

MINUTES OF REGULAR MEETING – JANUARY 28, 2013

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 5:00 p.m. by President Reinhart on January 28, 2013 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None

Also Present: General Manager Cook, Executive Director of Finance Clary, Director of Risk Management and Treasury Jacobson, Executive Director of Engineering Burton, Executive Director of Water Policy Heiertz, Director of Water Resources Weghorst, Legal Counsel Arneson, Secretary Bonkowski, Mr. Mike Hoolihan, Ms. Christine Compton, Mr. Jim Reed, Mr. Bruce Newell, and other members of the public and staff.

WRITTEN COMMUNICATION: None.

ORAL COMMUNICATION:

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

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

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

CONSENT CALENDAR

President Reinhart asked that Item No. 8, the Strategic Measures Dashboard, be moved to the Action Calendar for discussion. There being no objection, on MOTION by Withers, seconded and unanimously carried, CONSENT CALENDAR ITEMS 3 THROUGH 7 and 9 THROUGH 19 WERE APPROVED AS FOLLOWS:

3. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the January 14, 2013 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, Doug Reinhart, John Withers and Peer Swan.

5. RATIFICATION OF MEMORANDUM RELATIVE TO THE BOARD, COMMITTEE AND OTHER ASSIGNMENTS, AND APPROVAL OF AGENCY AND OUTSIDE ORGANIZATION BOARD REPRESENTATION AT MEETINGS/EVENTS FOR 2013

Recommendation: That the Board ratify the Memorandum dated January 28, 2013 entitled Officers of the Board, Committees and Other Assignments, approve attendance for the meetings and events for the Board's representation for calendar year 2013 as delineated in the write-up, and that the following resolution be adopted by title rescinding Resolution No. 2012-35 and revising the assignment of Directors to Committees of the Board.

RESOLUTION NO. 2013 -3

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT, RESCINDING
RESOLUTION NO. 2012-35 AND REVISING THE ASSIGNMENT
OF DIRECTORS TO COMMITTEES OF THE BOARD

6. REIMBURSEMENT TO BOARD MEMBER FOR BUSINESS EXPENSES

Recommendation: That the Board approve the October 2012 Expense Report submitted for reimbursement for travel and business mileage expenses incurred by Director Peer Swan.

CONSENT CALENDAR (CONTINUED)

7. DECEMBER 2012 TREASURY REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for December 2012; approve the December 2012 Summary of Payroll ACH payments in the total amount of \$1,351,423, and approve the December 2012 accounts payable Disbursement Summary of checks 335257 through 335831, Workers' Compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$15,368,754.

9. 54-INCH BARRANCA PARKWAY PIPELINE RELOCATION PROJECT CONTRACT TERMINATION

Recommendation: That the Board approve the termination for convenience of the construction contract with Vadnais Corporation for the 54-inch Barranca Parkway Pipeline Relocation, projects 11166 (1408) and 31166 (1696).

10. 2013 PROJECT MANUAL

Recommendation: That the Board adopt the following resolution by title rescinding Resolution No. 2011-50 and revising standard form construction contract documents.

RESOLUTION NO. 2013 -4

RESOLUTION OF THE BOARD OF DIRECTORS
OF IRVINE RANCH WATER DISTRICT
ORANGE COUNTY, CALIFORNIA, RESCINDING
RESOLUTION NO. 2011-50 AND REVISING
STANDARD FORM CONSTRUCTION
CONTRACT DOCUMENTS

11. SAND CANYON AVENUE GRADE SEPARATION VARIANCE

Recommendation: That the Board authorize the General Manager to execute Variance No. 3 in the amount of \$84,000 with Tetra Tech, Inc. for additional construction management and support services for the IRWD Utility Relocations Project for the Sand Canyon Grade Separation, projects 11455 (1459) and 21455 (1152).

12. PLANNING AREA 9B (STONEGATE) PHASE 3 BUDGET, EXPENDITURE AUTHORIZATION AND CHANGE ORDER

Recommendation: That the Board authorize the addition of project 30390 (4228) to the FY 2012-13 Capital Budget in the amount of \$854,700; approve an Expenditure Authorization for project 30390 (4228) in the amount of \$854,700; and approve a design change order in the amount of \$31,372 to ICDC for the Planning Area 9B (Stonegate) Recycled Water and Syphon Lateral Pipeline Phase 3 project.

CONSENT CALENDAR (CONTINUED)

13. MICHELSON WATER RECYCLING PLANT PHASE 2 EXPANSION
CONSTRUCTION MANAGEMENT AND INSPECTION SERVICES
VARIANCE NO. 4

Recommendation: That the Board authorize the General Manager to execute Variance No. 4 in the amount of \$185,503 with ARCADIS-US for construction management and inspection services for the MWRP Phase 2 Expansion, projects 20214 (1599) and 30214 (1706).

14. QUITCLAIM OF REAL PROPERTY – IRVINE COMMUNITY DEVELOPMENT
COMPANY (VILLAGE OF PORTOLA SPRINGS-TRACT NO. 17114)

Recommendation: That the Board adopt the following resolution by title approving execution of the Quitclaim Deed to Irvine Community Development Company LLC.

RESOLUTION NO. 2013 – 5

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT
APPROVING EXECUTION OF THE QUITCLAIM DEED TO
IRVINE COMMUNITY DEVELOPMENT COMPANY LLC

15. QUITCLAIM OF REAL PROPERTY – IRVINE COMMUNITY DEVELOPMENT
COMPANY (VILLAGE OF PORTOLA SPRINGS-TRACT NO. 17070)

Recommendation: That the Board adopt the following resolution by title approving execution of the Quitclaim Deed to Irvine Community Development Company LLC.

RESOLUTION NO. 2013 – 6

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT
APPROVING EXECUTION OF THE QUITCLAIM DEED TO
IRVINE COMMUNITY DEVELOPMENT COMPANY LLC

16. ADDENDUM NO. 2 TO THE CITY OF LAKE FOREST SPORTS PARK AND
RECREATION CENTER FINAL ENVIRONMENTAL IMPACT REPORT

Recommendation: That the Board approve the proposed Addendum No. 2 to the City of Lake Forest Sports Park and Recreation Center Final Environmental Impact Report, including the determination set forth in Addendum No. 2.

CONSENT CALENDAR(CONTINUED)

17. MISCELLANEOUS SEWER IMPROVEMENTS AT JAMBOREE CENTER EXPENDITURE AUTHORIZATION

Recommendation: That the Board approve an Expenditure Authorization in the amount of \$132,600 for the Miscellaneous Sewer Improvements at Jamboree Center, project 21122 (3775).

18. THREE-YEAR DAM MONITORING AND SURVEILLANCE CONSULTANT SELECTION

Recommendation: That the Board authorize the General Manager to execute a Professional Services Agreement with URS Corporation in the amount of \$131,623 for three years of dam monitoring and surveillance services.

19. SYPHON RESERVOIR INTERIM FACILITIES 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 Syphon Reservoir Interim Facilities Project will have a significant effect on the environment and that the Negative Declaration reflects IRWD's independent judgment and analysis; adopt the proposed Mitigated Negative Declaration for the Syphon Reservoir Interim Facilities 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.

ACTION CALENDAR

STRATEGIC MEASURES DASHBOARD

In response to President Reinhart's inquiry, discussion was held relative to the Deep Aquifer Treatment System targets as well as clarification of the overhead ratio fluctuations. On MOTION by LaMar, seconded and unanimously carried, THE STRATEGIC MEASURES DASHBOARD AND INFORMATION ITEMS WERE RECEIVED AND FILED.

SYPHON RESERVOIR INTERIM FACILITIES AND PIPELINE IMPROVEMENTS – CONSTRUCTION AWARD

General Manager Cook reported that the Syphon Reservoir Interim Facilities and Pipeline Improvements Project will construct a filtration system, chlorination system, and pipeline improvements to connect Syphon Reservoir to the recycled water system.

Executive Director of Engineering and Planning Burton reported that the project was advertised on January 3, 2013 to a select list of 27 contractors. The bid opening was held on January 22, 2013 with bids received from Paulus Engineering, Inc. and Vido Artukovich & Son, Inc. Paulus Engineering, Inc. is the apparent low bidder with a bid amount of \$1,529,800. Mr. Burton said

that Paulus has performed the majority of emergency work for the District in the past, and staff is satisfied with its performance. On MOTION by Withers, seconded and unanimously carried, THE BOARD AUTHORIZED A BUDGET INCREASE FOR PROJECT 30374 (3729) IN THE AMOUNT OF \$1,017,400 FROM \$1,399,800 TO \$2,417,200; APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$1,817,600 FOR PROJECT 30374 (3729); AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH PAULUS ENGINEERING, INC. IN THE AMOUNT OF \$1,529,800 FOR THE SYPHON RESERVOIR INTERIM FACILITIES AND PIPELINE IMPROVEMENTS, PROJECT 30374 (3729).

PORTOLA HILLS SEWER LIFT STATION ABANDONMENT AND GRAVITY SEWER CONSTRUCTION AWARD

The Portola Hills Sewage Lift Station Abandonment and Gravity Sewer Project will abandon the existing Portola Hills Sewage Lift Station (PHSLS) and redirect wastewater to the Michelson Water Recycling Plant (MWRP) through a new gravity sewer segment within Glenn Ranch Road. Three contractors, Paulus Engineering, Inc., GCI Construction, Inc., and Kennedy Pipeline Company attended the pre-bid meeting on December 20, 2012. The bid opening was held on January 15, 2013 with bids received from Paulus Engineering, Inc., L&S Construction, Inc., Leatherwood Construction, CCL Contracting, Inc., GCI Construction, Inc., and Kennedy Pipeline Company. Paulus Engineering, Inc. is the apparent low bidder with a bid amount of \$1,149,197. The engineer's estimate was \$1,288,150.

On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$1,441,000 FOR PROJECT 20224 (1600) AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH PAULUS ENGINEERING, INC. IN THE AMOUNT OF \$1,149,197 FOR THE PORTOLA HILLS SEWER LIFT STATION ABANDONMENT AND GRAVITY SEWER PROJECT.

UNIVERSITY LIFT STATION ODOR CONTROL BUDGET ADDITION AND EXPENDITURE AUTHORIZATION

General Manager Cook reported that the District currently injects a chemical, BioMagic, at several sewer lift stations around the District to minimize the production of odor causing compounds in the force mains downstream of the lift stations. The University Lift Station is the District's largest station with an annual chemical cost of approximately \$33,000.

Director of Engineering and Planning Burton reported that in 2011 staff conducted a pilot test of the FORSe 5TM Pump Station Treatment System manufactured by ANUE Water Technologies, which injects a combination of ozone and oxygen into the force main to raise the dissolved oxygen level. He said that this pilot test was very successful.

Mr. Burton said that this project will construct a permanent odor and corrosion control system at the University Lift Station to replace the use of chemicals. The estimated total project cost is \$431,200. Based on the current usage rates and costs for BioMagic, the system will have a payback period of approximately 13 years. In addition to improved odor and corrosion control,

the system will also result in decreased nitrification costs at the Michelson Water Recycling Plant by eliminating the nitrogen loading associated with BioMagic injection. He said that Santa Margarita Water District (SMWD) is currently using the FORSe 5™ system at two lift stations and staff has visited these facilities and verified that they are satisfied with the performance of the FORSe 5™ system.

Mr. Burton said that staff proposes to retain SUN Engineering Services to design the project. SUN is a small engineering consultant that has performed electrical design work for the District in recent years. SUN attended recent business outreach events at the District and has demonstrated its full service design capabilities in follow-up meetings. Staff negotiated a scope of work and design fee of \$28,775 with SUN and believes this project will provide an opportunity for staff to evaluate their performance and develop a relationship with a new consultant that can provide design services for future small and mid-sized projects. The Professional Services Agreement with SUN for the design phase of the project is within the authorization limit of the General Manager.

Director Withers said that this item was reviewed by the Engineering and Operations Committee on January 17, 2013 and they concur with the staff recommendation. In response to Director Swan's inquiry and following discussion, staff was asked to investigate how to construct the project at a lower cost. On MOTION by Withers, seconded and unanimously carried, THE BOARD AUTHORIZED THE ADDITION OF PROJECT 21133 (4157) IN THE AMOUNT OF \$431,200 TO THE FY 2012-13 CAPITAL BUDGET AND APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$51,700 FOR THE UNIVERSITY LIFT STATION ODOR CONTROL SYSTEM, PROJECT 21133 (4157).

APPROVAL OF INDEX-BASED TENDER NOTE REMARKETING STATEMENTS

Director of Risk Management/Treasurer Jacobson reported that in April 2011, the District refunded its \$100.9 million 2008-B general obligation bond issue and reissued the debt as Index-Based Tender Notes (ITNs). The ITNs are remarketed periodically and are priced at a spread to the SIFMA tax-exempt variable rate index. Mr. Jacobson said that last interest rate reset for the 2011 A-1 and 2011 A-2 issues was in February 2012 at the SIFMA weekly index less one basis point, resulting in an all-in rate for 2012 of 0.39%. The next interest rate reset date will be February 12, 2013. Underwriters responsible for remarketing the bonds include Goldman Sachs (2011 A-1) and Morgan Stanley (2011 A-2). The 2011 A-1 issue represents 60% of the ITNs and the 2011 A-2 represents the remaining 40%.

Mr. Jacobson said that staff the Remarketing Statements have been prepared in consultation among staff, legal counsel and remarketing agents reflecting the District's most recent financial information, updated disclosure information and other pertinent updates.

Director Swan said that this item was reviewed and approved by the Finance and Personnel Committee on January 10, 2013. On MOTION by Swan, seconded and unanimously carried, THE BOARD ADOPT THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2013-7

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE IRVINE RANCH WATER DISTRICT
APPROVING REMARKETING STATEMENTS RELATING
TO UNSCHEDULED MANDATORY TENDERS
(REFUNDING SERIES 2011A-1 AND REFUNDING SERIES 2011A-2)

ITEMS TO LATE TO BE AGENDIZED

On MOTION by Swan, seconded and unanimously carried, IT WAS DETERMINED THAT THERE WAS A NEED TO TAKE IMMEDIATE RELATIVE TO THE ASSOCIATION OF CALIFORNIA WATER AGENCIES' (ACWA) STATE LEGISLATIVE COMMITTEE MEMBERSHIP, AND AN ITEM WAS ADDED TO THE ACTION CALENDAR (BELOW).

ACWA'S STATE LEGISLATIVE COMMITTEE MEMBERSHIP

For the 2013 Calendar year, Ms. Kirstin McLaughlin, Government Relations Manager, was a member of ACWA's State Legislative Committee. As Ms. McLaughlin is no longer employed by the District, the Board would like to have her replacement, Ms. Christine Compton, also be a member of this Committee. On MOTION by Swan, seconded and unanimously carried, THE BOARD RECOMMENDED MS. CHRISTINE COMPTON FOR A COMMITTEE APPOINTMENT TO THE ACWA'S STATE LEGISLATIVE COMMITTEE, AND DIRECTED STAFF TO SUBMIT A COMMITTEE CONSIDERATION FORM TO ACWA.

GENERAL MANAGER'S REPORT

General Manager Cook reported that Orange County LAFCO sent a letter to the District asking for comments to its proposed Sphere of Influence update. He said that staff responded with no comments, however, asked that LAFCO keep the District abreast of any changes they will be making. He said that a Public Hearing is scheduled for February 13, 2013 and staff will provide an update at this hearing to the Board.

Mr. Cook provided an update to the letter MWDOC is coordinating with Member Agencies to the Grand Jury.

Mr. Cook reported on the Press Release from MWDOC which had been placed before each Director relative to Poseidon's Draft Term Sheet for the Huntington Beach Seawater Desalination Project. He said that substantial comments were provided to MWDOC on this release, but unfortunately some of these comments were not included. He said that staff is working on an item to be placed on the IRWD website relative to desalination and its added costs associated with this project. In response to Director Swan's comments, Mr. Cook said that staff will prepare a Term Sheet in March for the Board to review relative to this project. In response to Director Matheis' comment relative to the quality of water, Mr. Cook said that the water quality is expected to match or be of a better quality than the water that IRWD receives from MWD.

Mr. Cook said that Ms. Blaska from Public Affairs attended Orange Park Acres' homeowner association annual general membership meeting last Saturday.

Mr. Cook further said that he recently met with Mr. Dunek of the City of Lake Forest as well as Mr. Terry Walker, Superintendent of the IUSD, relative to science programs.

DIRECTORS' COMMENTS

In response to Director Matheis' comment that she will be attending February's Urban Water Institute conference and encouraging other Board members to attend, Directors Reinhart, LaMar, and Withers said they will also be attending along with General Manager Cook, who is participating on a panel discussion. Ms. Matheis said that the Water Education Foundation will be using IRWD's facilities to hold a basic Water 101 class and would like to have City of Irvine staff attend to learn about water. She further said that ISDOC's quarterly luncheon meeting is scheduled for Thursday along with the OCBC's dinner, and that the Tustin Mayor's dinner is on Friday.

Director Withers reported on his attendance at Mr. Ronald Young's retirement dinner on January 12, 2013, LAFCO's southern California recent meeting, and that he will be attending both ISDOC's quarterly luncheon and OCBC's annual dinner on Thursday, and WACO on Friday.

Director Swan reported on his attendance at CASA's mid-year conference, ACWA's Finance Task Force meeting and ACWA's Board meeting in Sacramento. He also reported on his attendance at Mr. Young's retirement dinner.

Director LaMar reported that he, along with Mr. Heiertz, attended CEEB's Water Quality Task Force meeting, MWDOC's Water Policy Forum, and a Southern California Water Committee meeting.

Director Reinhart reported on his attendance at MWDOC's Water Policy Forum. He further said that this spring, he would like to have the Board and senior staff conduct a "360 review" discussing what the District is doing well and what can be done better. He said that he and General Manager Cook will be going through a selection process to find the best consultant to work through this process which will be submitted for Board approval in February.

ADJOURNMENT

There being no further discussion, President Reinhart adjourned the meeting at 6:15 p.m.

APPROVED and SIGNED this 11th day of February, 2013.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone