

MINUTES OF REGULAR MEETING – APRIL 24, 2017

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 April 24, 2017 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: LaMar.

Also Present: General Manager Cook, Executive Director of Finance Clary, Executive Director of Water Policy Weghorst, Executive Director of Operations Shields, Executive Director of Engineering and Water Quality Burton, Director of Water Resources Sanchez, Director of Public Affairs Beeman, Director of Treasury and Risk Management Jacobson, Director of Recycling Operations Zepeda, Director of Maintenance Drake, Assistant Director of Water Operations Roberts, Legal Counsel Arneson (via teleconference), Secretary Bonkowski, Principle Engineer Akiyoshi, Principle Engineer Cortez, Government Relations Officer Compton, Ms. Kellie Welch, Mr. Christopher Smithson, Ms. Kristine Swan, Ms. Connie Ho, Mr. Jim Reed, and Mr. Bruce Newell.

ORAL COMMUNICATIONS: None.

WRITTEN COMMUNICATIONS: None.

ITEMS TOO LATE TO BE AGENDIZED: None.

WORKSHOP

FISCAL YEAR 2017-18 OPERATING BUDGET AND PROPOSED RATES AND CHARGES

Executive Director of Finance and Administration Clary reported that this is the second workshop held on the proposed Operating Budget with the first workshop held on April 10, 2017. Ms. Clary said that rate increases are necessary to provide for cost of service equity. She said that the proposed budget is \$148.7 million, representing an increase of \$1.7 million, or 1.2%, when compared with the Operating Budget for FY 2016-17.

Using a PowerPoint presentation. Mr. Christopher Smithson provided an overview of the proposed operating budget and rate setting. Mr. Smithson reviewed the key driver comparison to the prior year's budget which includes salaries and benefits, purchased water, repairs and maintenance, electricity, and other expenses. He updated the Board on the effects of the proposed rate increases, and that based on the recommendation, a typical residential customer within the District's rate area will experience an increase of \$1.10 or 2/2% from \$55.10 to \$52.20 per month and the average residential customer in the Los Alisos rate area who will be transitioning onto the District's rate structure this fiscal year, will experience a decrease of \$7.52 or 12.6% from \$59.72 to \$52.20.

Mr. Smithson said that the proposed Proposition 218 notices for the Irvine and Los Alisos Rate Areas indicate that the rate impacts to the Irvine Ranch Rate Area is an increase of 2.2% for the average residential customer. He said that for the Los Alisos Rate Area, who will be transitioning onto the IRWD rate structure this fiscal year, will experience a decrease of 12.6% as a result of the use of a portion of the proceeds from the property sale to establish rate parity. He said that staff is recommending that the Board approve the proposed Proposition 218 notices subject to non-substantive changes, whereupon staff will proceed with the mailing of these notices to the District's customer and landowners.

On MOTION by Swan, seconded and unanimously carried, THE BOARD ADOPTED THE FOLLOWING RESOLUTION BY TITLE APPROVING THE OPERATING BUDGET FOR FISCAL YEAR 2017-18 (WITH RATES AND CHARGES FOR FISCAL YEAR 2017-18 TO BE ADOPTED ON JUNE 26, 2017); AND APPROVE THE PROPOSITION 218 NOTICES SUBJECT TO NON-SUBSTANTIVE MODIFICATIONS.

RESOLUTION NO. 2017 -10

RESOLUTION OF THE BOARD OF DIRECTORS
OF IRVINE RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA
APPROVING DISTRICT'S OPERATING BUDGET FOR
FISCAL YEAR 2017-18 AND DETERMINING COMPLIANCE WITH
ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION

CONSENT CALENDAR

On MOTION by Withers, seconded and unanimously carried, CONSENT CALENDAR ITEMS 4 THROUGH 9 WERE APPROVED AS FOLLOWS:

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, Peer Swan, Douglas Reinhart and John Withers, as described.

5. IRVINE RANCH WATER DISTRICT STRATEGIC MEASURES

Receive and file.

6. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the April 10, 2017 Special Board Meeting and the April 10, 2017 Regular Board Meeting be approved as presented.

CONSENT CALENDAR (CONTINUED)

7. DYER ROAD WELLFIELD WELL NO. 18 REHABILITATION – FINAL ACCEPTANCE

Recommendation: That the Board accept construction of Dyer Road Wellfield No. 18 Rehabilitation, Project 04401, authorize the General Manager to file a Notice of Completion, and authorize the release of retention 35 days after filing the Notice of Completion.

8. MARCH 2017 TREASURY REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report, the Monthly Interest Rate Swap Summary for March 2017, and Disclosure Report of Reimbursements to Board members and staff; approve the March 2017 Summary of Payroll ACH payments in the total amount of \$2,544,309 and approve the March 2017 Accounts Payable Disbursement Summary of Warrants 375075 through 376195, Workers' Compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$74,940,455.

9. 2017 LEGISLATIVE UPDATE

Recommendation: That the Board adopt a "Seek Amendments" position on SB 525 (Dodd) and authorize the District to move to an "Oppose Unless Amended" position on the bill should suitable amendments not be obtained, and adopt an "oppose" position on the budget Trailer Bill related "Water Conservation as a California Way of Life" and authorize the District to move to an "Oppose" position on other legislative proposals inconsistent with the approach outlined in AB 968 (Rubio, D-West Covina) and AB 1654 (Rubio).

ACTION CALENDAR

OUT-OF-AREA SERVICE AGREEMENT WITH ORANGE COUNTY SANITATION DISTRICT FOR PORTIONS OF LAKE FOREST

General Manager Cook reported that an Out-of-Area Service Agreement with Orange County Sanitation District (OCSD) is required to allow sewage from two areas of IRWD's service area within the City of Lake Forest to be conveyed to Revenue Area 14 (RA) within OCSD's jurisdictional boundary. Executive Director of Engineering and Water Quality Burton said that staff coordinated with OCSD to develop an agreement that addresses the out-of-area sewage flows and the associated operation, maintenance and capital costs in the same manner as other RA 14 flows per the RA 14 agreements. He said that the Agreement has a term of three years from the date of execution during which OCSD and IRWD will seek annexation of the two areas into OCSD. IRWD will serve as the applicant to the Local Agency Formation Commission for the annexation. The Agreement has been reviewed by both IRWD's and OCSD's legal counsel. SOCWA has no objection to the proposed Agreement.

Director Withers said that this item was reviewed and approved by the Engineering and Operations Committee on April 18, 2017. On MOTION by Withers, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE THE OUT-OF-AREA SERVICE AGREEMENT WITH ORANGE COUNTY SANITATION DISTRICT FOR THE CONVEYANCE OF SEWAGE IN TWO PORTIONS OF IRWD'S SERVICE AREA WITHIN THE CITY OF LAKE FOREST TO ORANGE COUNTY SANITATION DISTRICT'S JURISDICTIONAL BOUNDARY, SUBJECT TO NON-SUBSTANTIVE CHANGES.

IRVINE LAKE PIPELINE NORTH CONVERSION RESERVOIR CONTRACT CHANGE ORDER

The ILP North Conversion Reservoir project includes construction of a 2.4 million gallon buried concrete reservoir, modifications at the Rattlesnake complex, and modifications at the Orchard Hills Strainer Facility. Construction of the ILP North Conversion Reservoir project began October 2016.

Executive Director of Engineering and Water Quality Burton reported that staff and Pascal & Ludwig (P&L) completed negotiations for Contract Change Order No. 4 for modified work hours and additional soils handling and disposal activities at the Santiago Hills Reservoir site. The change order consists of two change requests. She said that the first request includes modified work hours. He said that per the Contract Documents, the contractor is allowed to start work at 7:00 a.m. He said that once the excavation activities began and the contractor began hauling soils from the reservoir site, traffic on Santiago Canyon Road was immediately impacted and became significantly congested. Staff coordinated with the City of Orange to modify the start time of the hauling activities from 7:00 a.m. to 8:30 a.m., which immediately improved the traffic conditions. With the later start time, the contractor's workday was reduced by 1.5 hours which decreased the contractor's daily production level and increased the overall duration of the hauling activities. The cost associated with this item is \$83,970, and P&L is requesting that 10 additional calendar days be added to the contract time to account for the reduced daily working hours and extended duration of the hauling activities.

Mr. Burton said that the second request includes additional soils handling and disposal. The design for the reservoir included an estimate that a total quantity of 56,000 cubic yards of excess soil material would need to be exported from the reservoir site and disposed. The contractor has nearly completed the exporting operation and has determined that a total of 76,000 cubic yards of excess soil requires exporting, which includes material associated with removing a portion of the berm along Santiago Canyon Road, removal of unsuitable structural backfill, and removal of non-structural backfill to provide adequate space to construct the reservoir.

As a result of the above items, the contractor removed an additional 20,000 cubic yards of material beyond what was originally identified in the Contract Documents. The cost associated with this work is \$267,044, and P&L is requesting that 10 additional calendar days be added to the contract time to account for the time needed to complete the additional work. Soils handling and disposal was identified as a unit price item in the bid form, and staff confirmed that the submitted cost is based on the unit price included in the original bid.

Director Withers reported that this item was reviewed and approved by the Engineering and Operations Committee on April 18, 2017.

On MOTION by Withers, seconded and unanimously carried, THE BOARD APPROVED CONTRACT CHANGE ORDER NO. 4 IN THE AMOUNT OF \$351,014 AND AN ADDITIONAL 20 CONTRACT DAYS WITH PASCAL & LUDWIG FOR THE ILP NORTH CONVERSION RESERVOIR, PROJECT 05407.

DYER ROAD WELLFIELD SURGE TANKS BUDGET INCREASE, CONSTRUCTION AWARD AND CONSULTANT SELECTION

Executive Director of Engineering and Water Quality Burton reported that the Dyer Road Wellfield (DRWF) Surge Tanks project will replace the existing surge tanks at Well 11 and Well 15 that are corroding and will install new surge tanks at Well 5 and Well 7 to provide protection against pressure surges in the Zone 1 system. Mr. Burton said that the surge tanks at Well 11 and Well 15 are mostly buried with one end located in a vault that includes a tank manway. Inspection of the surge tank walls in the vaults at Well 11 and Well 15 indicate that the walls of both surge tanks are thinning from corrosion and are near the end of their useful lives. The DRWF Surge Tanks project will replace the existing surge tanks at Well 11 and Well 15 and install new surge tanks at Well 5 and Well 7.

Tetra Tech was retained to provide design plans and project manual to replace the surge tanks at Wells 11 and 15 and to construct new surge tanks at Wells 5 and 7. To eliminate tank corrosion, the tanks are designed so they are not directly buried in the ground. At Well 11, the surge tank will be constructed in a recessed pit 12 feet below ground surface similar to the surge tank at Orange Park Acres Well 1. At Well 15, the surge tank will be constructed in an underground vault due to the lack space at the site. The surge tanks at Wells 5 and 7 will be constructed aboveground.

Mr. Burton said that the project was advertised for construction bidding on March 20, 2017 to a select bidders list of 17 mechanical contractors. The bid opening occurred on April 18, 2017, and four contractors submitted bids. The apparent low bidder is Pascal & Ludwig with a bid of \$3,693,000; the engineer's estimate was \$5,500,000. The low bid represents the true construction cost as the top three contractor bids were within a range of \$70,000 as shown in the bid summary in Exhibit "B". The engineer's estimate was high as the estimate included higher costs for the procurement and installation of the surge tank at all four sites and also included higher unit costs for the programmable logic control units at the four sites as compared to the low bid.

Mr. Burton said that staff solicited a proposal from Tetra Tech for construction phase engineering services and that its proposal is in the amount of \$126,000. He said that staff reviewed the proposal and found it in line with proposal amounts for other projects with similar scopes of work. Since Tetra Tech completed the design and is most familiar with the project, staff recommends awarding a Professional Services Agreement to Tetra Tech for construction phase services.

Director Withers reported that an item for construction phase services was reviewed and approved by the Engineering and Operations Committee on April 18, 2017. On MOTION by Matheis, seconded and unanimously carried, THE BOARD AUTHORIZED A BUDGET INCREASE IN THE AMOUNT OF \$2,412,900, FROM \$1,213,300 TO \$3,626,200, FOR

PROJECT 05473 AND A BUDGET INCREASE IN THE AMOUNT OF \$721,900, FROM \$528,600 TO \$1,250,500, FOR PROJECT 06165; AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT IN THE AMOUNT OF \$3,693,000 WITH PASCAL & LUDWIG; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH TETRA TECH FOR CONSTRUCTION PHASE SERVICES IN THE AMOUNT OF \$126,000 FOR THE DYER ROAD WELLFIELD SURGE TANKS, PROJECTS 05473 AND 06165.

AMENDMENT NO. 1 TO STOCKDALE INTEGRATED BANKING PROJECT OPERATING AGREEMENT

General Manager Cook reported that Rosedale-Rio Bravo Water Storage District and IRWD are jointly developing the Stockdale Integrated Water Banking Project in accordance with the Agreement for a Water Banking, Recovery and Exchange Program for the Stockdale West and Stockdale East Properties (Operating Agreement). Mr. Cook said that IRWD is currently constructing recovery facilities on the Stockdale West property including connections to the Cross Valley Canal (CVC). He said that in August 2016, the Board approved terms for and execution of an amendment to the Operating Agreement that would facilitate IRWD's purchase of one-third of the capacity in the Rosedale CVC Return Pipeline (Return Pipeline). He further said that IRWD's legal counsel prepared Amendment No. 1 to the Operating Agreement that memorializes the reimbursement terms established in the Memorandum of Understanding and provides for IRWD's acquisition of capacity rights in the Return Pipeline. Specifically, the amendment modifies the Operating Agreement to allow for: 1) IRWD capital cost participation in the amount of \$201,000 to purchase one-third of the capacity in the Rosedale CVC Return Pipeline, and 2) IRWD reimbursement to Rosedale for IRWD's share of costs associated with the construction of the CVC turn-out to the Stockdale West Ranch recharge facilities. The proposed Amendment No. 1 has been reviewed by Rosedale and its comments have been incorporated into the document.

Director Swan reported that this item was reviewed and approved by the Supply Reliability Programs Committee on April 20, 2017. On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE AMENDMENT NO. 1 TO THE AGREEMENT FOR A WATER BANKING, RECOVERY AND EXCHANGE PROGRAM FOR THE STOCKDALE WEST AND STOCKDALE EAST PROPERTIES, SUBJECT TO NON-SUBSTANTIVE CHANGES OR TO SUBSTANTIVE CHANGES AS APPROVED BY THE SUPPLY RELIABILITY PROGRAMS COMMITTEE.

GENERAL MANAGER'S REPORT

General Manager Cook introduced Ms. Connie Ho, the District's newly-hired Senior Public Affair Specialist, who previously worked on the Westways Magazine for the Automobile Club of America.

Mr. Cook said that he, along with Ms. Fiona Sanchez and Ms. Christine Compton, will be testifying tomorrow on two Assembly Bills 968 and 1654, both of which are being co-sponsored by IRWD and the Regional Water Authority in Sacramento, and noted that well over 50 agencies plus the key statewide water associations are supporting these bills.

DIRECTORS' COMMENTS

Director Matheis reported that she attended the Water Education Summit and the District's Business Outreach luncheon.

Director Withers reported that he will be attending an OCSD Board meeting on Wednesday.

Director Swan also reported that he attended the Water Education Summit, a WACO Planning meeting, OCWD meetings, and an OCWA lunch meeting.

Director Reinhart reported that he attended the District's Business Outreach luncheon, and a MWDOC Public Affairs Committee meeting.

CLOSED SESSION

President Reinhart said that the following Closed Session would be held this evening.

PUBLIC EMPLOYEE APPOINTMENT – Pursuant to Government Code Section 54957(b).
Title: Legal Counsel

OPEN SESSION

Following the Closed Session, the meeting was reconvened with four Directors present (LaMar absent). President Reinhart said that by unanimous support for Alfred Smith as IRWD General Counsel, Mary Lynn Coffee as Assistant IRWD General Counsel, the Board authorized the General Manager to execute a Professional Services Agreement with Nossaman LLP to provide general counsel services for the term of May 15, 2017 to May 15, 2018, and authorized the General Manager to execute a Professional Services Agreement with Bowie, Arneson, Wiles and Gianonne to provide special legal services for the term of May 15, 2017 to May 15, 2018.

ADJOURNMENT

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

APPROVED and SIGNED this 22nd day of May, 2017.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel – Nossaman LLP