

MINUTES OF REGULAR MEETING – JANUARY 13, 2020

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 January 13, 2020 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None.

Also Present: General Manager Cook, Executive Director of Technical Services Burton, Executive Director of Water Policy Weghorst, Executive Director of Finance and Administration Clary, Executive Director of Operations Chambers, General Counsel Collins, Public Affairs Director Beeman, Director of Maintenance Mykitta, Director of Water Quality and Regulatory Colston, Director of Water Resources Sanchez, Director of Treasury and Risk Management Jacobson, Director of Recycling Operations Zepeda, Director of Water Operations Roberts, Government Relations Officer/Deputy General Counsel Compton, Secretary Bonkowski, Assistant Secretary Swan, Mr. Bruce Newell, and members of staff and the public.

WRITTEN AND ORAL COMMUNICATIONS: None.

ITEMS TOO LATE TO BE AGENDIZED: None.

WORKSHOP

STUDY OF IRWD'S FUTURE POTENTIAL WATER EFFICIENCY

Ms. Amy McNulty reported that a study of IRWD's Future Potential Water Efficiency was conducted to improve IRWD's understanding of the current extent and impacts of water use efficiency programs and device saturation, as well as to evaluate opportunities for future water savings and potential efficacy of programs. She reported on the purpose of the study, the study period and data sources, how the 26 villages within the District's service area were grouped, past program evaluation program analysis, and water savings methodology.

She summarized the key findings which include: 1) past water use efficiency programs have effectively targeted customers with the most potential for savings; 2) program participation rates are not consistent throughout the District and potential opportunities exist for more targeted outreach; 3) commercial, industrial and institutional (CII) customers remain a potentially untapped opportunity; 4) limited, cost-effective potential remains to further reduce indoor water use; 5) turf removal opportunities provide the most potential for additional outdoor potable water savings; 6) targeted marketing and education are more important than rebate amounts; 7) single-family residential (SFR) homes built after 2010 are the most efficient with indoor and outdoor water use. SFR homes built prior to 1993 have become increasingly more efficient than homes built from 1994 to 2009 because of targeted water use efficiency programs and natural replacement of indoor fixtures; 8) customer water use within IRWD's service area has not fully rebounded to pre-drought levels because of permanent savings measures such as fixture and turf replacements. During future water shortages, the same levels of water savings may not be feasible due to this demand hardening; and 9) potential

District-wide potable water savings in a future shortage are estimated at approximately 5,000 acre-feet.

Ms. McNulty said that based on the findings from the study, potential new programs, program modifications and other recommendations include the following: 1) recognize that the future focus of IRWD's water use efficiency efforts will increasingly shift from device-based programs to programs that sustain the success of the District's budget-based rate structure and continue to educate and motivate customers to use water efficiently; 2) prioritize outreach for the Residential Turf Removal Program by turf area size; 3) target the Residential Turf Removal Program to customers who reduced outdoor use during the most recent drought; 4) continue to target the Non-Residential Turf Removal Program to customers not served by recycled water; 5) develop a pilot Pressure Reducing Valve Program targeted to non-residential customers in high pressure zones; and 6) review and update IRWD's Water Shortage Contingency Plan as necessary to reflect the study findings related to customer demand hardening and the potential potable water savings that could be achieved in a future shortage. Following discussion, Director Withers said that this item was reviewed by the Water Resources Policy and Communications Committee and said he was impressed by the study. On MOTION by Withers, seconded by Swan, and unanimously carried, THE STUDY UPDATE WAS RECEIVED AND FILED.

CONSENT CALENDAR

Director Swan asked that relative to item No. 8, MEMORANDUM OF OFFICERS OF THE BOARD COMMITTEE APPOINTMENTS AND OTHER ASSIGNMENTS, he proposed that Public Policy Institute of California be added with him being the lead representative, and Director Steve LaMar as alternate. Additionally, he asked that a seminar of the PPIC be included for January 16, 2020 under item No. 4, RATIFY / APPROVE BOARD OF DIRECTORS' ATTENDANCE AT MEETINGS AND EVENTS. On MOTION by Swan, seconded by LaMar, ITEMS 4 THROUGH 10 WERE APPROVED AS AMENDED.

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

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

5. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the December 16, 2019 Regular Board meeting be approved as presented.

6. PELICAN HILL SEWER REHABILITATION CONSTRUCTION AWARD

Recommendation: That the Board authorize the General Manager to execute a construction contract with Sancon Technologies, Inc. in the amount of \$270,884.80 for the Pelican Hill Sewer Rehabilitation, Project 11121.

CONSENT CALENDAR (CONTINUED)

7. REHABILITATION OF DYER ROAD WELLFIELD WELLS 2 AND 17 AND LIMITED REDEVELOPMENT OF WELL 52 FINAL ACCEPTANCE

Recommendation: That the Board accept the Rehabilitation of Dyer Road Wellfield Wells 2 and 17 and limited redevelopment of Well 52, Projects 07090 and 10097, authorize the General Manager to file a Notice of Completion, and authorize the release of retention 35 days after filing of the Notice of Completion.

8. MEMORANDUM ON OFFICERS OF THE BOARD, COMMITTEE APPOINTMENTS AND OTHER ASSIGNMENTS

Recommendation: That the Board receive and file the memorandum dated January 13, 2020, titled Officers of the Board, Committee Appointments and Other Assignments and approve attendance for meetings and events for the Board's representation for calendar year 2020 as delineated.

9. 2020 GENERAL COUNSEL CONTRACT

Recommendation: That the Board authorize the General Manager to execute a Professional Services Agreement with Hanson Bridgett LLP for general counsel legal services focused on municipal law, transactional and non-complex issues, and rate setting with a term from January 1, 2020, to December 31, 2020, and a not-to-exceed value of \$1,000,000.

10. VARIANCE TO IRWD'S LETTER OF ENGAGEMENT WITH ALSTON & BIRD

Recommendation: That the Board authorize the General Manager to execute a variance to IRWD's letter of engagement with Alston & Bird for legal services related to complex issues and litigation increasing the not-to-exceed value of the contract by \$3,600,000.

ACTION CALENDAR

2020 LEGISLATIVE AND REGULATORY UPDATE

Using a PowerPoint presentation, Government Relations Officer/Deputy General Counsel Compton reported that in April 2019, Governor Newsom issued Executive Order No. 10-19 calling for the development of a water resilience portfolio. Ms. Compton said that the portfolio outlines the Administration's water priorities with its draft portfolio released on January 3, 2020. She reviewed its recommendations and proposed initial action including: 1) enhancing weather forecasting and optimizing storage through integration; focusing on climate change-driven disasters and their environmental impacts; 3) improving water transfers and exchanges to capture more water in wet years; 4) evaluating and building California's water system resilience; 5) incentivizing the investment in and development of emergency water supplies; and 6) expanding water recycling. She compared IRWD's recommendations with the portfolio's actions, and said that staff will prepare comments on the portfolio and submit them by the comment deadline. She further said that staff would continue to advocate for the policy principles and initial actions included in IRWD's Water Resilience Policy Paper.

POLICY REVISIONS AND ADDITIONS RELATED TO DISTRICT APPROVALS, AUTHORIZATION AND PROCEDURES

General Manager Cook reported that in September 2014, the Board approved revisions to IRWD's policies related to delegations of authority for purchasing and procurement, acquisitions of real property interests, dispositions of real and personal property and settlement of administrative claims. He said that Resolution 2014-42 requires that the policies be reviewed and updated at least every five years.

Using a PowerPoint presentation, Executive Director of Finance and Administration Clary reported that staff recommends revisions and additions intended to comply with changes in the law and improve operational efficiencies while still maintaining appropriate internal controls and governance by the Board.

Ms. Clary reviewed policies requiring changes for handling claims and lawsuits, legal counsel waivers and related agreements. She reviewed the current policy versus the proposed policy which adds settlement of lawsuits (in addition to claims), authorizes the General Manager to sign conflict waivers, joint defense and common interest agreements, and to approve up to \$50,000 for settling claims and lawsuits. Director Swan recommended said he would approve non-significant / routine lawsuits; however, he requested language to carve out significant lawsuits for Board approval, and made a motion for this carve-out. This motion did not pass due to a lack of a second.

Ms. Clary said that for the District's real property, the Policy authorizes the General Manager to negotiate proposed lease terms with prospective commercial property tenants. Consistent with the District's operating properties, the Policy provides for the General Manager to approve licenses, permits temporary rights of way and joint use lease agreements less than \$250,000, while lease agreements with gross annual revenue in excess of \$250,000 require Board approval. Additionally, the Policy adds language to be compliant with new legislation SB 1486 for surplus land related to disposal of real property; adds water rights and water associated with IRWD water banks for acquisition and disposition to require Board approval; adds clarifying language and reorganizes policy, and separates disposition of personal property into a separate policy. Director Swan asked that language be added under the Leases, Section 3.2, (i) and (ii), that prior to execution of a lease agreement, a consultation be held with a member of the Finance and Personnel Committee. On MOTION by Swan, seconded by LaMar, and unanimously carried, UNDER SECTION 3.2 LEASES (i) and (ii), LANGUAGE WAS ADDED THAT THE GENERAL MANAGER MAY APPROVE SUCH A LEASE AGREEMENT UPON APPROVAL OF TERMS FROM A MEMBER OF THE FINANCE AND PERSONNEL COMMITTEE AND APPROVAL AS TO FORM BY LEGAL COUNSEL.

Ms. Clary said that for personal property disposal, the proposed policy separates personal property from real property; there will be no change to Board approval level which requires approval over \$100,000.

Ms. Clary reviewed improvements to procurement efficiencies while maintaining appropriate level of Board oversight and alignment with industry procurement standards relative to authorization of expenditures, competitive bidding, procurement of professional services, and approval of change orders and variances. Following a review of the proposed expenditure

authorization limited, Director Swan made a motion, which was seconded by LaMar, to reduce the proposed limits for the General Manager from \$250,000 to \$200,000, and to leave the Executive Director and Department Director at their current levels as indicated on the chart. Prior to voting, Director Reinhart requested increasing the categories to a more effective level for the executive and department directors. Director Matheis said that this item was reviewed by the Finance and Personnel Committee on December 10, 2019, and they were in concurrence with the proposed levels. Director Reinhart made a substitute motion to Director Swan's previous motion for the General Manager's procurement authority to be up to \$200,000, Executive Director level to up to \$125,000, and the Department Director level to be up to \$75,000. Director Withers seconded the motion. Director Swan then made a motion, which was seconded by Withers to change "Manager" to "General Manager" throughout all of the proposed policies. Director Swan said relative to Exhibit D, policy for approval authorization of change orders and variances to existing contracts, he would like a monetary cap on very large contracts that would need to be submitted to the Board for review and approval or could be subject to a case by case basis. Director Swan made a motion to include language for larger projects, stating that the Board of Directors may at the time of award of a contract set a maximum value for change orders approved by the General Manager. It was the consensus of the Board to include this language into the policy. There being no further comments, on MOTION by Reinhart, seconded by LaMar, and carried (Reinhart, LaMar, Withers, and Matheis voting aye, and Swan voting no (4-1 vote), THE BOARD APPROVED THE OVERALL REVISIONS TO THE SEVEN POLICIES RELATED TO DISTRICT APPROVALS, AUTHORIZATIONS AND PROCEDURES AS AMENDED, AND ADOPTED THE FOLLOWING RESOLUTIONS BY TITLE:

RESOLUTION NO. 2020 -1

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT
ADOPTING A REAL PROPERTY POLICY
AND RESCINDING RESOLUTION NO. 2014-40

RESOLUTION NO. 2020 -2

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT
APPROVING A POLICY FOR HANDLING CLAIMS AND LAWSUITS,
CONFLICT WAIVERS AND RELATED AGREEMENTS,
AND RESCINDING RESOLUTION NO. 2014-41

RESOLUTION NO. 2020 -3

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT
RESCINDING RESOLUTION NO. 2014-42, AND
ESTABLISHING REVISED POLICIES WITH RESPECT TO
PURCHASING AND AUTHORIZATION OF EXPENDITURES,
COMPETITIVE BIDDING AND AWARD OF CONTRACTS,
PROCUREMENT OF PROFESSIONAL SERVICES, AND
APPROVAL AND AUTHORIZATION OF CHANGE ORDERS

RESOLUTION NO. 2020 –4

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT
ADOPTING A PERSONAL PROPERTY DISPOSAL POLICY
AND RESCINDING RESOLUTION NO. 2014-43

OTHER BUSINESS

GENERAL MANAGER’S REPORT

General Manager Cook reported that MWD has scheduled a shutdown for one week, and that South County agencies are getting nervous; however, the north county agencies will be fine. He said that today an executed term letter was received from East Orange County Water District where IRWD will assist this agency if necessary.

Mr. Cook said that he placed before each Director a letter from the Santa Ana Regional Water Quality Control Board to Poseidon Water relative to the proposed desalination plant in Huntington Beach.

DIRECTORS’ COMMENTS

Director LaMar reported on his attendance at a National Water Resources Association conference in Arizona, a WACO meeting, and a City of Lake Forest dedication ceremony and open house.

Director Withers reported that today he hosted a CORO meeting and that a “Women in Leadership” event is scheduled, and suggested that the District be a sponsor of this program. He further said that he attended a City of Lake Forest dedication event.

Director Swan said that he attended the fall ACWA conference in San Diego for four days, MWDOC Committee and Board meetings, a WACO meeting, a meeting at West Basin, Newport Chamber of Commerce meetings, and the City of Lake Forest dedication event. He said he would be attending a PPIC event this Thursday.

Director Reinhart said that he attended a MWDOC Board meeting, a SOCWA Board meeting, a Waco meeting, and a City of Lake Forest dedication event.

Director Matheis reported on her attendance at a City of Irvine Chamber of Commerce economic outlook meeting, and a City of Lake Forest dedication event. She further noted the passing of Mrs. Joan Irvine Smith on December 19, 2019 who faithfully attended IRWD Board meetings for over 20 years.

COMMUNITY UPDATES

As consultant Bruce Newell had to leave the Board meeting early, General Manager Cook provided his report noting that various issues, including a lighting issue at a District site, was recently discussed at a very positive Inter-Canyon meeting that Mr. Newell attended.

CLOSED SESSION

Legal Counsel Collins said that a Closed Session would be held this evening as follows:

CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION -
Significant exposure to litigation pursuant to Government Code Section 54956.9(d)(2).
(Two (2) potential cases; claims on file with the District.)

OPEN SESSION

Following the Closed Session, the meeting was reconvened with Directors LaMar, Matheis, Withers, Swan, and Reinhart present. Legal Counsel Collins said that there was no action to be reported.

ADJOURNMENT

President Matheis adjourned the meeting to Friday, January 17, 2020, at 8:00 a.m., in the District Office, Multi-purpose Room, first floor, 15600 Sand Canyon Avenue, Irvine to hold a Strategic Planning Workshop.

ADJOURNMENT:

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

APPROVED and SIGNED this 27th day of January, 2020.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Claire Hervey Collins, General Counsel
Hanson Bridgett LLP