

MINUTES OF REGULAR MEETING –JUNE 11, 2012

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 5:05 p.m. by President Matheis on June 11, 2012 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None.

Also Present: General Manager Cook, Assistant Director of Finance/Treasurer Rob Jacobson, Executive Director of Operations Pedersen, Executive Director of Engineering and Planning Burton, Executive Director of Water Policy Heiertz, Assistant Secretary Savedra, Legal Counsel Arneson, Director of Water Resources Weghorst, Director of Public Affairs Beeman, Assistant Director of Water Policy Sanchez, Assistant Controller Smithson, Mr. Jim Reed, Mr. Bruce Newell, Ms. Shannon Reed, Ms. McLaughlin, Ms. Maswadeh, Mr. Akiyoshi, Mr. Hoolihan, Mr. Ian Swift, and other members of the public and staff.

WRITTEN COMMUNICATION: None.

ORAL COMMUNICATION:

Mrs. Joan Irvine Smith's assistant addressed the Board of Directors with respect to the Dyer Road wellfield. She said it was her understanding that currently wells 4, C-8, C-9, 10, 12, 13, 14, 15, and 17 will operate in accordance with the District's annual pumping plan. Wells, 1, 2, 3, 5, 6, 7, 11, 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 (MWD OC) and Orange County Water District (OCWD), a Notice of Completion was approved by the OCWD Board of Directors on March 19, 2008. 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 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.

Mr. Louis Denger addressed the Board relative to Consent Calendar item No. 12 “Suspension of Natural Treatment System Site No. 62 and Small Area Mitigation Site (SAMS) 1 Projects”. Mr. Denger expressed his concerns on the health of SAMS 1 without completing the project. Director Swan explained that due to regulatory uncertainties under which the property would be constructed and operated, the district decided not to proceed with the construction.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED: None.

PRESENTATION

UPDATE ON FEDERAL FUNDING

Using a Powerpoint presentation, Director of Water Resources Weghorst presented a history of appropriations and grants issued to the District under the District’s Title XVI Authorization for Groundwater and Surface Water Improvement projects. Mr. Weghorst said that the Title XVI funding program is administered through the US Bureau of Reclamation and provides opportunities to reclaim naturally impaired ground and surface waters. The program requires congressional authorization of specific projects under Title XVI of P.L. 102-575. He said funding methods are through appropriations, the American Recovery and Reinvestment Act (ARRA) of 2009, and WaterSMART grants of up to \$20 million.

Mr. Weghorst said that in May 2004, Title XVI appropriation funding was authorized by Congress and awarded to IRWD for the Irvine Desalter Project in the amount of \$2.1 million. In June 2009, ARRA funds were awarded to the District for Wells 21 and 22 Project, Tustin Legacy Well 1 Project, and Natural Treatment System Site No. 67 Project for a total of \$13.8 million. In May 2012, the District received WaterSMART Grant funding for the Irvine Desalter Project in the amount of \$3.8 million. Mr. Weghorst said this was due to the diligence of Kellie Welch, Water Resources Manager, and he thanked her for her efforts in securing these funds. He said from 2008 through 2012, overall appropriations and grant amounts received by the District totaled \$19.7 million.

WORKSHOP

FISCAL YEAR 2012-13 CAPITAL BUDGET

General Manager Cook reported that the first Board workshop was held on May 29, 2012 where staff was asked to make the following revisions: 1) Projects that are nearing completion to be removed from the flagged projects list and include projects 1081 (Wells 21 and 22), 1498 (Lake Forest Well No. 2 Replacement/Wellhead), and 1520, 1167, 1236 (Great Park SAMP Update); and 2) All future Anaheim Well Field projects are to be flagged. Also, he said that staff has added Project 1578, Pond 3 Observation Deck and Projects 1570, 1602, and 1612, Santiago Canyon Area BPS Permanent Generators. Mr. Cook said with these revisions projected expenditures for the FY 2012-13 Capital Budget increased from \$64.0 million to \$64.4 million.

Using a PowerPoint presentation, Mr. Akiyoshi reported that in FY 2011-12, projected expenditures were estimated at \$116.2 million with actual expenditures projected at approximately \$106.6 million, or 92% of projected expenditures. He noted the Long Term Capital Program by funding sources, which includes all known existing and future capital projects and three years of replacement projects and the Annual Capital Budget providing an estimate of projected expenditures for the upcoming fiscal year as well as active project budgets in the fiscal year.

Mr. Akiyoshi reviewed the proposed increases to the long term capital program for the Syphon Reservoir expansion, the Baker Water Treatment Plant, Wells 51 and 52, Orange Park Acres Regional Groundwater project and others including offsets, as well as unexpected capital at July 1, 2011 and July 1, 2012. He further noted changes from the May 29, 2012 workshop.

Director Swan noted that the Finance and Personnel Committee has been discussing the tracking of changes in the capital budget from 2000. Director Reinhart suggested that this should include offsets as a result of new projects such as Syphon Reservoir that are added during the reference period and replace or eliminate other budgeted expenditures. Following discussion, on MOTION by Director Reinhart, seconded and unanimously carried, THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2012-23

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE
RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA,
APPROVING DISTRICT'S CAPITAL BUDGET
FOR FISCAL YEAR 2012-13

CONSENT CALENDAR

On MOTION by Director Swan, seconded and unanimously carried, CONSENT CALENDAR ITEMS 5 THROUGH 15 WERE APPROVED AS FOLLOWS:

5. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the May 29, 2012 Regular Board Meeting be approved as presented.

6. SELF-INSURED WORKERS' COMPENSATION COVERAGE

Recommendation: That the Board direct staff to continue to self-insure Workers' Compensation coverage using the District's current providers as outlined, bind coverage with CSAC Excess Insurance Authority at the \$125,000 self-insured retention level and authorize the continuation of the Third Party Administrator coverage with York Insurance Services.

7. 2012 STATE LEGISLATIVE UPDATE

Recommendation: That the Board take a SUPPORT position on SB 1251 (Evans) and SB 1535 (Padilla) and a WATCH position on AB 2063 (Alejo).

8. 2012 SELECTION OF STATE LOBBYIST/CONSULTANT

Recommendation: That the Board approve a one-year Professional Services Agreement, from July 1, 2012 through June 30, 2013, with O'Haren Government Relations in the amount of \$6,500 per month retainer plus reimbursable direct expenses for a total not to exceed \$85,800.

9. GRANT OF EASEMENT TO KERN WATER BANK AUTHORITY

Recommendation: That the Board adopt the following resolution by title:

RESOLUTION NO. 2012-24

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT AUTHORIZING
THE GRANT OF EASEMENT FOR INGRESS AND
EGRESS PURPOSES TO KERN WATER BANK AUTHORITY

CONSENT CALENDAR- Continued

10. WATER SUPPLY ASSESSMENT FOR HERITAGE FIELDS PROJECT 2012 – GENERAL PLAN AMENDMENT AND ZONE CHANGE

Recommendation: That the Board approve the Water Supply Assessment for Heritage Fields Project 2012 General Plan Amendment and Zone Change.

11. VERIFICATION OF SUFFICIENT WATER SUPPLIES FOR SHEA BAKER RANCH (TENTATIVE TRACT MAP 16466)

Recommendation: That the Board approve the Verification of Sufficient Water Supplies for Shea Baker Ranch (Tentative Tract Map 16466).

12. SUSPENSION OF NATURAL TREATMENT SYSTEM SITE NO. 62 AND SMALL AREA MITIGATION SITE 1 PROJECTS

Recommendation: That the Board authorize staff to notify the Environmental Protection Agency of the District's intent not to construct the Natural Treatment System Site 62 project, and request that the grant agreement be terminated.

13. QUITCLAIM OF REAL PROPERTY

Recommendation: That the Board adopt the following resolution by title:

RESOLUTION NO. 2012-25

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT APPROVING
EXECUTION OF THE QUITCLAIM DEED TO
IAC APARTMENT DEVELOPMENT JV LLC

14. ORANGE PARK ACRES WELL REPLACEMENT PROJECT FINAL INITIAL STUDY/MITIGATED NEGATIVE DECLARATION

Recommendation: That the Board find on the basis of the whole record before it (including the initial study and the comments received), *that there is* no substantial evidence that the Orange Park Acres Well Replacement Project will have a significant effect on the environment and that the Negative Declaration reflects IRWD's independent judgment and analysis; adopt the proposed Negative Declaration for the Orange Park Acres Well Replacement Project and Mitigation Monitoring and Reporting Program incorporated within the Mitigated Negative Declaration and approve the project; and direct staff to post and file a Notice of Determination and submit payment for the California Department of Fish and Game Filing fee.

CONSENT CALENDAR- Continued

15. REAPPOINTMENT OF COMMISSIONERS OF IRVINE RANCH WATER DISTRICT
JOINT POWERS AGENCY

Recommendation: Acting as the governing board of Irvine Ranch Water District and as the governing body of Community Facilities District No. 1 of Irvine Ranch Water District, appoint Steven LaMar, Mary Aileen Matheis, Douglas Reinhart, Peer Swan and John Withers as Commissioners of the Irvine Ranch Water District Joint Powers Agency.

ACTION CALENDAR

NEWPORT BAY WATERSHED TMDL PROGRAM – COOPERATIVE AGREEMENT
D11-066

General Manager Cook reported that the Newport Bay Watershed Committee (Committee) was established in 1978 to fund sediment dredging from Newport Bay. The Committee was composed of the County of Orange and cities in the Newport Bay watershed. With the establishment of Toxics Total Maximum Daily Load (TMDLs) for Newport Bay and its watershed, the Committee expanded its responsibility to address TMDL requirements. In 1999, IRWD joined the Committee to fund ongoing nutrient, fecal coliform and toxics monitoring studies through County Agreement D99-128.

Executive Director of Water Policy Heiertz reported that the D99-128 agreement will expire on June 30, 2012. The parties to the agreement have met over the past 12 months to develop the new County Agreement, D11-066. Mr. Heiertz said the key changes to the Cooperative agreement are: 1) The term of the agreement is three years instead of one year, with an option to extend for an additional three years if all the parties agree. The agreement becomes effective as soon as the last party has executed the agreement; 2) The work plan and budget will no longer require approval from 100% of the parties to the agreement. The new agreement will require approval from enough of the parties that together represent 90% of the cost share and at least 12 of the 13 parties (for voting purposes the County of Orange and the County of Orange Flood Control District constitute one party); and 3) The revised cost share allocation is incorporated into the agreement. It is based on weighted net land area and population within the watershed, which was the least complex option upon which the parties were able to reach consensus. The Flood Control District, IRWD and the Irvine Company are each assigned a fixed cost-share of 10%. Lennar is assigned a fixed cost-share of 0.15%. This represents a reduction in cost share for IRWD from 12.15% in the existing agreement to 10% in the new agreement.

Mr. Heiertz said that based upon the overall TMDL draft budget of \$1,494,912 for FY 2012-13, IRWD's 10% cost share would be approximately \$150,000. He said this funding was included in IRWD's FY 2012-13 Operating Budget and the new agreement, D11-066 will be on the agenda for the Board of Supervisors meeting on June 26, 2012, and has been circulated to the 13 parties to the agreement for approval.

Mr. Heiertz said the workplan and budget for FY 2012-13 has not yet been finalized, although the initial projection including a 5% contingency is approximately \$1.5 million. Therefore, IRWD's 10% cost share for FY 2012-13 would be approximately \$150,000. Funding for the watershed TMDL program was included in the FY 2012-13 Operating Budget.

Director LaMar reported that this item was reviewed by the Water Policy and Communications Policy Committee on June 7, 2012, and the Committee recommended participation and felt that IRWD's cost share should be refined on a nexus basis at some point in the future. Following discussion, on MOTION, by LaMar seconded and unanimously carried, THE BOARD APPROVED AGREEMENT D11-066 (AGREEMENT TO FUND NUTRIENT, FECAL COLIFORM AND TOXICS TOTAL MAXIMUM DAILY LOAD (TMDL) PROGRAMS IN THE NEWPORT BAY WATERSHED); AUTHORIZED THE GENERAL MANAGER TO EXECUTE THE AGREEMENT SUBJECT TO NON-SUBSTANTIVE CHANGES; AND APPROVED IRWD'S FUNDING SHARE OF UP TO \$150,000 FOR FISCAL YEAR 2012-13.

PASS THROUGH INDEMNIFICATION AGREEMENTS WITH ROSEDALE RIO BRAVO WATER STORAGE DISTRICT

General Manager Cook reported that IRWD has executed agreements for Pilot Exchange Programs with Antelope Valley-East Kern Water Agency (AVEK) and Carpinteria Valley Water District through the Central Coast Water Authority (CVWD/CCWA) that allow AVEK and CVWD/CCWA to store a portion of their unused State Water Project (SWP) Table A water in IRWD's Strand Ranch Integrated Banking Project (Water Bank) on an unbalanced exchange basis. He said that the Department of Water Resources (DWR) has prepared two exchange agreements and one delivery agreement to implement the unbalanced exchanges (DWR agreements). The respective agreements provide AVEK the ability to store up to 5,000 AF of Table A water and CVWD/CCWA to store up to 1,500 AF of Table A water.

Director of Water Resources Weghorst reported that these agreements are currently being executed by AVEK, Santa Barbara County Flood Control and Water Conservation District (on behalf of CVWD/CCWA), Metropolitan Water District of Southern California (Metropolitan), the Kern County Water Agency (KCWA) and DWR. KCWA is requiring that Rosedale-Rio Bravo Water Storage District (Rosedale) execute three indemnification agreements that correspond with each of the DWR agreements. He said that the DWR prepared two exchange agreements and one delivery agreement for the AVEK and CVWD/CCWA unbalanced exchange programs to be approved and executed by AVEK, Santa Barbara County Flood Control and Water Conservation District (Santa Barbara), Metropolitan and KCWA. Santa Barbara is required to execute an exchange agreement because they hold the rights to SWP Table A that is managed on its behalf by CCWA. KCWA is a party to the delivery agreement and exchange agreements to facilitate the delivery of the water in and out of the Water Bank and is required to indemnify DWR relative to the transactions in each of the agreements. These DWR agreements have been approved by each of the exchange program agencies and are currently being circulated for execution.

Mr. Weghorst said that as a condition of KCWA executing the DWR agreements, KCWA is requiring that Rosedale enter into separate agreements with KCWA that correspond with the

conditions of each of the three DWR agreements, in which Rosedale agrees to accept all obligations incurred by KCWA from the DWR agreements including claims of liability against the KCWA that arise as a result of the delivery of the CVWD/CCWA and AVEK water (KCWA/Rosedale agreements). He said that the long-term Water Banking and Exchange Agreement that Rosedale and IRWD executed on January 13, 2009 already provides for IRWD to pay all costs incurred by KCWA and Rosedale related to IRWD's water supply programs. District staff agrees that the other KCWA obligations included in the KCWA/Rosedale agreements should be passed through to IRWD.

Mr. Weghorst said that IRWD's legal counsel has prepared three draft template letter agreements between Rosedale and IRWD which will pass through KCWA's obligations from Rosedale to IRWD (Indemnification Agreements). He said that there are no fiscal impacts for the pass through of Rosedale's indemnification obligations to IRWD for the delivery of AVEK and VWD/CCWA's SWP Table A pursuant to the respective Pilot Exchange Programs.

Mr. Weghorst said that this item was not reviewed by the Water Banking Committee due to the time urgency related to getting the Department of Water Resources agreements executed and the water scheduled for delivery to the Water Bank. On MOTION, by Director Swan, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE THE THREE INDEMNIFICATION LETTER AGREEMENTS WITH ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT SUBJECT TO NON-SUBSTANTIVE CHANGES BY THE GENERAL MANAGER AND LEGAL COUNSEL TO THE LETTER AGREEMENTS AND SUBJECT TO NON-SUBSTANTIVE CHANGES TO THE THREE KERN COUNTY WATER DISTRICT / ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT AGREEMENTS.

RECESS AND RECONVENE

President Matheis declared a recess at 6:15 p.m. to permit the holding of meetings of the IRWD Water Service Corporation, IRWD Improvement Corporation, Bardeen Partners and the IRWD Joint Powers Agency. Following these, the IRWD Board meeting was reconvened with all Directors present.

GENERAL MANAGER'S COMMENTS

General Manager Cook reported that Southern California Edison has issued a check to IRWD in the amount of \$11,498. Said funds are to recognize IRWD for its participation to construct the Sand Canyon Professional Center and utilizing the energy efficient fixtures. He recognized Mr. Rob Jacobson for taking the lead and also Mr. Tom Bonkowski for his coordination efforts with SCE.

Mr. Cook said that IRWD will host the Dam safety seminar at IRWD next week. We have received a great response from other agencies i.e.; SMWD, ETWD, OCWD, TCWD and City of

Anaheim and they will send staff to attend the seminar. He thanked Dave Pedersen for coordinating this event.

Mr. Cook asked the Board to save Saturday, August 25, 2012 as Sea & Sage Audubon is celebrating its 20th year anniversary partnership with IRWD. The event will be held at San Joaquin Marsh Campus.

DIRECTORS' COMMENTS

Director Withers reported that he attended the Tustin's State of the City lunch. He said that it was a good event and was well attended. On Tuesday, he will attend the OCSD Administrative Committee meeting which will hold its first budget hearing. On Thursday, he and Director Matheis will attend the ISDOC workshop on the grand jury report.

Director LaMar reported he attended WACO, MWDOC's Planning and Operations Committee Meeting, and the League of California Cities Orange County Infrastructure Summit where Mr. Curt Pringle provided a presentation on cities dealing with new development due to the demise of redevelopment.

Director Reinhart reported on his attendance at WACO, MWDOC meetings and WaterReuse Desalination Research Conference and National Board meeting in San Diego. He attended the SOCWA Board meeting and reported that he is no longer a part of the SOCWA Executive Committee and that Ms. Laura Freeze is the new Vice Chairman.

Director Swan reported that he attended ISDOC Quarterly and WACO meetings. He said his time has been involved with the reorganization of ACWA. He is looking forward to attending the Kern County tour on IRWD's Water Banking projects on June 22nd.

Director Matheis reported she did not attend the WACO meeting. That she will attend the ISDOC workshop on Thursday, and she too is looking forward to the Kern County tour of IRWD's Water Banking project.

ADJOURNMENT

President Matheis adjourned the meeting at 6:32 p.m.

APPROVED AND SIGNED THIS 25TH DAY OF June, 2012.

President, IRVINE RANCH WATER DISTRICT

Assistant Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles and Giannone