation by Partner and Manager in fieldwork and advisory services;
- Relevant experience and quality of staff to be assigned to the District's audit;
- Demonstrated knowledge and approach to conducting special district audits;
- Demonstrated understanding of the District's unique accounting requirements and complex auditing environment; and
- Proposed timing of audit hours.

Based upon these criteria, staff elected to interview the teams from Mayer Hoffman McCann (MHM) and White Nelson Diehl Evans. Both firms provided an overview of their audit approach and answered a series of questions relating to their proposals, team, experience and

approach to problem-solving. Both firms demonstrated strong technical proficiency particularly at the partner level. Staff believes that the bench strength of the MHM team is more apparent. As the incumbent audit firm, MHM demonstrated a deep understanding of the District's complex accounting needs. In response to the District's desire to have a "fresh look" at its financial audit, the MHM firm addressed its proposed changes to the primary audit team from past years, which are further discussed below.

Based upon the proposals and interviews, staff recommends that the Board approve a five-year contract with Mayer Hoffman McCann, L.P. A copy of the MHM proposal is attached as Exhibit "A". Staff bases this recommendation on the superior knowledge that the MHM firm has of the District, as well as the following:

- Changing audit firms can have a negative connotation to banks, rating agencies, bondholders or other external consumers of financial information. The general assumption is that the change is driven by disagreements or poor performance, rather than driven by fee or quality control concerns. Proposed legislative changes which would have required the District to change its audit firms were amended to require a rotation of audit partners. This follows private sector accounting changes brought on by Sarbanes-Oxley Act of 2002. The MHM team proposes to change both the primary audit partner and the audit senior manager for the FY 2011-12 audit, but retains one key staff member. The MHM team also proposes to rotate Jennifer Farr, the primary audit partner for the last three years, to a technical review role. That role was formerly performed by Ken Al-Imam, who is now proposed as the engagement partner. As such, staff believes that the District will retain the knowledge and experience that the MHM team has with the District, but still obtain the "fresh look" approach to the audit and review of our financial statements.
- By changing auditors, District staff would need to devote a significant amount of time to educating a new audit firm and its staff about the District's internal controls and critical processes and procedures, as well as to develop working processes for sharing audit schedules and other information. Staff estimates internal labor costs of over \$15,000 for a first-year audit changeover, and while that subsides over time, staff expects that the learning curve for a new firm would be extremely steep and costly to the District.

Attached is Exhibit "B" which summarizes the fee portion of the proposals submitted. The MHM firm is competitive with the White Nelson firm, with an average cost per year over the five-year contract term of \$53,498. Although MHM is not the least expensive firm for the standard Audit/Financial Reporting work, staff contends the additional cost of on average less than \$1,000 per year is outweighed by the internal costs noted above, as well as the audit quality that comes with continuity and institutional knowledge of the District.

FISCAL IMPACTS:

The five-year agreement is expected to cost the District \$255,000 plus possible Single Audit fees not to exceed \$12,490 over the five-year period.

ENVIRONMENTAL COMPLIANCE:

This is not a project as defined in the California Environmental Quality Act (CEQA), Code of Regulations, Title 14, Chapter 3, Section 15378.

COMMITTEE STATUS:

This item was reviewed by the Finance and Personnel Committee on April 3, 2012.

RECOMMENDATION:

THAT THE BOARD APPROVE A FIVE-YEAR CONTRACT WITH MAYER HOFFMAN MCCANN, P.C. AT A COST OF \$255,000 PLUS POSSIBLE SINGLE AUDIT FEES NOT TO EXCEED \$12,490 OVER THE FIVE-YEAR PERIOD.

LIST OF EXHIBITS:

Exhibit "A" – Proposal from Mayer Hoffman McCann, P.C.

Exhibit "B" – Fee summary



Prepared exclusively for:

***IRVINE RANCH
WATER DISTRICT***



***PROPOSAL OF INDEPENDENT AUDIT SERVICES
TO THE
IRVINE RANCH WATER DISTRICT***

Submitted by:

**MAYER HOFFMAN McCANN P.C.
2301 DUPONT DR., SUITE 200
IRVINE, CALIFORNIA 92612**

March 13, 2012

**CONTACT PERSON – KEN AL-IMAM, SHAREHOLDER
PHONE NO: (949) 474-2020, EXT. 273
FACSIMILE NO: (949) 263-5520
EMAIL: kalimam@cbiz.com
WEBSITE: www.mhm-pc.com**

**MAYER HOFFMAN McCANN P.C.
CALIFORNIA LICENSE NO. CORP 5091**

**MAYER HOFFMAN McCANN P.C.
FEDERAL IDENTIFICATION NO. 43-1947695**



Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

March 13, 2012

Deborah Cherney, CPA
Executive Director of Finance
Irvine Ranch Water District
15600 Sand Canyon Avenue
Irvine, CA 92618

Mayer Hoffman McCann P.C. is pleased to provide our proposal to serve as the independent auditors for the Irvine Ranch Water District for the fiscal years ending June 30, 2012 through 2016. Mayer Hoffman McCann P.C. (MHM) would be your best selection for the following reasons which are set forth in greater detail in our proposal:

- Mayer Hoffman McCann P.C. is a national CPA firm. In California, Mayer Hoffman McCann P.C. has offices in San Diego, Irvine, Los Angeles, Oxnard, Bakersfield and San Jose. More than 400 accounting and audit professionals serve clients from the California offices.
- We are proud of our leadership role in local governmental auditing and accounting. We have audited over 70 local government clients throughout Southern California, including *several major water and sewer agencies*: Irvine Ranch Water District, Coachella Valley Water District, Cucamonga Valley Water District, Mesa Consolidated Water District, Moulton Niguel Water District, San Bernardino Water District, Santa Margarita Water District, West Basin Municipal Water District, and the Big Bear Area Regional Wastewater Authority.
- In addition to providing extensive local government and other audit and information technology training for our staff, we provide an annual Governmental Accounting Standards Board (GASB) Technical Update each spring for our clients.
- Mayer Hoffman McCann's past experience auditing Irvine Ranch Water District coupled with a change in the audit team puts us in a position to provide you a "fresh look" at the audit while still retaining our institutional knowledge of your organization, your systems, and your processes. You will spend no time training our staff or accumulating permanent file records. Additionally, we understand your expectations and have a proven record of meeting your deadlines and providing excellent customer service.
- We believe our electronic trial balance software and IDEA software gives us a strategic advantage over our competitors. We have the ability to upload your detailed trial balance and map it to your financial statements. This allows us to create our own audit lead schedules, perform analytical reviews, perform ratio analysis and evaluate the data in other ways. Additionally, our new IDEA software allows us to upload data from your payroll, payables, general ledger, and billing systems to evaluate anomalies in the data (duplicate invoices, checks written on weekends, etc.). This system provides us with a new tool for focusing our audit efforts on transactions that could be more susceptible to fraud.

Deborah Cherney, CPA
Executive Director of Finance
Page Two

- We believe that our fee estimate and structure will assure the Irvine Ranch Water District of a fair and reasonable cost (based upon the experience of our audit team) to perform the annual audit examination.

Mayer Hoffman McCann P.C. thanks the Irvine Ranch Water District for the opportunity to present our proposal qualifications and for the opportunity to be appointed as your independent auditors. We understand the work to be done within the established time periods. Our proposal remains a firm and irrevocable offer for 90 days. I look forward to you contacting me so that I may answer further any questions which you may have. You may contact me at (949) 474-2020, Ext. 273.

Very truly yours,
MAYER HOFFMAN McCANN P.C.



Ken Al-Imam, C.P.A.
Shareholder

**PROPOSAL OF AUDIT SERVICES
TO THE
IRVINE RANCH WATER DISTRICT**

TABLE OF CONTENTS

<u>Section</u>		<u>Page</u>
A	About Mayer Hoffman McCann P.C.	1
B	Our Prior Experience Auditing Special Districts and Cities	3
C	Project Organization	6
D	Approach, Timing and Work Program of Our Engagement Team	14
E	References of Local Government Clients	18
F	Our Hourly Rate and Maximum Fee to Perform this Engagement (Bound Separately)	

BIOGRAPHIES

Resumes

APPENDIX

Sample Prepared by Client List

Mayer Hoffman McCann P.C. Peer Review Report

Carr, Riggs & Ingram, LLC Report on California Local Government Audit Practice

SECTION A

MAYER HOFFMAN McCANN P.C.

STATEMENT OF EXPERIENCE

Mayer Hoffman McCann P.C. is a National CPA Firm. The firm is independently owned and operated through its 275 shareholders. The firm began in Kansas City, Missouri in 1954. After years of steady growth the Firm expanded into a National Practice. Mayer Hoffman McCann P.C. currently operates from 35 offices throughout the United States and is licensed in all 50 States. Mayer Hoffman McCann P.C. is closely aligned with CBIZ (NYSE:CBZ). The 275 shareholders in 35 Mayer Hoffman McCann P.C. offices direct the resources of approximately 2000 Accounting and Audit professionals who services the attest clients of Mayer Hoffman McCann P.C.

The Western Region Office of Mayer Hoffman McCann P.C. work closely together in servicing clients and sharing professional resources among offices. Those offices locations are as follows:

- Irvine California (Government services headquarters)
- Irvine, California (SEC services headquarters)
- Los Angeles, California
- Bakersfield, California
- Oxnard, California
- San Diego, California
- San Jose, California
- Salt Lake City, Utah
- Phoenix, Arizona
- Tucson, Arizona

The Western Region offices have more than 425 professional accounting and audit personnel available to the 56 shareholders of Mayer Hoffman McCann P.C. in the ten Western Region offices.

MHM plans to provide the audit services to the Irvine Ranch Water District from full-time staff operating out of our Irvine office. The Irvine office joined MHM on January 1, 2006. This office is the former CPA practice of Conrad and Associates, L.L.P., a 35 year old CPA firm which has been nationally and locally recognized for its expertise in governmental accounting and auditing. The Irvine office is the technical and practice unit designated within MHM for governmental expertise and training for MHM on a national level. A breakdown of the Irvine Office's personnel by classification is as follows:

Classification	Number of Employees
Shareholders/Partners	6
Senior Managers	4
Managers	7
Seniors	13
Staff	12
Administrative support	6
Total personnel	48

All of the Shareholders in the Irvine office focus their efforts on Government auditing. Approximately 75% of all work performed out of the Irvine office is Government auditing.

INDEPENDENCE

Mayer Hoffman McCann P.C. is independent with respect to the Irvine Ranch Water District as defined by generally accepted auditing standards and the U.S. General Accounting Office's Government Auditing Standards. Mayer Hoffman McCann P.C. has had no professional relationships with Irvine Ranch Water District in the past five years.

LICENSE TO PRACTICE IN CALIFORNIA

Mayer Hoffman McCann P.C. and all assigned key professional staff are licensed to practice in California.

QUALITY CONTROL

Mayer Hoffman McCann P.C. is a National CPA Firm and ranked among the top 10 Accounting Service Providers in the country. MHM adheres to the strict quality control measures and high professional standards of the Public Company Accounting Oversight Board (PCAOB), the American Institute of Certified Public Accountants (AICPA), and the California State Board of Accountancy (as well as other states when applicable). Our Firm is a member of the AICPA's Center for Public Company's Audit firms, Employee Benefit Plan Audit Quality Center, Governmental Audit Quality Center and the AICPA's Private Company Practice Section (PCPS).

As a member of the Private Companies Practice Section and PCAOB our audit procedures and working papers are regularly examined by another CPA firm in the firm-on-firm peer review program. The most recent Peer Review performed did cover the governmental auditing practice of this office. In addition, all aspects of the firm's quality control practices have been reviewed, including the firm's commitment to extensive training programs. In every member firm, each member of the professional staff must enroll in continuous professional education courses. Each is required to take at least 120 hours of classes over a three-year period. Courses cover a wide spectrum of professional and technical subjects, and include Fraud Auditing, Professional Ethics and Governmental Accounting and Auditing topics to help the practitioner maintain his/her professional expertise.

The results of reviews of the audit work conducted by our California government audit practice by regulatory agencies indicate that our audit work substantially met the requirements of the auditing standards, except for one review conducted by the California State Controller with respect to Mayer Hoffman McCann P.C.'s financial statement audit that was performed for the City of Bell for the year ended June 30, 2009. We documented our disagreement with the conclusions of that review in our response to the State Controller's report. In response to the issues related to the City of Bell, MHM engaged an independent CPA firm to evaluate the quality of the audit work performed by MHM with respect to its local government audit practice in California. Carr, Riggs & Ingram, LLC concluded that the audit work performed by MHM with respect to its local government audit practice in California conformed to professional auditing standards and our system of quality control. This report has been included in the Appendix section of this proposal. Additionally, a copy of Mayer Hoffman McCann P.C.'s firm wide Quality Control Review report is included in this proposal. The firm wide Peer Review included a review of specific government engagements.

SECTION B

OUR PRIOR EXPERIENCE AUDITING WATER DISTRICTS AND OTHER LOCAL GOVERNMENTS

Mayer Hoffman McCann P.C. has over thirty years of experience in the audits of local government units (all funds audit examinations of cities including single audits performed under OMB Circular A-133, financial and compliance audits of California Redevelopment Agencies, audit examinations of public housing authorities, joint powers authorities and special districts). Among the local government entities which the Irvine office of MHM has served during the past two years are the following:

Big Bear Area Regional Wastewater Agency
California Association of Public Authorities
California Joint Powers Insurance Authority
Coachella Valley Association of Governments
Coachella Valley Recreation and Park District
Coachella Valley Water District
Cucamonga Valley Water District
Eastern Municipal Water District
Housing Authority of the City of Los Angeles
Imperial Valley Housing Authority
Inland Empire Utilities Agency
Irvine Ranch Water District
Los Angeles Contract Cities
Los Angeles Regional Parks
Mesa Consolidated Water District
Moulton Niguel Water District
Municipal Water Department of the City of San Bernardino
Orange County Fire Authority
Orange County Sanitation District
Orange County Transportation Authority
Oxnard Housing Authority
Public Entities Risk Management Authority
San Diego Association of Governments
Santa Margarita Water District
Santa Monica Housing Authority
Southern California Association of Governments
Ventura Area Housing Authority
Vista Irrigation District
West Basin Municipal Water District

All Funds Examinations of California Cities in (by County)

Los Angeles County

City of Burbank

City of Beverly Hills

City of Commerce

City of Compton

City of Culver City

City of Inglewood

City of La Verne

City of Pasadena

City of Santa Monica

City of Temple City

City of Torrance

City of West Covina

Orange County

City of Aliso Viejo

City of Costa Mesa

City of Fountain Valley

City of Garden Grove

City of Laguna Beach

City of Mission Viejo

City of Newport Beach

City of Orange

City of Rancho Santa Margarita

City of Villa Park

San Bernardino County

City of Highland

City of Redlands

City of Upland

Riverside County

City of Hemet

City of Indian Wells

City of Indio

City of Rancho Mirage

City of Riverside

San Diego County

City of Carlsbad

City of Escondido

City of National City

City of Santee

City of San Marcos

City of Solana Beach

Other Counties

City of Benicia

City of Campbell

City of Gilroy

City of Half Moon Bay

City of Hayward

City of San Bruno

CAPABILITIES IN GENERAL CONSULTING AND COMPLIANCE AUDITING

In addition to our annual auditing services, we have assisted our clients by performing both attest services and various management advisory and other accounting services, including:

- Internal audit services
- Prop 218 verifications
- Assistance to Bond underwriters in providing “parity certificates” in related to new debt issuance
- Tax advice regarding deferred compensation, employee benefits, use of company vehicles, etc.
- Assistance in the selection of qualified finance personnel for employment
- Investment portfolio compliance testing
- Reviews of water billing systems
- Special fraud audits
- Gross receipts audits
- Contractual agreement compliance audits
- Review of central purchasing systems
- Review of warehouse controls and inventory systems
- Review of operations in City Treasurers’ Office
- Special information system reviews
- Assistance in cash reconciliation problems
- Determination of the cost of excess sewer capacity for a developer/city contractual arrangement
- Assistance in computation of Proposition 111 Gann Limitations

SECTION C

PROJECT ORGANIZATION

The successful outcome of any audit requires personnel with the managerial and technical skills to perform the work required. The engagement team who will serve the Irvine Ranch Water District have served together as a team of professionals on numerous financial audit examinations of local government entities, including complex governmental agencies.

We believe that efficient administrative management and supervision of the audits is an extremely critical factor in achieving the desired results for the Board of the Irvine Ranch Water District. In that regard, our proposal organizational structure for providing independent auditing services is as follows:

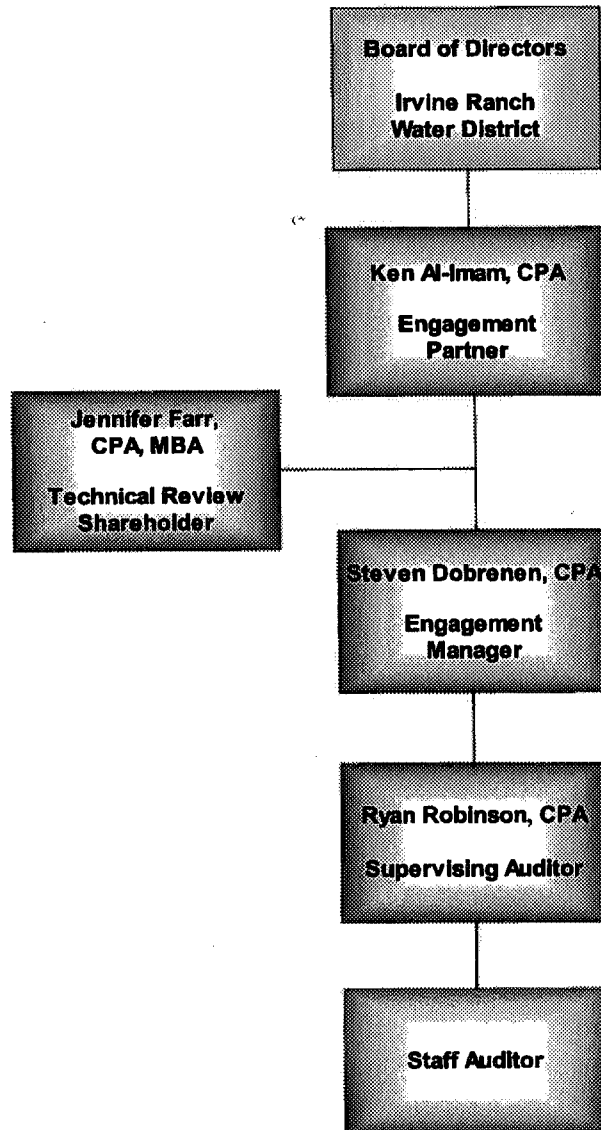
Your audits will be conducted with the following MHM team of professionals.

Mr. Al-Imam will serve as Engagement Shareholder, will be responsible for the coordination of the audit of the Irvine Ranch Water District and fulfillment of the requirements of the Board of Directors of the District. Mr. Al-Imam, as the Engagement Shareholder, will be in the field to plan and coordinate the management of the audit examination of the Irvine Ranch Water District. He will work closely with Ms. Deborah Cherney, Executive Director of Finance and Finance Department staff and be responsible to the Board of Directors of the District. Mr. Al-Imam is past Chairman of the state-wide "Governmental Accounting and Auditing Committee" for the California Society of Certified Public Accountants and served from 1996-2001 as Chairman of the Governmental Accounting and Auditing Committee for the Long Beach-Orange County Chapter of the California Society of CPA's. He is also an active member and past president of CCMA (California Committee on Municipal Accounting). Mr. Al-Imam is the Attest Practice Leader of the Orange County office of MHM.

Ms. Jennifer Farr will serve as Technical Review Shareholder. In this capacity, Ms. Farr will act as a Technical and Consulting Shareholder to Mr. Al-Imam and Ms. Deborah Cherney, Executive Director of Finance. As a second shareholder reviewer, she will perform quality control reviews of audit reports issued by our firm. Ms. Farr serves as a reviewer for the CSMFO award program for CAFR's and has been a speaker on matters pertaining to technical issues and new GASB pronouncements. Ms. Farr is also responsible for the firm-wide training for the Conrad Government Services Division of MHM in the area of local governmental accounting and auditing.

Mr. Steven Dobrenen will serve as Engagement Manager of the audit of the Irvine Ranch Water District. Mr. Dobrenen has twenty-two years of local government audit experience. He will work closely with Mr. Al-Imam and Ms. Deborah Cherney, Executive Director of Finance, and Finance Department personnel. He will plan and review the audit work and work closely with Mr. Ryan Robinson, Field Supervisor.

Mr. Ryan Robinson will serve as the Field Supervisor. He will work closely with Ms. Deborah Cherney, Executive Director of Finance and Mr. Steven Dobrenen, Engagement Manager. He will supervise and review all work of accountants in the field with her. Mr. Ryan Robinson has six years of audit experience and works exclusively in the area of local government and non-profit auditing.



All individuals are current on their continuing education requirements in the State of California. We plan to assign the same Engagement Partner, Technical Review Partner, Engagement Manager, and Senior auditor throughout the contract period unless there is turnover or promotion of the engagement team members.

Resumes of key audit team members are included in the biographies section.

TRAINING

All individuals assigned to the Irvine Ranch Water District audit will have 40 hours of government specific CPE every year, which is in excess of the required 24 hours for audits of governmental agencies. All members of the engagement team are current on their CPE requirements. The following is a listing of continuing professional education for the past four years for the proposed engagement team:

<u>Dates</u>	<u>CPE Class</u>	<u>Attended by</u>			
		<u>Al-Imam</u>	<u>Farr</u>	<u>Dobrenen</u>	<u>Robinson</u>
Jan 2008	Risk assessment audit training	X	X	X	X
Jan 2008	Internal controls and fraud protection	X	X	X	X
Jan 2008	Accounting and auditing issues of nonprofits	X	X	X	X
March 2008	CSMFO annual conference	X	X		
April 2008	Local government audit training I	X	X	X	X
May 2008	2008 GASB update	X	X	X	X
June 2008	MHM accounting & audit national conference		X		
July 2008	Local government audit training II	X	X	X	X
Jan 2009	2009 Local government audit training I	X	X	X	X
Feb 2009	CSMFO annual conference	X	X	X	
May 2009	2009 GASB update	X	X	X	X
July 2009	2009 Local government audit training II	X	X	X	X
Jan 2010	Fraud training	X		X	X
Jan 2010	Accounting and auditing issues of nonprofits	X		X	X
Jan 2010	2010 Local government audit training I	X		X	X
Feb 2010	CSMFO annual conference	X			
June 2010	GASB Update	X	X	X	X
July 2010	2010 Local government audit training II	X	X	X	X
Jan 2011	Accounting and audit update	X	X	X	X
Jan 2011	Fraud training		X		
Feb 2011	CSMFO annual conference	X	X		
April 2011	2011 Local government audit training I	X	X	X	X
July 2011	2011 Local government audit training II	X	X	X	X
2011	Executive Education Series Classes	X	X		
Jan 2012	Fraud Training	X		X	
Feb 2012	2012 Legal Government Audit Training I	X	X	X	X
Mar 2012	CSMFO Annual Conference	X	X	X	

PROGRAM MONITORING PROCEDURES

Quality Control Methodology

The following subsections describe our firm's overall quality control procedures as they relate to governmental audits. These procedures will be applied in the performance of the annual financial audit of the District.

Planning the Work Effort

The planning for each task will be performed or supervised by the Engagement Shareholder and Engagement Manager. The initial planning process shall encompass developing an overall strategy for the conduct of the task. This will include:

- Establishing that all standards for audit of governmental organizations, programs, activities and functions have been applied.
- Reviewing our firm's prior relevant experience and understanding of *GAO Audit Standards for Governmental Programs*. Due to our firm's extensive prior experience in auditing federal government programs for several departments of the U.S. Government, our firm is very familiar with the GAO standards for auditing governmental programs. Our firm has conducted numerous audits in accordance with the *Government Auditing Standards* for various branches of the U.S. Government. In addition, the GAO audit standards have been covered in several of our in-house training seminars relating to governmental audit topics. As a result of our firm's strong commitment to federal governmental auditing, virtually every member of our audit staff is aware of and understands that GAO audit standards for governmental programs and the various types of audits that we may be asked to perform or assist in performing.
- Assigning staff to the engagement.
- Establishing the timing of the fieldwork.

Scheduling the Work Effort

Our firm's plan for scheduling and staffing of work to be performed under this contract is for our Engagement Manager to be responsible for the scheduling and staffing of all tasks. He is well aware of the extreme importance of adequate planning, scheduling and staffing of all engagements in order to ensure the proper and timely completion of all tasks performed by our firm.

Since the Irvine office specializes in governmental auditing, virtually every member of the Office has extensive prior experience in auditing government-funded programs. Accordingly, if a sudden event were to create a shortfall in a given labor category, we would have no problem in furnishing a suitable replacement from our current professional staff. Mr. Al-Imam would review the qualifications and experience of any audit team member that needed to be replaced during the course of the contract and select the member of our professional audit staff that most closely equaled or exceeded the training and experience of the person being replaced and submit that person's résumé to District, where appropriate, along with the reasons requiring the change, for approval.

Administering the Work Effort

MHM understands that when a public agency engages our firm to perform services related to recipients of contracts or programs funded by public funds, we have a much broader obligation in performing the task than in a typical client-procured commercial audit. The added responsibilities include the duty to realize that due to the nature of public agency operations, the auditee's responsibility for public monies may affect more than one level of government. Accordingly, we understand our duty in planning and performing the task is to determine which public agencies and state and local governments will be using the report, and to plan the work to the extent possible, in such a manner that the needs of all the potential users will be met.

Additionally, we understand that when a public agency engages our firm to perform services related to a recipient entity that we have a responsibility to determine the extent of the entity's compliance with applicable laws and regulations, and further to communicate the auditee's compliance, or lack thereof, along with the financial effect to our client. While this is a departure from the normal procedure in client-procured services of clearing all deficiencies and changes in the financial statements through the client before making those changes or communicating those changes to anyone else, we recognize that our obligation in the above situation to the public agency (our client) requires that we promptly report instances of non-compliance with laws and regulations, the financial effect of the departure, as well as any possible indications of fraud, abuse, or illegal acts, to the agency arranging for the services.

Further, we understand that when a public agency engages our firm to perform services related to a recipient of public funds, that the independence requirement takes on added significance. In addition to being financially independent of the auditee, the auditor must be emotionally and/or politically independent in his conduct of the task. Each of our auditors is keenly aware that in performing services related to governmental activities that we must not allow preconceived ideas or prejudices to in any way influence, or appear to others to influence, the conduct or the results of the task. This is done in order to properly serve the needs of the agency requesting the services in obtaining an impartial and objective service by an independent third party.

Working Papers

The first step in our approach to assuring quality control is the preparation of standardized working papers that contain sufficient, competent and relevant evidential matter as required by *Government Auditing Standards*. These working papers, being the permanent record of the work performed and methods followed, serve as the basis for the report. Therefore, we understand that these working papers must substantiate and explain in detail the opinions and findings included in the report. In addition, we have developed a standardized indexing system for all working papers which will be used by the audit team. This provides a consistent, quality product which can be easily and thoroughly reviewed.

Independent review of all working papers is an essential and constant element of our firm's auditing procedures and quality control program. Review is the means by which we ensure that each level and step of the work is properly performed and completed. It also serves as a valuable training device for all levels of professional staff, since staff members are alerted to areas in which they need improvement, gain confidence in their own abilities in areas of the audit successfully completed without assistance, and benefit from the knowledge and experience of the reviewer. It is by this process that each member of our professional staff becomes a more knowledgeable a more valuable asset to our firm, while at the same time assuring that our firm's high standards of professional and diligent work are being met.

Working paper review procedures, which are an integral part of every project our firm performs, include:

1. The Engagement Manager reviews all working papers generated by the Field Supervisor and Field Auditors at the project site on a continual basis, informs them if additional procedures are warranted, advises them of their progress, and initials all working papers to note that they have been reviewed.
2. The Engagement Shareholder reviews the overall project at various stages of the work and prepares review comments, as needed, for follow-up by the Engagement Manager, Field Supervisor and Field Auditors.
3. Prior to completing the final review of the working papers, the Engagement Manager determines that:
 - a. All review comments have been appropriately resolved and documented in working papers.
 - b. All segments of the work have been completed in conformity with the contract terms and the tailored project plan.
 - c. All working papers have been appropriately reviewed and initialed.
 - d. The Engagement Shareholder is satisfied through his review that the fieldwork is complete and that he has approved the move to the next assignment.
 - e. The progress of the Field Supervisor and Field Auditors has been reviewed and documented in accordance with the firm's quality control procedures.
 - f. The Engagement Manager completes an overall review of the project assigned by the Engagement Shareholder. The Engagement Manager's knowledge and experience provide the background needed to determine the adequacy of the procedures and adherence to appropriate accounting principles and auditing standards.

Working papers supporting the report will be maintained for 5 years following completion of the audit. We understand that the working papers, correspondence, or other documents related to the final study may be made available to District or their authorized representatives for their review. Copies may be made as necessary. Furthermore, we will be available to review and discuss the scope of the annual audit with the District or their authorized representative.

Report Writing and Review

We realize that an important part of our performance on almost every assignment consists of writing a report which usually includes findings and recommendations. Our firm stresses the importance of clear and effective writing skills and we believe that adequate time should be devoted to the preparation and review of these reports. This ensures that the effort expended during the assignment will result in constructive findings and recommendations.

The Engagement Shareholder is responsible for reviewing the draft audit report in order to determine the following:

- That the findings and amounts in the report are fully supported by the working papers.
- That the report and opinion prepared are in accordance with all applicable AICPA, GAO and District's requirements; conform to the format specified; and meet all requirements of the contract.

- That the report is properly cross-referenced to supporting schedules and that the MHM Engagement Quality Review has been completed.
- That the report is reviewed, processed and delivered within the time frames specified in the contract.

Engagement Quality Review

An integral part of our quality control system is the Technical Reviewer. This review is conducted by a Shareholder not assigned to work on the fieldwork portion of the engagement. This cold Shareholder review encompasses all aspects of the audit and ensures that our firm's high quality control standards have been met. The review provides a checklist that documents the:

- Completeness of the planning and supervision of the engagement.
- Evaluation and review of the auditee's internal control structure.
- Sufficiency of the working papers for documentation, clarity, completeness, cross-referencing and conclusion.
- Accuracy of the report as to format and requirements of the contract.
- Appropriateness of the report.
- Adequacy of the notes and schedules in the report.
- Clarity, completeness and appropriateness of all findings and recommendations.

Measurement of the Quality of Opinions Issued

There is no firm more committed to audit quality than Mayer Hoffman McCann P.C. The following markers of quality indicate to the District the quality of the audit services provided by Mayer Hoffman McCann P.C: the firm's successful experience in assisting the District and the firm's other clients in obtaining the GFOA award, the quality of the GASB Update provided by the firm to its clients each year, the thoroughness of the interactions between firm personnel and District personnel with respect to questions, audit tests, and requests for documentation, the willingness to provide assistance and consultation to the District free of charge throughout the year, and the quality of the feedback and recommendations, both verbal and written, that derive from the audit process.

CAFR: Disagreements or Suggestions With Respect to Presentation

We are impressed with the commitment to excellence indicated in the District's preparation and presentation of its CAFR and have noted no areas of deficiency that require improvement, correction, or enhancement.

SECTION D

APPROACH, TIMING AND WORK PROGRAM OF OUR ENGAGEMENT TEAM

The audit approach of Mayer Hoffman McCann P.C. is unique with regard to the following:

- Our firm is sensitive to the priorities and work requirements of our clients. We work around the schedules of our clients when scheduling segments of the audit or requesting documentation in order to minimize disruption of your staff.
- Whenever possible, we use accounting support already prepared by your staff in order to avoid duplication or unnecessary requests for audit supporting schedules. We will provide a list of schedules requested at the beginning of the audit to determine the schedules, if any, that Rincon does not already prepare internally.
- Because of our firm's expertise in local governmental auditing, our staff are trained and familiar with local government accounting. You will spend no time in training our personnel.
- Throughout the year we are a resource to our clients in providing accounting advice, researching technical questions, dealing with tax problems, and helping with other problems as they arise.

INTERNAL CONTROLS AND MANAGEMENT LETTER COMMENTS

During the planning phase of the audit, we plan to evaluate internal controls over the following primary transaction areas:

- Cash Receipting and Billing
- Investment Management
- Infrastructure and Capitalization of Assets
- Purchasing and Cash Disbursements Cycle
- Payroll Cycle/Human Resources
- Information Systems

There are three categories of internal control recommendations. We work carefully with your staff to ensure our classification of identified weaknesses is correct. The categories are as follows:

Control deficiency – these are minor internal control weaknesses that can be communicated either verbally to City Finance management or in writing, if preferred.

Significant deficiency – these internal control weaknesses must be communicated in writing.

Material weakness – these internal control weaknesses must be communicated in writing.

When formulating internal control recommendations, we obtain a thorough understanding of the specific circumstances at your Organization in order to provide a tailored, practical recommendation. We understand that there is commonly more than one acceptable way to correct an internal control weakness. We work with staff to ensure the recommendation is practical to implement.

AUDIT PLANNING PROCEDURES

Following our appointment as auditors of the Organization, Mr. Al-Imam, Engagement Shareholder and Mr. Dobrenen, Engagement Manager will meet with Deborah Cherney, Executive Director of Finance and other key District staff for the purpose of planning the audit. In addition to establishing an effective and efficient communication link with District personnel, the following will be accomplished:

- We will determine a materiality level for the financial statements
- We will perform a risk assessment of the Organization
- Review minutes of the Board of Directors meetings
- We will perform tests of investment compliance
- Review important contracts and agreements. We will ensure these agreements have been properly recorded under Government accounting standards.
- Testing of purchase orders and contract management.
- Performing testing of cash disbursements to determine adherence to policies and internal controls.
- Testing the accuracy of water bills
- Testing of payroll transactions
- Testing transactions for significant real estate activities, including reviewing management company controls
- Reviewing the prior year audited financial statements and providing recommendations for improvements to financial reporting.
- Dates for audit field work of the various audit examinations will be finalized.
- Arrangements will be made with finance personnel for the typing of confirmation requests.
- Providing the Organization with suggestions regarding the close of the District's books after year end. Our assistance and communication in the closing of the District's books is expected to minimize the number of audit adjustments required after the close of the books.

In August, after the final closing of the books and preparation of final trial balances by District personnel, we will commence performing our *year-end substantive audit*. Our final examination will include tests which we deem necessary, including:

- Confirmation of cash and investment balances.
- Testing the fair market value of investments and realized and unrealized gains/losses on investments.
- Testing of bank reconciliations.

- Testing of GASB 40 investment disclosures.
- Examination of support and subsequent receipt or confirmation of significant receivable balances.
- Detailed review of transactions with Orange County Sanitation District (OCSD) including evaluating the accuracy of amounts deposited with OCSD and ensuring transactions are in compliance with existing and modified agreements between IRWD and OCSD.
- Testing of inventory balances.
- Selecting the largest capital asset additions during the year, reviewing transactions supporting the capital asset addition, determining the reasonableness of amounts capitalized, evaluating the status of the project, and determining if there are any related assets that need to be removed from the accounting system as a result of the construction.
- Recalculation of depreciation balances on selected capital assets and overall reasonableness of depreciation by type of asset.
- Recalculation of capitalized interest on ongoing capital projects.
- Review of agreements between IRWD and other governmental agencies for shared facilities and projects. This review develops expectations of how transactions should be recorded in the financial statements and determines if amounts were recorded properly. Some of the complicated issues in the past deal with operating vs. capital leases, installment sales, facility ownership issues, and revenue and expense recognition in the proper accounting periods.
- Testing of each real estate investment including testing rent rolls, recalculating management fees, and ensuring proper capitalization of assets. We will carefully review new and modified agreements and test significant activities.
- Performing a search for unrecorded liabilities.
- Testing of significant accrued liability accounts.
- Review of customer deposits payable.
- Consideration of support for compensated absences, including adherence to personnel policies.
- Confirmation of long-term debt balances.
- Testing of compliance with bond covenants and reserve requirements.
- Verification of debt compliance with the Municipal Securities Rulemaking Board
- Recalculation of interest payable
- Testing of unamortized debt issuance costs and unamortized gains/losses on refunding
- Testing of actuarial valuation and calculation of OPEB liability and prepaid PERS asset.
- Testing of support for other significant assets and liabilities of the Organization.
- Recalculation of the components of net assets
- Review of significant events after year end (through the completion of our audit).

- Review of attorney letters for significant legal matters affecting the Organization's financial position.
- Testing of revenues and expenditures and lesser significant asset and liability balances through analytical procedures and other substantive procedures as necessary.
- In cases where there are sensitive public policy issues, we modify planning materiality in those areas to perform more extensive auditing procedures.
- Procedures with respect to the risk of management override of internal controls.
- Reviews of purchase orders and contract management.
- Review of General Manager's contract for unusual compensation practices.
- Review of the audited financial statements, ensuring all required disclosures are included.

The aforementioned tests are only a few of the tests performed during the examination and by no means is it meant to be all inclusive. At the completion of the audits each year, Mr. Al-Imam and Mr. Dobrenen will meet with District staff to review our audit findings, internal controls, and any adjusting journal entries.

We perceive the scope of our work as being advisors to the Irvine Ranch Water District regarding generally accepted accounting principles. Our firm's policy is to provide **unlimited** telephone consultations to our municipal clients regarding accounting and other technical matters.

Proposed Timing of the Audit

Contract approval	March 2012
Audit request list provided	April 2012
Audit planning meeting	May 2012
Start of interim audit	May 2012
Confirmations provided to IRWD	May 2012
Start of final audit	Second week in August
Completion of final audit	No later than August 31
Draft reports provided by auditors	No later than September 15
Meeting with Audit Committee	Finance and Personnel Committee
Final reports	Within 5 days of receiving comments back from the District

Segmentation of the Audit (not including Single Audit and Other Audits)

<u>Title</u>	<u>Estimated Hours</u>
Partner	42
Manager	63
Senior	210
Staff Auditor	<u>210</u>
	<u>525</u>

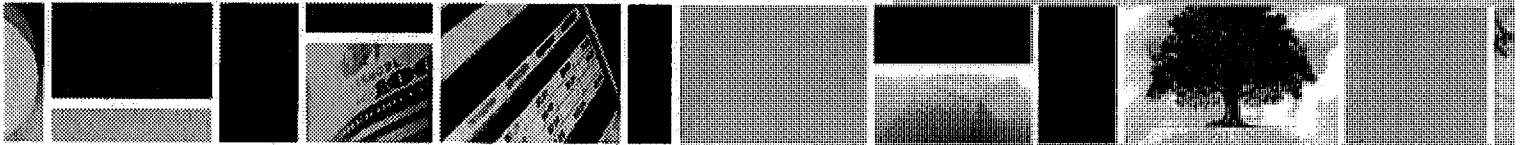
Assistance from Organization Staff

Cooperation and assistance from Organization staff is expected by the auditors including typing of confirmation requests, and normal year-end schedule accumulation (i.e., lead schedules, bank reconciliations and other support for significant asset and liability balances of the Organization). Whenever possible, we prefer to receive audit schedules in electronic format. We would also expect reasonable assistance from Organization staff in providing required documentation during the audit examination.

SECTION E

REFERENCES

<u>Name of Client</u>	<u>Principal Client Contact</u>	<u>Contact Information</u>
West Basin Water District	Margaret Moggia CFO	(310) 660-6256 margaretm@westbasin.org
South Coast Water District	Carolyn Rynda Director of Finance	(949) 499-4555 crynda@scwd.org
Santa Margarita Water District	Kristin Griffith Director of Finance	(949) 459-6569 kristing@smwd.com
Eastern Municipal Water District	Lori Robinson Controller	((951) 928-3777 robinsol@emwd.org
Cucamonga Valley Water District	Will Kolbow Finance Officer	(909) 476-5965 wkolbow@cvwdwater.com
Mesa Consolidated Water District	Vikki Beatley Chief Financial Officer	(949) 574-1022 vik kib@mesawater.org
Moulton Niguel Water District	David Cain Finance Director	(949) 831-2500 dcain@mnwd.com
City of Costa Mesa	Colleen O'Donoghue Asst. Finance Director	(714) 754-5219 codonoghue@ci.costamesa.ca.us
City of Burbank	Dino Balos Acct and Audit Manager	(818) 238-5500 dbalos@ci.burbank.ca.us
San Bernardino Municipal Water Department	Don Shackelford Director of Finance	(909) 384-5184 Shackelford_Do@ci.san-bernardino.ca.us
City of Victorville	Adele Mosher Asst Director of Finance	(760) 955-5056 amosher@ci.victorville.ca.us



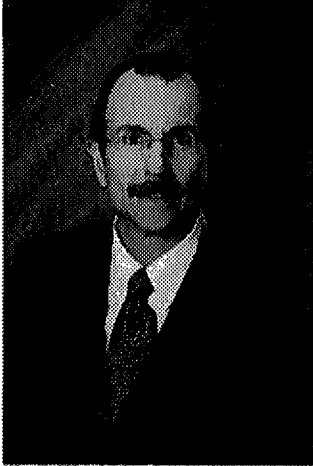
Biographies



KEN AL-IMAM, C.P.A.

Engagement Shareholder

California CPA Certificate No. 32377E, July, 1981



PROFESSIONAL EXPERIENCE

- 4 Years - Mayer Hoffman McCann P.C.
- 26 years - Conrad and Associates, L.L.P.

EDUCATION

B.A. - California State University, Fullerton (Accounting)

PROFESSIONAL AFFILIATIONS

- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants
- California Society of Municipal Finance Officers
- Governmental Accounting and Auditing Committee of the Long Beach/Orange County Chapter of Cal-Society of CPA's

LEADERSHIP QUALITIES

Mr. Al-Imam has over 30 years of experience in performing local government audits. Mr. Al-Imam is an active member and past chairman of **CCMA (California Committee on Municipal Accounting)**. CCMA is the body that provides California-specific guidance with respect to the application of new GASB pronouncements. He has drafted most of the CCMA whitepapers over the past 15 years. He has made presentations in public hearings before the Governmental Accounting Standards Board (GASB) and has served on an advisory panel with respect to the GASB implementation guide. Mr. Al-Imam annually organizes and participates in an GASB Update for local governments in Southern California. He is a frequent speaker on new GASB pronouncements.

RELATED EXPERIENCE

The following audits were performed under Mr. Al-Imam's supervision.

Mr. Al-Imam's experience in the performance of single audits under Circular A-128 and A-133 and in the financial audits including GASB No. 34 implementation of local governmental units entities and other related entities include the following:

Ken Al-Imam, (Continued)

Audits of California Cities, Including Redevelopment Agencies

<u>City</u>	<u>Dates Performed</u>	<u>City</u>	<u>Dates Performed</u>
City of Riverside	06/06-06/08	City of Moreno Valley	06/07-06/10
City of Torrance	06/03-06/10	City of Newport Beach	06/00-06/10
City of Pasadena	06/01-06/08	City of La Quinta	06/92-06/01
City of Costa Mesa	06/91-06/10	City of Laguna Hills	06/98-06/04
City of Upland	06/03-06/06	City of Santa Ana	06/84-06/86
City of Laguna Beach	06/98-06/10	City of Downey	06/85-06/86
City of Buena Park	06/82-06/03	City of Norwalk	06/86
Town of Yucca Valley	06/02-06/07	City of Hemet	06/89-06/07
City of Carson	06/02-06/09	City of San Gabriel	06/88
City of El Cajon	06/02-06/06	City of Gilroy	06/91-06/10
City of Rialto	06/82-06/89	City of Santee	6/06
City of Rancho Mirage	06/92-06/10	City of Whittier	06/94-06/00
City of Carlsbad	06/81-06/83, 06/93-06/01 06/06-06/10	City of La Puente	06/97-06/01
City of Stanton	06/83-06/87	City of Orange	06/01-06/02, 6/05-6/10
City of Westminster	06/81-06/86, 06/88/06/89	City of Palm Springs	06/01-06/06
City of Azusa	06/87-06/97	City of Burbank	06/06
City of Banning	06/87-06/91	City of Indian Wells	06/97-06/02
City of La Verne	06/88-06/10	City of Escondido	06/83-06/88, 6/06-6/09
City of San Marcos	06/83-06/87, 06/99-06/10	City of Lake Forest	06/06-06/10

Audits of Public Housing Authorities

<u>Authority</u>	<u>Dates Performed</u>	<u>Authority</u>	<u>Dates Performed</u>
Pasadena Housing Authority	2002-2006	Santa Ana Housing Authority	1984-88
Norwalk Housing Authority	1986-88	Carlsbad Housing Authority	1982-84, 1993-2001
County of Riverside Housing Authority	1983-84	Baldwin Park Housing Authority	1983-84, 1995-98

Audits of Special Districts and Authorities

<u>Entity Name</u>	<u>Type of Entity</u>	<u>Duties Performed</u>	<u>Dates Performed</u>
Rancho California Water District	Special District	Partner	06/07-06/10
Cucamonga Valley Water District	Special District	Partner	06/06-06/10
Santa Margarita Water District	Special District	Partner	06/04-06/10

Ken Al-Imam, (Continued)

Audits of Special Districts and Authorities, (Continued)

<u>Entity Name</u>	<u>Type of Entity</u>	<u>Duties Performed</u>	<u>Dates Performed</u>
Orange County Sanitation District	Special District	Partner	06/06, 06/10
Inland Empire Utilities Agency	Special District	Partner	06/01-06/07
Chino Basin Watermaster	Special District	Partner	06/96-06/10
Irvine Ranch Water District	Special District	Partner	06/03-6/06
San Diego County Water Authority	Special District	Partner	06/99-06/05
Coachella Valley Water District	Special District	Partner	06/00-06/10
Eastern Municipal Water District	Special District	Partner	06/02-06/10
Elsinore Valley MWD	Special District	Partner	06/03-06/10
Orange County Water District	Special District	Partner	02/98-02/03
Los Angeles Park and Open Space District	Special District	Partner	06/97
California Joint Powers Insurance Authority	Joint Powers Authority	Partner	06/97-06/10
Indep. Cities Risk Management Authority	Joint Powers Authority	Partner	06/99-06/06
LA Co. Contract Cities Liab. Trust Fund	Joint Powers Authority	Partner	06/99-06/06
Public Employees Risk Management Authority	Joint Powers Authority	Partner	06/94-06/03
Big Bear Regional Waste Management Authority	Joint Powers Authority	Partner	06/94-06/06
Yorba Linda Water District	Special District	Senior	06/81-06/82
Encinitas Fire Protection District	Special District	Partner	06/92-06/93
Azusa Agricultural Water	Non-Profit Corporation	Manager/ Partner	06/87-06/97
Azusa Public Financing Authority	Financing Authority	Partner	06/91-06/97
Water Facilities Authority	Joint Powers Authority	Manager/ Partner	06/85-06/96
La Quinta Public Financing Authority	Financing Authority	Partner	06/92-06/01
Orange County Civic Center Authority	Joint Powers Authority	Senior	06/83
Transportation System Development Authority	Joint Powers Authority	Manager	12/86
Norwalk Civic Improvement Corporation	Financing Authority	Manager	06/86

Ken Al-Imam, (Continued)

Audits of Special Districts and Authorities, (Continued)

<u>Entity Name</u>	<u>Type of Entity</u>	<u>Duties Performed</u>	<u>Dates Performed</u>
Los Angeles County/City of Downey Regional Public Recreation Authority	Financing Authority	Manager	06/86
Downey Civic Center Corporation	Financing Authority	Manager	06/86
Downey Water Facilities Corp.	Financing Authority	Manager	06/86
Community Development Commission of the City of Escondido	Financing Authority	Manager	06/87-06/88
Banning Public Facilities Corporation	Financing Authority	Manager	06/87-06/91
Capistrano Beach Sanitary District	Special District	Manager/	06/85-06/95

REFERENCES OF AUDIT WORK PERFORMED

See Section E of the proposal for contact information for

Partner

JENNIFER FARR, CPA, MBA
TECHNICAL REVIEW SHAREHOLDER

California CPA Certificate No. 76292, October 1998

ROLE ON PROJECT

Ms. Farr is a Certified Public Accountant with 15 years experience in local government auditing. Ms. Farr has been a speaker on matters pertaining to technical issues and new GASB pronouncements. Ms. Farr is also responsible for the firm-wide training for the Government Services Division of MHM in the area of local governmental accounting and auditing.



PROFESSIONAL EXPERIENCE

- 15 years - Mayer Hoffman McCann P.C.
(formerly Conrad and Associates, LLP)
- 1 ½ Years - Ronald Blue and Co.

EDUCATION

- Bachelor of Arts - Business Administration/Accounting (*California State University, Fullerton*)
- Bachelor of Arts - English (*California State University, Fullerton*)
- Masters of Business Administration (*California State University, Fullerton*)

AUDITS OF SPECIAL PURPOSE GOVERNMENTS

Inland Empire Utilities Agency
Orange County Sanitation District
Moulton Niguel Water District
South Montebello Irrigation District
Coachella Valley Assoc of Governments
San Diego Assoc of Governments

Irvine Ranch Water District
Orange County Water District
Mesa Consolidated Water District
Vista Irrigation District
Los Angeles Homeless Services Authority
Southern California Assoc of Governments

AUDITS OF CALIFORNIA CITIES

City of Benicia
City of Campbell
City of Culver City
City of Hayward
City of Fountain Valley
City of Orange
City of Pasadena
City of San Bruno
City of Upland
City of Whittier

City of Burbank
City of Commerce
City of Half Moon Bay
City of Indian Wells
City of Mission Viejo
City of Palm Springs
City of Rosemead
City of Santee
City of Walnut Creek
City of West Covina

STEVEN DOBRENEN, C.P.A.

Senior Manager

California CPA Certificate 62712E



PROFESSIONAL EXPERIENCE

- 22 Years Mayer Hoffman McCann P.C.
(formerly Conrad and Associates, LLP)

EDUCATION

Bachelor of Science - Business Administration (Accounting) –BIOLA University, La Mirada, California

RELATED EXPERIENCE

Mr. Dobrenen has been assigned responsibility for numerous audits/special assignments. This experience has encompassed financial and compliance audits of grants, contracts, and initial pricing proposals; and single audits. Each of these audits included a review of the entity's internal controls and financial management system.

AUDITS OF SPECIAL PURPOSE GOVERNMENTS

San Diego Unified Port District
San Bernardino Municipal Water Department
Big Bear Area Regional Wastewater Authority
Big Bear City Community Services District
Eastern Municipal Water District
Inland Empire Utility Agency
Salton Sea Authority

Cucamonga Valley Water District
Bighorn-Desert View Water Agency
Mojave Desert and Mountain Integrated
Waste Management Authority
Association of California Water Agencies – Joint
Powers Insurance Authority
Santa Ana Watershed Authority
Southern California Association Of Governments

Steven Dobrenen, (Continued)

AUDITS OF CALIFORNIA CITIES

City of Brea	City of Buena Park	City of Costa Mesa
City of Hemet	City of Highland	City of Laguna Beach
City of Laguna Hills	City of Lomita	City of Moreno Valley
City of Newport Beach	City of Orange	City of Palm Springs
City of Palos Verdes Estates	City of Pasadena	City of Redlands
City of San Carlos	City of San Marcos	City of Santa Monica
City of Torrance	City of Victorville	City of Whittier
City of Yucaipa	Town of Yucca Valley	

COMPUTER SKILLS AND PROFESSIONAL INVOLVEMENT

Mr. Dobrenen is proficient in various computer programs including CaseWare, Microsoft Excel and Word. Mr. Dobrenen is a member of the American Institute of Certified Public Accountants.

REFERENCES OF AUDIT WORK PERFORMED

See Section E of the proposal for contact information for Cucamonga Valley Water District, San Bernardino Municipal Water Department and the City of Victorville.

RYAN ROBINSON, C.P.A.

Manager

California CPA Certificate No. 105429, July 2009

EDUCATION

Bachelor of Science, Accounting – Azusa Pacific University

PROFESSIONAL EXPERIENCE

6 years – CBIZ, Inc., Mayer Hoffman McCann P.C.

RELATED EXPERIENCE

Mr. Robinson has been assigned responsibility to numerous audits and special assignments. This experience has encompassed financial audits of governmental entities, compliance audits of grants, audits of nonprofit organizations, and single audits. Each of the audits included a review of the entity's internal controls, financial management system and preparation of audited financial statements.

AUDITS OF SPECIAL PURPOSE GOVERNMENTS

Irvine Ranch Water District
Santa Margarita Water District
South Coast Water District
San Diego Association of Governments
Sunline Transit Agency
L.A. County Parks and Open Spaces District
Housing Authority of City of Los Angeles

AUDITS OF CALIFORNIA CITIES

City of Burbank
City of Carson
City of Costa Mesa
City of Hawaiian Gardens
City of Mission Viejo
City of Moreno Valley
City of Newport Beach
City of Orange
City of Santa Monica

Ryan Robinson, (Continued)

Agreed Upon Procedure Engagements

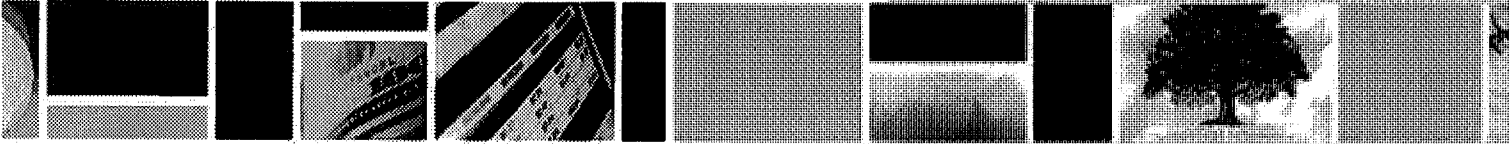
<u>Entity</u>	<u>Type of Engagement</u>
Irvine Ranch Water District	Prop 218 and Proxy Counts
Rose Bowl Operating Company	Concessionaire contract
Irvine Ranch Water District	Real Estate property review
Inland Empire Utilities Agency	MWD Grant Compliance
City of West Covina	Transient Occupancy Tax Audit
City of Palm Springs	Contract Compliance

COMPUTER SKILLS AND PROFESSIONAL INVOLVEMENT

Mr. Robinson is proficient in various computer programs including CaseWare, Microsoft Excel and Word. Mr. Robinson is a member of the American Institute of Certified Public Accountants and California Society of Certified Public Accountants.

REFERENCES OF AUDIT WORK PERFORMED

See Section E of the proposal for contact information for the Cities of Burbank and Costa Mesa. Additionally you may contact Lauren, Warrem, Director of Finance for San Diego Association of Governments at (619)-699-6931 or email at Lauren.Warrem@sandag.org



Appendix



IRWD
Interim PBC Listing
FYE 6/30/12

The following is a listing of items we would like to request to be prepared or copied in preparation of our interim audit examination of IRWD for the year ended June 30, 2012. As a reminder, we prefer to receive documentation electronically.

Number	PBC Item	Earlier request date?
1	Year-to-date Balance Sheet and Income Statement. There is no need to go through great effort to create this report if it is not already available.	
2	Beginning and ending check numbers for all non-payroll checking accounts.	
3	A report showing total year-to-date payments made by vendor, preferably sorted by total amount paid to each vendor.	
4	General ledger detail of year to date legal expenses paid.	
5	Access to the Finance Committee Minutes since 7/1/11.	
6	List of employees that have been assigned a credit card.	
7	Copy of General Manager's current employment contract.	
8	Copies of any revised salary schedules since 7/1/11 (if applicable)	
9	Please provide the date(s) the Board adopted the 2011/12 budgets and water/sewer rates.	
10	Prior year GFOA comments, if received.	
11	New OPEB actuarial valuation, if applicable.	
12	PERS actuarial valuation report for valuations completed as of June 30, 2009 (if received yet). We have the June 30, 2008 report from last year.	
13	Copies of any new agreements for significant capital projects, acquisitions, joint ventures, developer agreements or other new arrangements that have a financial impact on the District.	
14	Estimated Schedule of Expenditures of Federal Awards (including state and local pass-through monies) showing projected expenditures and year to date expenditures for fiscal year 2011-12.	
15	A copy of the most recent Investment Policy and Real Estate Policy, if they've been updated since 6/30/11.	
16	Copies of any other new accounting or significant employee policies.	
17	Copies of the broker certifications acknowledging receipt and understanding of the 2011 Investment Policy (if received yet).	
18	For any new debt since the 2010B BABS, please provide a copy of the JE, O/S, and Trustees Receipt of Proceeds (if applicable)	

IRVINE RANCH WATER DISTRICT
 Audit Request List
 6/30/12

<u>Description</u>	<u>Schedule Number</u>	<u>Prep. By</u>	<u>Electr./ Paper</u>
1. CASH AND INVESTMENTS:			
a. Schedule of cash and investment balances by general ledger account. Also include fair value gl accounts in the schedule. Schedule should be subtotaled by unrestricted cash and investments and restricted cash and investments. Consider recording unrealized gain (loss) on investments with LAIF.			
b. Schedule of cash and investment balance by individual investment (Investment Summary Report) that agrees to C1001. Make sure LAIF and the FNMA investment agreement are adjusted to the 6/30/12 market values. Also include schedule of JPA investment balances.			
c. For all investments held at June 30, 2012, and purchased in FY 10/12, please provide Bloomberg Screens. Also, Please provide a schedule listing all investments (including JPA investments) and the credit rating at June 30, 2012. This information is required to be reported in the GASB 40 footnote. It is important that this information be retrieved either on June 30 or soon thereafter.			
d. Please copy all June 30, 2012 bank reconciliations for all bank accounts with reconciling items (including the Western National Property Mgmt bank reconciliations and the ITC bank reconciliation). Also provide an outstanding check list and outstanding deposits listing for each bank reconciliation, if applicable.			
e. For the Statement of Cash Flows, please provide support for the total investments purchased and the total investments sold/matured during the year (excluding LAIF & money market funds).			
f. GASB 40 footnote 2 support. Please ensure investment schedules (above) can directly support the info disclosed in this footnote.			
2. RECEIVABLES AND REVENUES			
Please provide a detailed listing of the composition of the following receivables:			
a. Customer receivables at 6/30/12, by customer (a copy of the first and last page of the report UB123R-1 is sufficient) (G/L 151) and Customer AR detail listing at year-end (first and last page)			
b. Schedule of allowance for doubtful accounts (G/L 163) including calculation methodology.			
c. Accounts receivable - unbilled projects (G/L 153), if balance at 6/30/12 is over \$200k.			
d. Schedule of changes in notes receivable by payee. (G/L 121,143). Please include separate 4 columns for each note agreement: beginning balance, additions, deletions, and ending balance.			
e. Allen-Mc-Colloch Pipeline receivable - schedule of beg balance, additions, deletions, ending balance (142,147). Please provide us with a clean copy of the future payments on the receivable.			
f. Santa Ana Heights LLC receivable (156). Provide a copy of the JV for any significant adjustments during the year.			
g. Accounts receivable aging report (acct 154). For the largest receivable listed on the report, please provide a copy of the JV.			

IRVINE RANCH WATER DISTRICT
 Audit Request List
 6/30/12

<u>Description</u>	<u>Schedule Number</u>	<u>Prep. By</u>	<u>Electr./ Paper</u>
h. Interest receivable by investment (including swaps and JPA interest receivable)			
i. Swaps and JPA interest receivable supporting calculations.			
j. Interest rate swap detailed activity report as of June 30, 2011.			
k. Fair value computations of SWAPs as of June 30th. Send to MHM as soon as available.			
l. Hedge effectiveness analysis of SWAPs as of June 30th. Send to MHM as soon as available.			
m. OCSD receivable (G/L 178). Please provide a copy of the JV.			
n. Prepaid expenses and deposits (G/L 175-177,230) schedule by GL account at 6/30/12. For any GL balance over \$50,000, please provide detail of the balance. If 7/1/ AMP payment is prepaid, please provide a copy of the disbursement to MWDOC. Detail for GL accounts 177 & 230 do not need to be included since the amounts net to \$0.			
o. Amortization Schedule for the PERS Pension Asset as of June 30th.			
p. Accounts Receivable - all other G/L accounts with ending balances exceeding \$200K (i.e. PY G/L 155)			
q. Provide us with a copy of the manual JE and related support for the Utility Billing Revenue JE posted for May 2012.			
3. INVENTORY			
a. Summary by general ledger account that totals to inventory per audit trial balance			
b. Water variance report for June 2012			
c. Schedule of water in storage (please include untwr9.xls, Santiago Reservoir and San Joaquin storage reports)			
d. Materials and supplies inventory (G/L 174). Physical Inventory Extension report (IN006R-1)			
e. Please prepare a memo/paragraph explaining the significant inventory activity in FY 11/12 and any significant changes from FY 10/11. This memo should include a comparison of purchases made, pricing changes, evaporation losses and untreated users in the two FY's. Also indicate how the inventory assessments as of 6/30/12 went and if there were any difficulties during this assessment process.			
4. CAPITAL ASSETS:			
a. Please provide a schedule of capital assets by asset type indicating the beginning balances, additions, deletions, and ending balances at 6/30/12. Beginning balances, additions, deletions, and ending balances should also be shown for accumulated depreciation by asset type.			
b. Itemized listing of capital asset additions that agrees to the CA001's additions column. A separate schedule of additions are ok, but the all the schedules combined should agree to CA001 additions.			

IRVINE RANCH WATER DISTRICT
Audit Request List
6/30/12

<u>Description</u>	<u>Schedule Number</u>	<u>Prep. By</u>	<u>Electr./ Paper</u>
c. Itemized listing of capital asset deletions that agrees to the deletions column of CA001.			
d. Asset depreciation audit report (FA010R-1) showing ending capital asset balances. This report should agree to the total accumulated depreciation column of CA001. Since this report is big, we only need the pages showing E U/G Total, G U/G Total, N U/G total and U U/G			
e. Schedule of Construction in Progress by project number indicating beginning balances, additions, deletions-transfers to capital assets, and ending balances at 6/30/12.			
f. Schedule of Land - G/L's 110 & 111 by project number			
g. Interest capitalization calculations. For capital assets that are <u>not debt financed</u> , IRWD should record additional capitalized interest in an amount equal to the weighted average interest rate on outstanding debt x CIP additions. Please research this issue or call us if need further			
h. Schedule of gains/losses on disposition of assets, if over \$500K.			
i. Statement of Capital Expenditures on open projects with future commitments over \$1M.			
j. For the 5 largest CIP projects at year-end, please provide: (a) Project description/background (b) Detailed expenditure report to support the CIP balance at year-end			
k. Review intangible asset costs incurred during FY 11/12 for proper recording in accordance with GASB 51. For the Oracle software costs incurred, please provide us the JE accrual and its support for your entry to capitalize and expense the costs as of June 30th.			
5. REAL ESTATE:			
a. Bardeen Consolidated Trial Balance, Wood Canyon Villas trial balance, Sycamore Canyon trial balance, and any other trial balances that are included in the consolidated TB (Such as ITC)			
b. Please provide Sycamore Canyon's 6/30/12 trial balance from Western National.			
c. Copy of vendor invoice supporting prepaid insurance balance.			
d. Detail of security deposits by depositor.			
e. Detail of Bardeen capital assets at 6/30/12			
f. Schedule of Bardeen Partners interdistrict payables/receivables.			
g. Schedule of Bardeen Partners preferred return receivable and income (including documentation supporting amounts).			
h. Analysis of Real Estate accounts.			
i. Sycamore, ITC Rental Analysis report			
j. Bank reconciliations for all RE cash accounts at year-end (PDF)			
k. Rent roll reports readily available- Sycamore Canyon			
6. ACCOUNTS PAYABLE AND OTHER LIABILITIES:			
a. Accounts payable and accrued expenses listing by GL acct # at 6/30/12.			

IRVINE RANCH WATER DISTRICT
 Audit Request List
 6/30/12

<u>Description</u>	<u>Schedule Number</u>	<u>Prep. By</u>	<u>Electr./ Paper</u>
b. Accounts payable listing by vendor at 6/30/11 (G/L 220, 222)			
c. Accrued pump tax (G/L 242) and <u>GL detail of wells</u> . Also provide the current pumping charge per af.			
d. Accounts payable - accrued liabilities untr water (G/L 225).			
e. Schedule of compensated absences payable <u>and detail schedule</u> by employee (sick, vacation). Please record the sick liability . Also include either the total earned balance or the total used balance (in \$'s, not hours) during the year. Also estimate the portion of the liability that is expected to be liquidated within one year.			
f. "Register totals" page of the 1st payroll in July 2012(PR028R-1). If this pay period is not 100% accrued in June, provide the calculation for the accrual.			
g. Schedule of retentions payable on construction contracts by vendor			
h. Schedule of other accrued liabilities (G/L 249) at 6/30/12. For any balances over \$500K, provide the JV recording the liability. Consider writing off the PERS Pension Cost as well as the PERS liability (acct			
i. Summary of insurance policies held by the District for footnote disclosure purposes			
j. A Claim Register and the F & P Committee Quarterly Insurance Claims Loss Analysis for the year ended June 30, 2011 Open and Closed Session.			
q. Provide us with a copy of the manual JE and related support for the Payroll JE posted for June 2012.			
7. LONG TERM LIABILITIES			
a. Please provide a schedule of long-term debt by debt issue (including notes payable) showing beginning balances, additions, deletions, and ending balances at 6/30/12. Also include a column for amounts due within one year.			
b. For any new debt, please provide the agreement, Indenture of Trust, journal entry, and debt-to-maturity schedule.			
c. Also provide a listing of interest payable by debt issue (G/L 231, 232, 234). Include interest rates swaps, if applicable.			
d. Please provide calculations for amortization of discounts, costs, etc. by debt issue. Please only show beginning balance, additions, deletions, and ending balance.			
e. Summary of Yield Restriction Analysis (and access to reports).			
f. The Comparison of Daily Rates schedule so we can use the 6/30/12 interest rate to project debt to maturity requirements on variable rate debt.			
g. Please provide the debt covenant calculation for inclusion in the financial statements.			
h. Please prepare a spreadsheet summarizing the bond reserve requirements for all O/S debt and the amount in the cash reserves as of 6/30 to demonstrate compliance with the requirements.			
i. Schedule of deferred refunding (excel)			

IRVINE RANCH WATER DISTRICT
 Audit Request List
 6/30/12

<u>Description</u>	<u>Schedule Number</u>	<u>Prep. By</u>	<u>Electr./ Paper</u>
j. Debt to maturity schedules for all newly issued debt (excel)			
8. NET ASSETS			
a. Journal entries for any prior period adjustments if beginning net assets per the trial balance does not agree to the prior year financial			
b. Schedule of invested in capital assets, net of related debt			
9. REVENUES AND EXPENSES			
a. Operating revenues schedule by revenue source			
b. Nonoperating revenues schedule by source			
c. Capital contributions - donated facilities schedule (G/L 883). Please provide the JV detail for the largest donated project recorded.			
d. Capital contributions - donated equity schedule (G/L 881,882)			
e. Operating expenses schedule. Please include a column for 6/30/11, 6/30/12, \$ increase/decrease, and % increase/decrease.			
f. G&A (GL 792) analysis by expense code summary.			
g. For the statement of cash flows, we'll need GLR093-1 report showing payroll costs in expense accounts 110-140 for the year.			
h. Analytical comparison of revenues and expenses in FY 11/12 with the final amounts from FY 09/10. Provide explanations and/or support for the FY 11/12 revenue and expense accounts that increased or decreased by more than \$500,000 <u>AND</u> 15% from the FY 10/11 amounts. 1) For revenues, use the schedules in 9a through 9d above and compare individual account totals to the same accounts in the schedules from the prior year (REV001 - REV004). 2) For expenses, use the schedule in 9e above and compare individual account totals to the same accounts in the schedule from the prior year (REV005).			
10. OTHER			
a. Trial balances summarized at the same level as the CAFR. Please provide updated account coding and ID listing as well.			
b. Final general ledger - transaction summary (GLR089-1)			
c. Balance sheet of water and sewer ID's			
d. PERS schedule documenting total covered payroll and total PERS payments by employee and employer.			
e. Mangement's Discussion and Analysis			
f. Statistical Schedules and Transmittal Letter			
g. Support for Deferred Compensation Plans disclosures (Section 457, 401(a))			
h. Any significant new agreements since our interim testwork. Please provide PDF copies.			
i. List of journal entries posted during Fiscal Year 2011/2012. MHM will select a sample for additional testwork.			

IRVINE RANCH WATER DISTRICT
 Audit Request List
 6/30/12

<u>Description</u>	<u>Schedule Number</u>	<u>Prep. By</u>	<u>Electr./ Paper</u>
j. A copy of the OPEB valuation received in 2012 and the JE to record it. Also provide the data listing(s) sent to the actuary with key information (employee name, start date, benefits cost, etc.) that the actuary used to prepare their valuation.			
k. A copy of the GFOA comments received on the 6/30/11 CAFR.			
11. CONFIRMATION LETTERS (please mail to MHM by July 10th)			
a. Line of credit confirmations - please include lines to confirm drawdown and payment amounts for the year.			
b. Only need to confirm notes receivables with balances at 6/30/12.			
12. CAFR items			
a. Financial statement schedules and footnotes			
b. ID schedules			
c. Introductory and Statistical Sections			
d. MD&A			
		9/26/2012	
		Anytime during fieldwork is fine	
		After auditor review comments and any AJE's have been implemented	
14. SINGLE AUDIT			
a. Please provide us an updated SEFA of federal grant spending during fiscal year 2011/12			
b. Please provide expenditure reports for the 15.504 program for FY 11/12.			
c. Copies of reimbursement requests submitted for Project Nos 11419, 10867, 10286 since 4/30/12.			
d. Copies of ARRA 1512 reports (Program Performance Report) submitted for Project Nos 11419, 10867, 10286 since 4/30/12.			
e. Inventory listing of all capital assets purchased with federal funds for project numbers 11419, 10867, and 10286 (since inception of the grant).			
f. List of employees who charged/allocated salaries/benefits to project nos. 11419, 10867, and 10286 during fiscal year 2011/2012. Include employee name, job description, department. MHM will select a sample for further testwork.			
g. Quarterly Financial Status Reports submitted for quarter ended June 30, 2011.			
h. Final Financial Status Reports submitted since 4/30/12, if any projects have been completed.			



System Review Report

To the Shareholders of Mayer Hoffman McCann P.C.
and the AICPA National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Mayer Hoffman McCann P.C. (the Firm) applicable to non-SEC issuers in effect for the year ended April 30, 2011. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The Firm is responsible for designing a system of quality control and complying with it to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the Firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards*; audits of employee benefit plans, and audits performed under FDICIA.

In our opinion, the system of quality control for the accounting and auditing practice of Mayer Hoffman McCann P.C. applicable to non-SEC issuers in effect for the year April 30, 2011, has been suitably designed and complied with to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Mayer Hoffman McCann P.C. has received a peer review rating of *pass*.

Clifton Gunderson LLP

August 12, 2011

10700 Research Dr., Suite 200
Milwaukee, Wisconsin 53226
tel: 414.476.1880
fax: 414.476.7286

www.cliftoncpa.com





CRI CARR
RIGGS &
INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
4010 N.W. 25th Place
Gainesville, Florida 32608
P.O. Box 13494
Gainesville, Florida 32604

(352) 372-6300
(352) 375-1583 (fax)
www.cricpa.com

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors of
Mayer Hoffman McCann P.C.

We have examined management's assertion regarding the California Municipal Audit Practice of Mayer Hoffman McCann P.C. that:

"the system of quality control for the accounting and auditing practice applicable to municipal audits performed by the California offices of Mayer Hoffman McCann P.C. in effect for the year ended October 31, 2010, has been designed to meet the requirements of the quality control standards and requirements set forth in *Government Auditing Standards*, issued by the Comptroller General of the United States, referred to as generally accepted governmental auditing standards (GAGAS); U.S. generally accepted auditing standards (GAAS); Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and the California Business and Professional Code. The system of quality control was also complied with during the year ended October 31, 2010, to provide the firm with reasonable assurance of complying with the applicable professional standards"

Mayer Hoffman McCann P.C.'s management is responsible for the assertion. Our responsibility is to express an opinion on the assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertion and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion; however, our examination does not provide a legal determination on compliance with the requirements of specified laws, regulations or rules.

In our opinion, management's assertion referred to above is fairly stated, in all material respects, based on the criteria set forth above.

Carr Riggs & Ingram

Gainesville, Florida
March 3, 2011

Exhibit "B"

Irvine Ranch Water District Responses to Request for Proposal for Audit Services

	Mayer Hoffman McCann PC	White Nelson Diehl Evans LLP	Lance Soll & Lunghard, CPAs	Charles Z. Fedak & Company
Audit/Fin. Reporting				
FY 2011-12	\$ 49,000	\$ 45,820	\$ 45,750	\$ 60,500
FY 2012-13	\$ 49,980	\$ 47,195	\$ 47,123	\$ 61,600
FY 2013-14	\$ 50,980	\$ 48,610	\$ 48,540	\$ 62,700
FY 2014-15	\$ 52,000	\$ 50,069	\$ 50,000	\$ 63,800
FY 2015-16	\$ 53,040	\$ 51,571	\$ 51,500	\$ 64,900
Subtotal	\$ 255,000	\$ 243,265	\$ 242,913	\$ 313,500
Single Audit, if Req'd				
FY 2011-12	\$ 2,400	\$ 3,750	\$ 5,120	\$ 9,500
FY 2012-13	\$ 2,448	\$ 3,863	\$ 5,274	\$ 9,680
FY 2013-14	\$ 2,497	\$ 3,978	\$ 5,430	\$ 9,860
FY 2014-15	\$ 2,547	\$ 4,098	\$ 5,590	\$ 10,040
FY 2015-16	\$ 2,598	\$ 4,221	\$ 5,760	\$ 10,220
Subtotal	\$ 12,490	\$ 19,910	\$ 27,174	\$ 49,300
TOTAL	\$ 267,490	\$ 263,175	\$ 270,086	\$ 362,800
Average Cost per Year	\$ 53,498	\$ 52,635	\$ 54,017	\$ 72,560

April 9, 2012

Prepared by: Tanja Fournier/Rob Jacobson

Submitted by: Debby Cherney

Approved by: Paul Cook

ACTION CALENDAR

LETTERS OF CREDIT REPLACEMENT

SUMMARY:

In February 2012, Moody's Investors Services placed Bank of America (BofA) and 16 other banks and securities firms on credit watch for possible downgrade. If the short-term rating of BofA is downgraded from P-1 to P-2, staff anticipates the interest rates on three of District's variable rate bond (VRDOs) issues backed by BofA letters of credit (LOCs) will be negatively impacted. Staff has evaluated fee proposals and alternative structures provided by banks and underwriters for the BofA-backed bond issues and recommends replacing the BofA LOCs on the 1989, 1991 and 1993 bond issues with new LOCs from Bank of New York. Staff also recommends that the Board approve the retention of Orrick Herrington & Sutcliffe and Bowie, Arneson, Wiles and Giannone as co-bond counsel, and Stradling Yocca Carlson & Rauth as disclosure counsel.

BACKGROUND:

In February, Moody's placed BofA and 16 other global banks and securities firms on credit watch for possible downgrade. 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 LOCs will increase, and many money funds (which are the primary purchasers of the District's VRDOs) will either reduce or no longer hold the BofA-backed issues. The table below provides detail on the District's VRDOs that have BofA LOCs.

<u>Bond Issue</u>	<u>Rating Surveillance</u>	<u>Par Amount</u>	<u>Maturity</u>	<u>LOC Fee</u>	<u>LOC Expiration</u>
Series 1989	Moody's/ S&P	\$ 7,300,000	2015	80 bps	Jun-2015
Series 1991	Moody's/ S&P	6,400,000	2016	85 bps	Aug-2016
Series 1993	Moody's/ S&P	37,500,000	2033	65 bps	Nov-2013
Series 2009-B	Moody's/ S&P/Fitch	75,000,000	2041	65 bps	Dec-2013

Under securities Rule 2a-7, money funds consider bond issues with at least two of the highest short-term ratings (A1/P1/F1+) as "First Tier". If the BofA downgrade occurs, bonds that are rated by Moody's and only one other rating agency, which is the case with the District's 1989, 1991 and 1993 bonds, will slip to "Second Tier". This would be a significant event in that money market funds are restricted to investing a limited percentage of their total assets in Second Tier securities, and therefore many money fund managers will be required to put all, or a portion, of the lower rated bonds back to the remarketing agents. The expected result would be higher interest rates required to sell those VRDOs back to the market.

The District's 2009-B bonds are rated by all three rating agencies. If S&P and Fitch (two of the three rating agencies) maintain their short-term rating for BofA, the bonds will remain as First Tier securities and should not be impacted by the downgrade.

Over the past several weeks, staff has contacted underwriters and LOC banks (not presently on Moody's potential downgrade list) to collect information for alternatives to the BofA LOCs. Staff received letter of credit proposals from Bank of New York, US Bank and Mizuho. Bank of New York and Mizuho provided very competitive proposals, and while the Mizuho proposal reflects lower pricing, the ratings on the bank are lower than the ratings on Bank of New York. Staff recommends selecting Bank of New York to provide LOCs on the 1989, 1991 and the 1993 bond issues at 0.35% for two years. A summary of the letter of credit proposals is attached as Exhibit "A". Staff is also recommending the retention of Orrick Herrington & Sutcliffe, and Bowie, Arneson, Wiles and Giannone as co-bond counsel and Stradling Yocca Carlson & Rauth as disclosure counsel.

FISCAL IMPACTS:

Replacing the LOCs 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.

ENVIRONMENTAL COMPLIANCE:

This item is not a project as defined in the California Environmental Quality Act Code of Regulations, Title 14, Chapter 3, Section 15378.

COMMITTEE STATUS:

This item was reviewed by the Finance and Personnel Committee on April 3, 2012.

RECOMMENDATION:

THAT THE BOARD APPROVE THE RETENTION OF ORRICK HERRINGTON & SUTCLIFFE AND BOWIE, ARNESON, WILES AND GIANNONE AS CO-BOND COUNSEL, AND STRADLING YOCCA CARLSON & RAUTH AS DISCLOSURE COUNSEL, AND ADOPT THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. __

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

LIST OF EXHIBITS:

Exhibit "A" – Letter of Credit Replacement Analysis
Exhibit "B" – Resolution

Exhibit "A"

**IRVINE RANCH WATER DISTRICT
LETTER OF CREDIT PRICING ANALYSIS
Mar-12**

Term	Average Stated Principal (1) 1989, 1991 & 1993 Bonds	Annual Fees					
		Bank of New York Aa3/A+/AA- P-1/A-1/F1+		USbank Aa2/A+/AA P-1/A-1/F1+		Mizuho A1/A+/A P-1/A-1/F1	
		Fee	Annual Cost	Fee (2)	Annual Cost	Fee	Annual Cost
1-Year	\$49,864,603	0.25%	\$124,662	--		0.20%	\$99,729
1.5 Year	\$49,864,603	--		0.45%	\$224,391	--	
Proposed 2-Year	\$44,765,973	0.35%	156,681	--		0.28%	123,106
2.5 Year	\$44,765,973	--		0.47%	210,400	--	
3-Year	\$39,463,397	0.50%	197,317	0.50%	197,317	0.38%	147,988
4-Year	\$36,608,164	--		--		0.48%	173,889

(1) Stated amount represents the par amount of bonds outstanding, plus an average of 60 days of interest at the maximum rate of 12%.

(2) Usbank did not offer a one or two year rate.

Current	2-Year	\$44,765,973	(3)	0.68%	\$305,612
Proposed	2-Year	\$44,765,973		0.35%	156,681
Annual Savings					\$148,931
(3) Current weighted average letter of credit fee for the 1989, 1991 and 1993 bond issues					
One time cost of substitution:					\$125,000

EXHIBIT "B"

RESOLUTION NO. 2012-___

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

WHEREAS, the Irvine Ranch Water District ("IRWD") has issued the following series of its Bonds: Bonds of Irvine Ranch Water District, Consolidated Series 1989 (the "1989 Bonds"), Bonds of Irvine Ranch Water District, Consolidated Series 1991 (the "1991 Bonds") and Bonds of Irvine Ranch Water District, Consolidated Series 1993 (the "1993 Bonds" and, together with the 1989 Bonds and the 1991 Bonds, the "Bonds"); and

WHEREAS, Bank of America, N.A., has issued an irrevocable letter of credit relating to each of the above-listed series of the Bonds (each, a Letter of Credit and collectively, the "Letters of Credit"); and

WHEREAS, the Board of Directors believes it is in the interest of IRWD to authorize the termination of the Letters of Credit and substitution of new letters of credit to be provided by Bank of New York; and

WHEREAS, to comply with the terms of any amended reimbursement agreement, it may be necessary to amend the remarketing agreement relating to that series of bonds;

NOW THEREFORE, the Board of Directors of IRWD DOES HEREBY RESOLVE, DETERMINE and ORDER as follows:

Section 1. The Executive Director of Finance is hereby authorized and directed to cause the replacement of the Letters of Credit, including the termination of the Letters of Credit and the substitution of new letters of credit for the Letters of Credit.


Section 2. With respect to the replacement of each of the Letters of Credit, the foregoing authorization shall include the approval of reimbursement agreements to be entered into with the letter of credit provider (inclusive of the form of the new letter of credit), containing covenants, representations and warranties that are substantially the same as those in the existing reimbursement agreement and Letter of Credit relating to that series of bonds, except for any modifications that may be made as authorized below, and such other terms and provisions as the Executive Director of Finance shall approve. In such connection, the Executive Director of Finance is authorized to approve any modifications of the existing covenants, representations and warranties for the purpose of modifying or deleting any provision or substituting therefore another provision, the net effect of which is more favorable to IRWD. The President and Secretary of IRWD are authorized and directed to execute any agreement so approved.

Section 3. The foregoing authorization to cause the replacement of the Letters of Credit shall include the approval of the terms of any amendments to remarketing agreements and instruments to be delivered by and to the respective remarketing agents, which may be necessary

April 9, 2012

Prepared by: Tony Mossbarger

Submitted by: Debby Cherney

Approved by: Paul Cook 

ACTION CALENDAR

UTILITY BILLING REQUIREMENTS ANALYSIS: VARIANCE NO. 1; ADDITIONAL BUDGET AND EXPENDITURE AUTHORIZATION FOR SERVICES AND SOFTWARE SUPPORT

SUMMARY:

In 2011, the Board authorized the replacement of the District's existing homegrown billing system with Oracle Customer Care & Billing (CC&B) and in early 2012, the District entered into a Professional Services Agreement with Five Point Partners (Five Point) to define the detailed functional requirements for implementation and prepare a Request for Proposal for implementation services. Since entering into the initial contract with Five Point, staff has determined that it is in the District's best interests to supplement the scope of Five Point's work to include three additional services to assist the District in selecting and contracting with the best systems implementation firm. In addition, during the CC&B detailed requirements analysis project, as well as the implementation, annual software license support is required to be maintained at a cost of \$219,000 and it is the District's practice to include software support costs within the Capital Budget during implementation. Once implemented, software support costs are transferred to the operating budget.

Staff recommends that the Board authorize a budget increase to projects 3236/11615 and 3237/21615 for the FY 2011-12 Capital Budget and approve the accompanying Expenditure Authorizations in the amount of \$182,000 each for Oracle Software license support and authorize the General Manager to execute a Professional Services Agreement for Variance No. 1 with Five Point in the amount of \$144,700 for the Oracle Customer Care and Billing Detailed Requirements Analysis project.

BACKGROUND:

In July 2010, the Board approved a Professional Services Agreement with Pacific Technologies, Inc. to develop an Applications Strategic Plan with an emphasis on Utility Billing, Asset Management, Customer Relationship Management, and Budgeting and Planning. The completed Application Strategic Plan, presented in March 2011, determined that a new Utility Billing System to replace the District's existing Legacy System should be a high priority for the District.

IRWD's current Utility Billing System and Customer Service Request system, developed over a period of 20 years, has been modified and upgraded over time to meet changes driven by the unique needs of the District and external regulations. The allocation-based conservation rate structure employed by the District requires a sophisticated Utility Billing System that will allow the District to utilize the billing algorithms and methodology that it has developed and refined over time.

In May 2011, the Board approved procurement of the Oracle CC&B applications licenses, allowing the District to avoid making costly changes needed to improve the existing Legacy

Action Calendar: Utility Billing Requirements Analysis: Variance No. 1; Additional Budget and Expenditure Authorization for Services and Software Support

April 9, 2012

Page 2

System, including upgrading the user interface and changing the underlying architecture to allow for the storage and presentation of transactional data that it cannot handle in its current form.

While the CC&B software application licenses have been procured, the first year of annual software support was included in the initial software purchase. During the implementation phase, software support must be maintained and it is the District's practice to include such costs within the capital project. The cost for annual support for Oracle CC&B and related technical software is \$219,000.

In December 2011, the Board also approved a Professional Services Agreement with Five Point to assist the District with defining the detailed functional requirements for implementation and prepare a Request for Proposal for implementation services.

In addition to the services in the original proposal response, Five Point submitted an addendum for additional procurement services. After working with Five Point and developing a better understanding of the procurement process for implementation services, staff believes that the following optional procurement services will provide significant value to the project and should be added to the contract:

<u>Procurement Services</u>	<u>Proposed Amount</u>
Solution Scope	\$38,200
Solution Confirmation	\$36,500
Contract Negotiations (Not to exceed)	<u>\$70,000</u>
Total	\$144,700

The Solution Scope service entails an in-depth review of the implementation finalist's response to confirm assumptions and scope of activities required for a successful implementation. The Solution Scope step is critical to the success of the implementation scoping and scoping before contract negotiations. The approach is based on Five Point's experience working with vendors and systems implementers on over 100 contracts. By conducting additional due diligence on the solution, both parties (IRWD and the implementer) fully understand what is expected of them, significantly reducing the need for costly change orders during the implementation.

The Solution Confirmation service provides final evaluation activities to ensure that all solution components have been identified, priced accordingly, and that IRWD has confirmed that the solution remains the optimal solution to move forward into contract negotiations. The implementation plan is also developed in this phase. Five Point's Client-Side Delivery Support staff work on the implementation plan so that when the contracts are executed, the project is ready to begin.

The Contract Negotiation service focuses on the development of the statement of work and contracts for implementation. These activities may be for multiple vendors, i.e. software, service, hardware, and third-party implementation partners. Five Point is already familiar with what vendors and system implementers present in their standard contracts and statements of work, and provide solutions to minimize IRWD's risk.

Action Calendar: Utility Billing Requirements Analysis: Variance No. 1; Additional Budget and Expenditure Authorization for Services and Software Support

April 9, 2012

Page 3

Staff recommends authorizing a variance to the Professional Services Agreement to Five Point for the additional procurement services in the amount \$144,700.

FISCAL IMPACTS:

Costs to implement the Oracle CC&B package are expected to vary based on the necessity and complexity of integration with the District's existing technology. At this time, subject to Board approval, staff will add two new projects to the FY 2011-12 Capital Budget to fund the project from replacement funds, as summarized in the table below:

Project No.	Current Budget	Addition <Reduction>	Total Budget	Existing EA	This EA Request	Total EA Request
3236/11615	\$915,000	\$182,000	\$1,097,000	\$915,000	\$182,000	\$1,097,000
3237/21615	\$915,000	\$182,000	\$1,097,000	\$915,000	\$182,000	\$1,097,000
Total	\$1,830,000	\$364,000	\$2,194,000	\$1,830,000	\$364,000	\$2,194,000

ENVIRONMENTAL COMPLIANCE:

This activity is not subject to the California Environmental Quality Act (CEQA) as authorized under the California Code of Regulations, Title 14, Chapter 3, Section 15060 (c)(1) Preliminary Review. An activity is not subject to CEQA if the activity will not result in a direct reasonably foreseeable indirect physical change to the environment.

COMMITTEE STATUS:

This item was reviewed by the Finance and Personnel Committee on April 3, 2012.

RECOMMENDATION:

THAT THE BOARD AUTHORIZE A BUDGET INCREASE TO PROJECTS 3236/11615 AND 3237/21615 FOR THE FY 2011-12 CAPITAL BUDGET AND APPROVE ACCOMPANYING EXPENDITURE AUTHORIZATIONS IN THE AMOUNT OF \$182,000 EACH FOR ORACLE SOFTWARE LICENSE SUPPORT AND THE FIVE POINT PARTNERS VARIANCE, AND AUTHORIZE THE GENERAL MANAGER TO EXECUTE PROFESSIONAL SERVICES AGREEMENT VARIANCE NO. 1 WITH FIVE POINT PARTNERS, LLC IN THE AMOUNT OF \$144,700 FOR THE UTILITY BILLING SOFTWARE SUPPORT AND REQUIREMENTS ANALYSIS PROJECTS 3236/11615 AND 3237/21615.

LIST OF EXHIBITS:

Exhibit "A" – Five Point Partners Scope of Work and Fee Proposal, and Variance
Exhibit "B" – Expenditure Authorizations

IRVINE RANCH WATER DISTRICT
PROFESSIONAL SERVICES VARIANCE

Project Title: Utility Billing Software Support and Requirements Analysis
 Project No.: 3236/3237 Date: 3-20-12
 Purchase Order No.: 506138 Variance No.: 1

Originator: IRWD ENGINEER/CONSULTANT Other (Explain) _____

Description of Variance (attach any back-up material):
Add Due Diligence and Contract Negotiation in the following phases: 7.0 Solution Scope, 8.0 Solution Confirmation, and 9.0 Contract Negotiations (NTE)

Engineering & Management Cost Impact:

Classification	Manhours	Billing Rate	Labor \$	Direct Costs	Subcon. \$	Total \$
7.0 Solution Scope						38,200
8.0 Solution Confirmation						36,500
9.0 Contract Negotiations						70,000
Total \$ =						144,700

Schedule Impact:

Task No.	Task Description	Original Schedule	Schedule Variance	New Schedule
7.0	Solution Scope	NA	30 days	30 days
8.0	Solution Scope	NA	30 days	30 days
9.0	Contract Negotiation	NA	30-90 days	30-90 days

Required Approval Determination:

Total Original Contract	\$196,340	<input type="checkbox"/> General Manager: Single Variance less than or equal to \$30,000. <input type="checkbox"/> Committee: Single Variance greater than \$30,000, and less than or equal to \$60,000. <input checked="" type="checkbox"/> Board: Single Variance greater than \$60,000. <input checked="" type="checkbox"/> Board: Cumulative total of Variances greater than \$60,000, or 30% of the original contract, whichever is higher.
Previous Variances \$	0	
This Variance	\$144,700	
Total Sum of Variances	\$144,700	
New Contract Amount	\$341,040	
Percentage of Total Variances to Original Contract	74 %	

ENGINEER/CONSULTANT: Five Point Partners
Company Name

IRVINE RANCH WATER DISTRICT

[Signature] 3-20-12
Project Engineer/Manager Date

[Signature] 3-20-12
Department Director Date

Jim Sassano March 22, 2012
Engineer's/Consultant's Management Date
Chief Financial Officer

General Manager/Comm./Board Date



**PRICING FOR
IRVINE RANCH WATER DISTRICT
DUE DILIGENCE AND CONTRACT NEGOTIATION**

PHASES:

7.0 SOLUTION SCOPE

8.0 SOLUTION CONFIRMATION

9.0 CONTRACT NEGOTIATIONS

OBJECTIVE: TO SUPPORT FUNDING APPROVAL

MARCH 20, 2012



Five Point Partners, LLC
2526 Mt. Vernon Rd, Suite B348
Atlanta, GA 30338
(404) 260-1599

The schedule below defines the fees and expenses for Five Point's services during the next three phases of IRWD's initiative to procure the services of a Systems Integrator (SI) to implement and configure Oracle's CC&B solution. The three phases include: Solution Scope, Solution Confirmation and Contract Negotiation. The scope and details of the proposed services are defined in the ADDENDUM TO PROPOSAL FOR IRVINE RANCH WATER DISTRICT TO PROVIDE CONSULTING SERVICES TO PERFORM ORACLE UTILITIES CUSTOMER CARE AND BILLING DETAILED REQUIREMENTS ANALYSIS AND ASSISTANCE WITH THE PREPARATION OF A REQUEST FOR PROPOSAL FOR IMPLEMENTATION SERVICES, dated November 1, 2011.

Project fee schedule

Five Point proposes a fixed fee of \$59,800 in Professional Service Fees to complete the Solution Scope and Solution Confirmation phase for the CIS Systems Integrator procurement effort. As defined within the Proposal Addendum these two steps include: 1) due diligence activities to further investigate the selected SI's approach; 2) confirm the scope of activities required for a successful implementation; 3) identify the total-solution components (internal and external); 4) confirm that the full scope is adequately priced; 5) and confirm that the SI's proposed approach remains the optimal solution prior to entering into contract negotiations.

The Contract Negotiation phase focuses on the development of the statement of work(s) and all contracts required for implementation. These activities may be for multiple vendors, i.e. software, service, hardware and third party implementation partners. This service is provided on a Time & Materials (T&M) basis with a not-to-exceed limit of \$50,000 in fees.

The estimated expenses for these three phases include airfare, hotel, rental car, meals, airport parking and other incidental expenses for three nights per trip in a hotel. Five Point will work with IRWD to keep expenses minimized by booking advanced airfares and using any corporate hotel rates that may be available.

Five Point will bill upon achieving the milestones outlined in the table below. Five Point payment terms are 30 days.



Five Point Partners, LLC
 2526 Mt. Vernon Rd, Suite B348
 Atlanta, GA 30338
 (404) 260-1599

Milestone	Milestone Billing	Estimated Expenses
7.0 Solution Scope	\$30,600	\$7,600
8.0 Solution Confirmation	\$29,200	\$7,300
9.0 Contract Negotiations	\$50,000 (T&M, not-to-exceed)	\$20,000
Total	\$109,800	\$34,900

For these three phases, the Project Manager is full-time for most of the project. The Client-Side Delivery Support Practice Lead and Technology SME will attend demos in the Solution Scope Phases and assist in the development of the Implementation Plan in the Solution Confirmation phase. The Contract Analyst will assist the Project Manager with the contract negotiations and due diligence activities as needed.

Resource	Rate	Hours	Total Fees
Project Manager	\$150	432	\$64,850
Contract Analyst	\$150	165	\$24,750
CSDS Practice Lead	\$175	88	\$15,400
Technology and other SMEs	\$150	32	\$4,800
Total		717	\$109,800

IRVINE RANCH WATER DISTRICT
Expenditure Authorization

Project Name: ORACLE PHASE 2 - TECH AND UB
 EPMS Project No: 11615 EA No: 3
 Oracle Project No: 3236
 Project Manager: MOSSBARGER, ANTHONY
 Project Engineer: MOSSBARGER, ANTHONY
 Request Date: March 21, 2012

ID Split: Miscellaneous

Improvement District (ID) Allocations

ID No.	Allocation %	Source of Funds
101	100.0	REPLACEMENT FUND**
Total	100.0%	

Summary of Direct Cost Authorizations

Previously Approved EA Requests:	\$915,000
This Request:	\$182,000
Total EA Requests:	\$1,097,000
Previously Approved Budget:	\$915,000
Budget Adjustment Requested this EA:	\$2,942,000
Updated Budget:	\$3,857,000
Budget Remaining After This EA	\$2,760,000

Comments:

Phase	This EA Request	Previous EA Requests	EA Requests to Date	This Budget Request	Previous Budget	Updated Budget	Start	Finish
ENGINEERING DESIGN - IRWD	0	15,000	15,000	450,000	15,000	465,000	1/12	6/13
ENGINEERING DESIGN - OUTSIDE	72,500	900,000	972,500	1,047,500	900,000	1,947,500	5/10	6/13
ENGINEERING - CA&I IRWD	0	0	0	0	0	0	5/11	6/13
CONSTRUCTION	109,500	0	109,500	1,444,500	0	1,444,500	7/12	6/13
Contingency - % Subtotal	\$0	\$0	\$0	\$0	\$0	\$0		
Subtotal (Direct Costs)	\$182,000	\$915,000	\$1,097,000	\$2,942,000	\$915,000	\$3,857,000		
Estimated G/A - 180.00% of direct labor*	\$0	\$27,000	\$27,000	\$810,000	\$27,000	\$837,000		
Total	\$182,000	\$942,000	\$1,124,000	\$3,752,000	\$942,000	\$4,694,000		
Direct Labor	\$0	\$15,000	\$15,000	\$450,000	\$15,000	\$465,000		

*EA includes estimated G&A. Actual G&A will be applied based on the current ratio of direct labor to general and administrative costs.

EA Originator: _____

Department Director: _____

Finance: _____

Board/General Manager: _____

** IRWD hereby declares that it reasonably expects those expenditures marked with two asterisks to be reimbursed with proceeds of future debt to be incurred by IRWD in a maximum principal amount of \$4,788,000. The above-captioned project is further described in the attached staff report and additional documents, if any, which are hereby incorporated by reference. This declaration of official intent to reimburse costs of the above-captioned project is made under Treasury Regulation Section 1.150-2.

IRVINE RANCH WATER DISTRICT

Expenditure Authorization

Project Name: ORACLE PHASE 2 - TECH AND UB
 EPMS Project No: 21615 EA No: 3
 Oracle Project No: 3237
 Project Manager: MOSSBARGER, ANTHONY
 Project Engineer: MOSSBARGER, ANTHONY
 Request Date: March 21, 2012

ID Split: Miscellaneous

Improvement District (ID) Allocations

ID No.	Allocation %	Source of Funds
210	100.0	REPLACEMENT FUND**
Total	100.0%	

Summary of Direct Cost Authorizations

Previously Approved EA Requests:	\$915,000
This Request:	\$182,000
Total EA Requests:	\$1,097,000
Previously Approved Budget:	\$915,000
Budget Adjustment Requested this EA:	\$2,942,000
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Budget Remaining After This EA	\$2,760,000

Comments:

Phase	This EA Request	Previous EA Requests	EA Requests to Date	This Budget Request	Previous Budget	Updated Budget	Start	Finish
ENGINEERING DESIGN - IRWD	0	15,000	15,000	450,000	15,000	465,000	1/12	6/13
ENGINEERING DESIGN - OUTSIDE	72,500	900,000	972,500	1,047,500	900,000	1,947,500	5/11	6/13
ENGINEERING - CA&I IRWD	0	0	0	0	0	0	5/11	6/13
CONSTRUCTION	109,500	0	109,500	1,444,500	0	1,444,500	7/12	6/13
Contingency - % Subtotal	\$0	\$0	\$0	\$0	\$0	\$0		
Subtotal (Direct Costs)	\$182,000	\$915,000	\$1,097,000	\$2,942,000	\$915,000	\$3,857,000		
Estimated G/A - 180.00% of direct labor*	\$0	\$27,000	\$27,000	\$810,000	\$27,000	\$837,000		
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Direct Labor	\$0	\$15,000	\$15,000	\$450,000	\$15,000	\$465,000		

*EA includes estimated G&A. Actual G&A will be applied based on the current ratio of direct labor to general and administrative costs.

EA Originator: _____

Department Director: _____

Finance: _____

Board/General Manager: _____

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