

MINUTES OF REGULAR MEETING –MAY 14, 2012

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 5:00 p.m. by President Matheis on May 14, 2012 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None.

Also Present: General Manager Cook, Executive Director of Finance Cherney, Executive Director of Operations Pedersen, Executive Director of Engineering and Planning Burton, Executive Director of Water Policy Heiertz, Secretary Bonkowski, Legal Counsel Arneson, Director of Water Resources Weghorst, Assistant Director of Finance/Treasurer Jacobson, Assistant Director of Water Policy Sanchez, Mr. Jim Reed, Mr. Bruce Newell, Ms. Shannon Reed, Mr. Ian Swift, Mr. Mike Bray and other members of the public and staff.

WRITTEN COMMUNICATION: None.

ORAL COMMUNICATION:

Mrs. Joan Irvine Smith's assistant addressed the Board of Directors with respect to the Dyer Road wellfield. She said it was her understanding that currently wells 1, 5, 7, C-8, C-9, 10, 12, and 17 will operate in accordance with the District's annual pumping plan. Wells, 2, 3, 4, 6, 11, 13, 14, 15, 16 and 18 will be off. This was confirmed by Mr. Cook, General Manager of the District.

With respect to the Orange County Basin Groundwater Conjunctive Use Program being coordinated by Municipal Water District of Orange County (MWDOC) and Orange County Water District (OCWD), a Notice of Completion was approved by the OCWD Board of Directors on March 19, 2009. Metropolitan Water District has given notice to OCWD to extract 22,000 acre feet in fiscal year 2009/10. The extraction is being performed by agencies that constructed conjunctive use wells under this program. IRWD is not a participant. This was confirmed by Mr. Cook.

With respect to the OCWD annexation of certain IRWD lands, on June 5, 2009, IRWD received a letter from OCWD noting that OCWD has completed the formal responses to comments they previously received on the draft program Environmental Impact Report. The letter further noted that with this task completed, OCWD has exercised its right to terminate the 2004 Memorandum of Understanding (MOU) regarding annexation. OCWD also indicated that due to the lack of progress on the annexation issue, the draft program Environmental Impact Report will not be completed. On June 8, 2009, OCWD completed the Long-Term Facilities Plan which was received and filed by the OCWD Board in July 2009. Staff has been coordinating with the City of Anaheim (Anaheim) and Yorba Linda Water District (YLWD) on their most recent annexation requests and has reinitiated the annexation process with OCWD. IRWD, YLWD and Anaheim have negotiated a joint MOU with OCWD to process and conduct environmental analysis of the annexation requests. The MOU was approved by the OCWD Board on July 21, 2010. This was confirmed by Mr. Cook.

With respect to the Groundwater Emergency Service Plan, IRWD has an agreement in place with various south Orange County water agencies, MWDOC and OCWD, to produce additional groundwater for use within IRWD and transfer imported water from IRWD to south Orange County in case of emergencies. IRWD has approved the operating agreement with certain south Orange County water agencies to fund the interconnection facilities needed to affect the emergency transfer of water. MWDOC and OCWD have also both approved the operating agreement. This was confirmed by Mr. Cook.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED: None.

CONSENT CALENDAR

On MOTION by Withers, seconded and unanimously carried, CONSENT CALENDAR ITEMS 3 THROUGH 10 WERE APPROVED AS FOLLOWS:

3. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the April 23, 2012 Regular Board Meeting be approved as presented.

4. 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.

5. CANDIDATE STATEMENTS FOR 2012 GENERAL ELECTION

Recommendation: That the Board direct the District Secretary to authorize 200 words on the Candidate's Statement of Qualifications and elect not to pay for these statements.

6. 2012 STATE LEGISLATIVE UPDATE

Recommendation: That the Board take a SUPPORT position on AB 2230 (Gatto), AB 2443 (Williams), AB 1508 (Carter), SB 1045 (Emmerson), and SB 1387 (Emmerson) and an OPPOSE position on AB 1692 (Wieckowski), AB 1813 (Buchanan), AB 1884 (Buchanan), and AB 2422 (Berryhill).

CONSENT CALENDAR (CONTINUED)

7. NOMINATION OF JO MACKENZIE FOR CALIFORNIA SPECIAL DISTRICTS ASSOCIATION (CSDA) BOARD – REGION 6, SEAT A

Recommendation: That the Board adopt the following resolution by title nominating Jo MacKenzie to the California Special Districts Association Board, Region 6, Seat A, for the 2013-2015 term.

RESOLUTION NO. 2012 -19

RESOLUTION OF THE BOARD OF DIRECTORS
OF IRVINE RANCH WATER DISTRICT NOMINATING
JO MACKENZIE TO THE CALIFORNIA SPECIAL
DISTRICTS ASSOCIATION BOARD FOR REGION 6,
SEAT A FOR THE 2013-2015 TERM

8. ADMINISTRATIVE CLAIM FOR DAMAGES FROM CHARLES WEI-CHEN

Recommendation: That the Board receive the Claim for Damages from Charles Wei Chen without action.

9. SAND CANYON MEDICAL OFFICE CONSTRUCTION PROJECT REDUCTION OF RETENTION

Recommendation: That the Board authorize the reduction of retention from 10% to 5% of the contract amount and release of funds in excess of 5% of the contract amount from retention currently held for the Sand Canyon Office Project, Project No. 11118 (1284).

10. ROOF REPAIR PROJECT FOR THREE SITES - EXPENDITURE AUTHORIZATION APPROVAL

Recommendation: That the Board approve Expenditure Authorizations in the amounts of \$64,400 for project 11589 (1328), \$77,800 for project 21589 (1538) and \$43,800 for project 31589 (1267) for roof repairs at three project sites including the No. 2 Michelson Water Recycling Plant (MWRP) Filter Pump Station; the Rattlesnake Pump Station dechlorination building; and the Los Alisos Water Recycling Plant (LAWRP) operations building.

ACTION CALENDAR

ELEVENTH AND TWELFTH AMENDMENTS TO AGREEMENT FOR PARTICIPATION AND CO-FUNDING IN SPECIFIED MUNICIPAL WATER DISTRICT OF ORANGE COUNTY REBATE PROGRAMS

General Manager Cook reported that the Water Conservation Business Plan (Plan) includes a “Tactical Incentives” element to encourage customers to install water conservation devices that are based on the water and wastewater systems avoided costs for each device. Mr. Cook said that as a result of a recent change by Metropolitan Water District of Southern California (MWD) extending the cut-off for FY 2011-12 from April 30 to June 30, 2012, staff anticipates a shortfall of IRWD matching funds and is proposing to add \$50,000 in funding for this fiscal year to minimize disruptions to IRWD customers. He said that the amendments to the existing Agreement with the Municipal Water District of Orange County (MWDOC) will be effective July 1, 2012 and maintain the current incentive levels and provide up to \$450,000 in Tactical Incentive funding for FY 2012-13.

Director LaMar reported that this item was reviewed and approved by the Water Resources Policy and Communications Committee on May 3, 2012. Following discussion, on MOTION by LaMar, seconded and unanimously carried, **THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE THE ELEVENTH AND TWELFTH AMENDMENTS TO THE AGREEMENT FOR PARTICIPATION AND CO-FUNDING BY IRVINE RANCH WATER DISTRICT IN SPECIFIED MUNICIPAL WATER DISTRICT OF ORANGE COUNTY REBATE PROGRAMS SUBJECT TO NON-SUBSTANTIVE CHANGES ADDING \$50,000 IN FUNDING FOR FY 2011-12 AND APPROVING \$450,000 IN FUNDING FOR FY 2012-13 FOR COST-EFFECTIVE TACTICAL INCENTIVE WATER USE EFFICIENCY MEASURES.**

POLLUTION INSURANCE RENEWAL – IRVINE DESALTER PROJECT

General Manager Cook reported that the District’s three-year pollution and remediation legal liability policy (Pollution Insurance) covering the Irvine Desalter Project (IDP) will expire on May 23, 2012. Mr. Cook said that this item is to request authorization to renew this insurance by binding coverage with XL Insurance (XL) for a three-year period from May 23, 2012 through May 23, 2015 in an amount not to exceed \$257,554, representing a 22% reduction in premium from the current policy.

Assistant Director of Finance Jacobson reported that Marsh USA, the District’s broker of record for the pollution insurance program approached the five major carriers that provide pollution coverage for a competitive remarketing of the expiring coverage. Mr. Jacobson said that staff received responses from the current carrier, XL, and ACE INA Excess and Surplus Insurance Services (ACE). The proposed premiums for XL and ACE to provide for \$20 million of coverage for third party liability, \$250,000 deductible and three-year term are \$257,554 and \$227,490. Staff recommends renewing coverage with XL based on a comparison of the proposed policies.

Following discussion, Director Swan asked staff submit an item to the Finance and Personnel Committee for a review of the requirements for pollution insurance as defined in the Settlement Agreement. On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED THE DISTRICT'S THREE-YEAR POLLUTION AND REMEDIATION LEGAL LIABILITY INSURANCE POLICY RENEWAL FOR THE IRVINE DESALTER PROJECT WITH XL INSURANCE IN AN AMOUNT NOT TO EXCEED \$257,554 AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE ANY DOCUMENTS NECESSARY TO BIND SUCH COVERAGE.

OTHER BUSINESS

GENERAL MANAGER'S REPORT

General Manager Cook reported that staff is preparing a letter to the Santa Ana Watershed Project Authority's (SAWPA) One Water One Watershed (OWOW) Committee relative to Proposition 84 requirements to have water budget-based rates. He said that the letter indicates that IRWD supports sustainable rate structures to promote water use efficiency.

Mr. Cook reminded the Board of an upcoming Orange County Water Summit event.

Mr. Cook noted that Mr. Charley Wilson will be continuing his Special District seat on the OC LAFCO Board as he ran unopposed in the recent election.

Mr. Cook reported that staff provided an update on the Baker Treatment Plant to MWDOC's Planning and Operations Committee meeting on Monday which was well received.

DIRECTORS' COMMENTS

Director LaMar reported that he attended the recent ACWA conference where he participated in a panel discussion on endangered species, sharing his experience as a Board member of Nature Reserve of Orange County Board (NROC). He said that he also attended an NROC Executive Committee meeting and a strategic planning meeting, a WACO meeting, and a Southern California Water Committee meeting.

Director Reinhart reported on the successful Business Development Outreach Luncheon and made suggestions on how to branch out to additional individuals. Mr. Reinhart asked staff to present an item at a future Water Resources Policy and Communications Committee meeting to better understand how to provide correct IRWD rate structure information as it relates to other agencies. Mr. Reinhart also reported on his attendance at an ACWA conference.

Director Swan reported on his attendance at an ACWA Executive Board meeting relative to a reorganization of ACWA; a SAWPA OWOW Committee meeting; a WACO meeting, a WACO Planning meeting, and a tour of the Serrano Creek. He said that this Wednesday he will be making a presentation at the OCWA monthly meeting as well as attending a Newport Bay Executive Committee meeting, and that this Thursday and Friday he will be attending an ACWA Board meeting in Sacramento. In response to Mr. Swan's inquiry relative to the proposed Huntington Beach Sea Water Desalination treatment plant, Mr. Cook provided a status report on

the District's position relative to water quality issues. Mr. Swan suggested that the Board be briefed periodically on this topic.

Director Withers said that LAFCO is currently preparing a comment letter relative to the Orange Grand Jury's report on Special Districts. He further reported that he will be attending a community tour this Saturday with an anticipated 50 attendees.

Director Matheis reported that she attended an ACWA conference along with the District's Business Outreach luncheon. She further commented on the San Onofre power plant's leakage problem.

CLOSED SESSION

President Matheis said that a Closed Session would be held with legal counsel relative to anticipated litigation – significant exposure to litigation pursuant to Government Code Section 54956.9 (b) (one or more potential cases).

OPEN SESSION

Following the Closed Session, the meeting was reconvened with Directors Swan, LaMar, Withers, Reinhart and Matheis present. No action was reported.

ADJOURNMENT

There being no further business, President Matheis adjourned the meeting to Monday, May 21, 2012 at 11:00 a.m. in the Multi-Purpose Room to hold a Strategic Planning Workshop.

APPROVED and SIGNED this 29th day of May, 2012.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles and Giannone