

## MINUTES OF REGULAR MEETING – APRIL 23, 2018

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 23, 2018 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: Withers.

Also Present: General Manager Cook, Executive Director of Water Policy Weghorst, Executive Director of Finance and Administration Clary, Executive Director of Engineering and Water Quality Burton, Director of Water Resources Sanchez, Director of Treasury and Risk Management Jacobson, Director of Water Operations Zepeda, Director of Water Operations Roberts, Director of Human Resources Roney, Director of Maintenance Drake, Government Relations Officer Compton, Principal Engineer Lew, Legal Counsel Collins, Legal Counsel DeMayo, Secretary Bonkowski, Assistant Secretary Swan, Principal Engineer Akiyoshi, Manager of Risk and Contracts Shinbashi, Facilities and Fleet Manager Dayer, Public Affairs Manager Fabris, Customer Service Manager Cotton, Manager of Strategic Planning and Analysis Smithson, Natural Resources Manager Swift, Engineer Bennett, Engineer Robinson, Mr. Craig Irely, Mr. Robert Brown, Mr. Sergio De La Torre, Ms. Jennifer Davis, Mr. Carl Cassidy, Ms. Judith Marquez, Consultant Bruce Newell, Mr. Gary Heinbuch of AndersonPenna Partners, Mr. Matt Thomas of Black & Veatch, Mr. Ryan Matuska, and members of the public.

WRITTEN COMMUNICATIONS: None.

ORAL COMMUNICATIONS:

Ms. Judith Marquez of Innovare Environmental reported on her project to promote efficiencies for grease removal in the food service industries.

Mr. Carl Cassidy asked to speak relative to Item No. 3, the proposed Operating Budget and Rates and Charges for Fiscal Year 2018-19 (see page 2).

ITEMS TOO LATE TO BE AGENDIZED: None.

WORKSHOPS

PROPOSED OPERATING BUDGET AND RATES AND CHARGES FOR FISCAL YEAR 2018-19

Executive Director of Finance and Administration Clary reported that the proposed Fiscal Year (FY) 2018-19 Operating Budget for Irvine Ranch Water District is \$157.1 million. Ms. Clary said that this budget reflects an increase of \$8.5 million or 5.7%, as compared to the FY 2017-18 Operating Budget. She said that one substantial change to the previous draft of the proposed Operating Budget presented on April 9, 2018 is that the Orange County Water District increased the replenishment assessment to \$462 per acre-foot, not \$472 per AF as originally anticipated. She said that this change reduces IRWD's cost of water by \$0.5 million. She said that as

discussed with the Finance and Personnel Committee, this version of the Operating Budget applies the \$0.5 million to the payback to the Replacement Fund that resulted from borrowing associated with funding of the IRWD Pension Benefits Trust.

Using a PowerPoint presentation, Ms. Jennifer Davis reviewed: 1) the key drivers with the prior year's budget; 2) sources of revenues and expenses; 3) the proposed rates for a typical residential customer; 4) a comparison of proposed rates with other Orange County agencies; and 5) non-operating sources of revenue and uses of these funds. Mr. Christopher Smithson then reviewed the Proposition 218 Notices saying they are to be mailed on May 4, 2018 with a Public Hearing on June 25, 2018 for adoption of the rates and charges for Fiscal Year 2018-19.

Following Mr. Carl Cassidy's comments on non-operating income relative to real estate revenues and expenses, President Reinhart asked Executive Director of Finance and Administration Clary to schedule a meeting to discuss this item with him in more detail.

On MOTION by Swan, seconded by Matheis, THE BOARD ADOPTED THE FOLLOWING RESOLUTION BY TITLE APPROVING THE OPERATING BUDGET FOR FISCAL YEAR 2018-19 (WITH RATES AND CHARGES FOR FISCAL YEAR 2018-19 TO BE ADOPTED ON JUNE 25, 2018) AND APPROVED THE PROPOSITION 218 NOTICES SUBJECT TO NON-SUBSTANTIVE MODIFICATIONS.

RESOLUTION NO. 2018 – 10

RESOLUTION OF THE BOARD OF DIRECTORS  
OF IRVINE RANCH WATER DISTRICT,  
ORANGE COUNTY, CALIFORNIA  
APPROVING THE DISTRICT'S OPERATING BUDGET FOR  
FISCAL YEAR 2018-19 AND DETERMINING COMPLIANCE WITH  
ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION

FISCAL YEAR 2018-19 CAPITAL BUDGET

Using a PowerPoint presentation, Principle Engineer Akiyoshi provided an overview of the Capital Budget. Mr. Akiyoshi said that the estimated capital expenditures for Fiscal Year 2018-19 are \$94.8 million. Three project groups will consist of approximately 50% of projected expenditures including: 1) Replacement and Rehabilitation projects, 2) Michelson Water Recycling Plant Biosolids and Energy Recovery Facilities, and 3) Regional Development. He reviewed budget to actual expenditure for the previous fiscal year, reviewed the "under-expended" projects, development in FY 2017-18 as well as the projected development in FY 2018-19. Using a table, he reviewed the top 10 project groups including: 1) replacement and rehabilitation (\$18.4 million); 2) MWRP Biosolids and Energy Recovery Facilities (\$18.4 million); 3) regional development (Eastwood pump station) (\$11.0 million); 4) OCSD capital expenditures (\$9.7 million); 5) Zone I Reservoir No. 2 (\$6.12 million); 6) development – Great Park area (\$3.9 million); 7) Irvine Lake pipeline Zone C3+ conversion (\$3.7 million); 8) well rehabilitation (\$3.2 million); 9) general plant capital (\$2.7 million); and 10) nonpotable storage (\$2.1 million). He reviewed the three flagged projects which will require additional Board

review prior to capital expenditures. He further reviewed the long-term capital program and the increases in the project groups.

Director Matheis reported that this item was reviewed by the Engineering and Operations Committee on April 17, 2018 and thanked Mr. Akiyoshi for his efforts. On MOTION by Matheis, seconded by LaMar, THE BOARD ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2018 – 11

RESOLUTION OF THE BOARD OF DIRECTORS OF  
IRVINE RANCH WATER DISTRICT, ORANGE COUNTY  
CALIFORNIA, APPROVING THE DISTRICT'S CAPITAL  
BUDGET FOR FISCAL YEAR 2018-19

CONSENT CALENDAR

Director Swan asked that Items 9 and 10 be moved to the Action Calendar for discussion. There being no further comments, these two items were moved accordingly. On MOTION by Matheis, seconded by LaMar, CONSENT CALENDAR ITEMS 5 THROUGH 8 WERE APPROVED UNANIMOUSLY AS FOLLOWS:

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

Recommendation: That the Board ratify/approve the meetings and events for Mary Aileen Matheis, Doug Reinhart, Steve LaMar, Peer Swan and John Withers, as described.

6. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the April 9, 2018 Board meeting be approved as presented.

7. MARCH 2018 TREASURY REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report, the Monthly Interest Rate Swap Summary for March 2018, and Disclosure Report of Reimbursements to Board members and staff; approve the March 2018 Summary of Payroll ACH payments in the total amount of \$2,779,102 and approve the March 2018 Accounts Payable Disbursement Summary of Warrants 385062 through 386582, Workers' Compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$40,337,512.

8. REVIEW OF SAN DIEGO CREEK WATER RIGHTS

Recommendation: Receive and file.

## ACTION CALENDAR

### OPERATIONS CENTER AIR HANDLER DUCT REPLACEMENT CONSTRUCTION AWARD

In response to Director Swan's inquiry to obtain a better understanding of the project and why only one bid was received, Facilities and Fleet Manager Dayer provided an overview of this project noting that staff issued a Request for Proposal to a select list of four qualified contractors in March 2018 with all four contractors attending a job walk. He said that the bid opening was held with two contractors submitting bids; however, Ram Air Engineering submitted a bid that was not opened and deemed non-responsive as it did not submit the required bid bond by the submission deadline. The other two firms declined to bid citing their current workload and project timing. On MOTION by Matheis, seconded by LaMar and carried (3-1 vote) (Matheis, LaMar and Reinhart voting aye and Swan voting no), THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH LOS ANGELES AIR CONDITIONING, INC. IN THE AMOUNT OF \$255,756 FOR THE OPERATIONS CENTER AIR HANDLER DUCT REPLACEMENT PROJECTS.

### OPERATIONS CENTER COMPUTER ROOM HEATING, VENTILATION, AND AIR CONDITIONING REPLACEMENT CONSTRUCTION AWARD

In response to Director Swan's comment on the bid for this project which he believed was high, Facilities and Fleet Manager Dayer said that last year he had put this project out to bid with four responsive bidders; however, there were not sufficient funds budgeted for this project to move forward so he said he was not surprised with the current bid amount. As with the previous item, staff issued a Request for Proposal to a select list of four qualified contractors, all four contractors attended a job walk held, and two contractors submitted bids. Ram Air Engineering submitted a bid that was not opened and deemed non-responsive as it did not submit the required bid bond by the submission deadline. Emcor and Christian Bros declined to bid citing their current workload and project timing. On MOTION by LaMar, seconded by Matheis, and carried (3-1 vote) (Matheis, LaMar and Reinhart voting aye and Swan voting no), THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH LOS ANGELES AIR CONDITIONING, INC. IN THE AMOUNT OF \$215,694.00 FOR THE OPERATIONS CENTER COMPUTER ROOM HEATING, VENTILATION AND AIR CONDITIONING REPLACEMENT.

### CONSTRUCTION INSPECTION SERVICES AGREEMENT

General Manager Cook reported that the current construction inspection workload for capital, development and operational improvement projects continues to exceed a level that can be supported by the District's inspection staff. The District's construction inspection group consists of eight staff inspectors and five consultant inspectors who are currently responsible for the inspection, field coordination, documentation and record drawing preparation of over 520 projects spread across the District.

In response to Director Swan's inquiry, Executive Director of Engineering and Water Quality Burton provided a summary of AndersonPenna's fully-burdened rate for its experienced senior inspectors being \$140 per hour starting July 1, 2018 which includes office space and office

equipment, truck and fuel, cell phone and laptop computer. He further said that these fees are paid by the developers.

Director Matheis said that this item was reviewed by the Engineering and Operations Committee on April 17, 2018. On MOTION by Matheis, seconded by LaMar, and unanimously carried, **THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH ANDERSONPENNA IN THE AMOUNT OF \$1,873,053 FOR CONSTRUCTION INSPECTION SERVICES FOR THREE INSPECTORS FOR A TWO-YEAR PERIOD.**

MICHELSON WATER RECYCLING PLANT BIOSOLIDS AND ENERGY RECOVERY FACILITIES CONTRACT CHANGE ORDER NO. 78

Construction of the Biosolids Project was awarded to Filanc/Balfour Beatty in March 2013 in the amount of \$163,465,940 and will provide biosolids digestion, dewatering, energy production, and on-site sludge drying. Executive Director of Engineering and Water Quality Burton highlighted two of the larger items in Contract Change Order No. 78: (1) waste activated sludge, digested sludge, and primary sludge piping modifications in the amount of \$28,967.68. He said that these piping changes were added to allow operators to provide feed sludge to the sequencing batch reactors during periods of downtime between dewatering/drying operations. This item is for the cost of materials and the painting subcontractor; and (2) modifications to site hardscape in the amount of \$277,183.74. Mr. Burton said that in preparation for the upcoming hardscape and landscape contract for the biosolids site, staff performed a complete review of the proposed site improvements and how similar improvements from the MWRP Phase II project are working. He said that this review resulted in changes to both the landscape and hardscape due to aesthetic and operational needs. The hardscape modifications include additional concrete sidewalks and driveways throughout the Biosolids site. This item is for the labor, equipment, and materials to make the modifications.

Director Matheis said that this item was reviewed by the Engineering and Operations Committee on April 17, 2018, and on MOTION by Matheis, seconded by LaMar and unanimously carried, **THE BOARD APPROVED CONTRACT CHANGE ORDER NO. 78 IN THE AMOUNT OF \$344,006.55 WITH FILANC/BALFOUR BEATTY FOR SEVERAL SOFTWARE, STRUCTURAL, PIPING, AND HARDSCAPING ITEMS FOR THE MICHELSON WATER RECYCLING PLANT BIOSOLIDS AND ENERGY RECOVERY FACILITIES, PROJECT 04286.**

AB 2241 (RUBIO): THE OPEN AND TRANSPARENT WATER DATA ACT

Government Relations Officer Compton reported that AB 2241, authored by Assemblymember Blanca Rubio (D-West Covina), would amend the Open and Transparent Water Data Act. Ms. Compton said that the bill would require the Department of Water Resources, the State Board and Department of Fish and Wildlife to “work to improve the open and transparent access to data by reducing the fractured or duplicative reporting of the same or similar data to multiple governmental agencies or departments, and by reducing the reporting burden on entities providing data to governmental agencies”. Given IRWD’s past statements on the implementation of AB 1755, the Progress Report and the need to reduce duplicative reporting, staff recommends that the Board adopt a “support” position on this bill. On MOTION by

Matheis, seconded and unanimously carried, THE BOARD ADOPTED A “SUPPORT” POSITION ON AB 2241 (RUBIO, D-WEST COVINA).

#### AMENDMENTS TO ENERGY MANAGEMENT SERVICES AGREEMENTS

In August 2016, IRWD entered into two agreements related to the installation and operation of a portfolio of battery energy storage systems at IRWD sites. Through these agreements, Advanced Microgrid Systems (AMS) contracted 11 energy storage systems totaling 7 megawatts (MW), with a net cost savings to IRWD of \$381,000 per year. AMS is proposing to revise the agreements, consistent with the general terms and conditions related to project feasibility, allowing AMS to install nine energy storage systems (totaling 7.29 MW) with a net savings to IRWD of \$359,100. On MOTION by Matheis, seconded by Swan, and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE AN AMENDED AND RESTATED ENERGY MANAGEMENT SERVICES (DRES PORTFOLIO B) AGREEMENT WITH HYBRID-ELECTRIC BUILDING TECHNOLOGIES WEST LOS ANGELES 1, LLC, AND HYBRID-ELECTRIC BUILDING TECHNOLOGIES WEST LOS ANGELES 2, LLC, AND AN AMENDED AND RESTATED ENERGY MANAGEMENT SERVICES AMENDMENT WITH REDWOOD ENERGY STORAGE, LLC SUBJECT TO SUBSTANTIVE REVISIONS APPROVED BY THE ENGINEERING AND OPERATIONS COMMITTEE.

#### SOUTHERN CALIFORNIA EDISON DIRECT ACCESS ELECTRIC SERVICE PROGRAM

The Southern California Edison (SCE) Direct Access Electric Service Program was established to allow non-residential customers to purchase electricity from a competitive Electric Service Provider (ESP) instead of SCE. Participation in the Direct Access Program would result in significant cost savings to IRWD in its annual purchases of electricity. In June 2017, IRWD provided notice to SCE of IRWD’s desire to secure Direct Access service for select groups of electric service accounts. On April 17, 2018, SCE notified IRWD that it is offering IRWD the opportunity to participate in the Direct Access Program for up to 25 electric service accounts. On MOTION by Swan, seconded by Matheis, and unanimously carried, THE BOARD CONCURRED WITH STAFF TO ACCEPT THE OFFER BY SOUTHERN CALIFORNIA EDISON TO TRANSFER UP TO 25 ELECTRIC SERVICE ACCOUNTS TO DIRECT ACCESS SERVICE, AND TO NEGOTIATE AND EXECUTE AN AGREEMENT WITH AN ELECTRIC SERVICE PROVIDER TO PROVIDE ELECTRICITY FOR THE SELECTED ACCOUNTS.

#### GENERAL MANAGER’S REPORT

General Manager Cook reported on upcoming activities including a South Orange County Management Association meeting, a rate setting meeting that both Director Swan and Ms. Cheryl Clary will be attending, and that he will be on a panel at the ACWA conference in May discussing energy.

DIRECTORS COMMENTS

Director Matheis reported on her attendance at an ACC-OC panel discussion and a Southern California Water Coalition Quarterly meeting.

Director Swan reported on his attendance at a Water Education Foundation Lower Colorado River Tour, a WACO Planning Committee meeting, a Southern California Water Coalition Quarterly meeting, an OCWA monthly meeting and luncheon, and a MWDOC 2018 Water Policy Forum.

Director LaMar reported on his attendance at a National Water Resources Association conference in Washington, DC, an ACWA meeting in Sacramento to select a search firm to replace its Executive Director, a MWDOC 2018 Water Policy Forum, and a community resident tour.

Director Reinhart reported on his attendance at a MWDOC Administration and Finance Committee meeting, a MWDOC Board meeting, and a MWDOC Executive Committee meeting.

CLOSED SESSION

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

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION –  
Significant exposure to litigation pursuant to Government Code Section 54956.9(d)(2)  
(One potential case.).

OPEN SESSION

Following the Closed Session, the meeting was reconvened with Directors Withers, Swan, Matheis, and Reinhart present. President Reinhart said there was no action to report.

ADJOURNMENT

President Reinhart adjourned the meeting at 7:30 p.m.

APPROVED and SIGNED this 14th day of May, 2018.

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President, IRVINE RANCH WATER DISTRICT

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Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

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Claire Hervey Collins, Legal Counsel – Lewis Brisbois