

MINUTES OF REGULAR MEETING
BOARD OF DIRECTORS, ORANGE COUNTY WATER DISTRICT
July 18, 2018, 5:30 p.m.

President Bilodeau called to order the July 18, 2018 regular meeting of the Orange County Water District Board of Directors at 5:30 p.m. in the Boardroom at the District office. Following the Pledge of Allegiance to the Flag, the District Secretary called the roll and reported a quorum as follows.

Directors

Philip Anthony (absent)
Denis Bilodeau
Shawn Dewane
Cathy Green
Dina Nguyen
Vicente Sarmiento
Stephen Sheldon
James Vanderbilt (arrived 8:00 p.m.)
Bruce Whitaker
Roger Yoh

Staff

Michael Markus, General Manager
Joel Kuperberg, General Counsel
Janice Durant, District Secretary

VISITOR PARTICIPATION

Mesa Water District President and Urban Water Institute Board Member Jim Atkinson thanked the Board for participating in the North/South Tour last month and urged the Board to consider membership in the Urban Water Institute and participate in the Urban Water Institute Annual Water Conference on August 22-24, 2018.

Bobbie Ashurst noted that there is still snow in the Sierra Nevada mountains which might be indicative of a wet winter.

Costa Mesa resident Bill McCardy questioned why President Bilodeau shuffled the speaker's cards tonight. Director Bilodeau responded that it is customary in a public hearing to have the elected officials speak first given that they represent a greeter constituency.

Surf City Voice John Earl also objected to President Bilodeau shuffling the speaker's cards and asked who was responsible for placing Consent Calendar Item No. 22, *Joel Kotkin Study Regarding Demographics and California Middle Class*. He stated that Mr. Kotkin does urban studies and is a writer on the Editorial Board for the OC Register and noted that it might be unethical for a journalist to take money.

CONSENT CALENDAR

Director Green requested the removal of Item No. 7, *Annual Rent Adjustments*, from tonight's Agenda. The Balance of the Consent Calendar was approved upon motion by Director Dewane, seconded by Director Green and carried [8-0] as follows:

Ayes: Bilodeau, Dewane, Green, Nguyen, Sarmiento, Sheldon, Whitaker, Yoh
Absent: Anthony, Vanderbilt

1. Approval of Cash Disbursements

MOTION NO. 18-80
APPROVING CASH DISBURSEMENTS

Payment of bills for the period June 14, 2018 through July 11, 2018 in the total amount of \$23,423,474.29 is ratified and approved.

2. Approval of Minutes of Board Meeting

MOTION NO. 18-81
APPROVING MINUTES OF BOARD MEETING

The minutes of the Board of Directors meeting held June 6, 2018 are approved as presented.

ITEMS RECOMMENDED FOR APPROVAL AT PROPERTY MANAGEMENT
COMMITTEE MEETING HELD JUNE 22, 2018

3. Amendment Two to License Agreement with T.E. Roberts for Storing of Construction
Equipment Located at Huckleberry Pond, Anaheim

RESOLUTION NO. 18-7-74
APPROVING AMENDMENT TWO TO LICENSE AGREEMENT WITH T.E. ROBERTS
FOR STORING OF CONSTRUCTION EQUIPMENT LOCATED AT
HUCKLEBERRY POND, ANAHEIM

WHEREAS, pursuant to Resolution No. 18-1-2 adopted January 3, 2018, OCWD issued a License Agreement to T.E. Roberts, Inc. to allow equipment storage at the District's Huckleberry Pond property in Anaheim utilizing the District's maintenance roads, through July 31, 2018; and

WHEREAS, the Property Management Committee has recommended execution of Amendment Two to such License Agreement extending the expiration date to December 31, 2018 for a fee of \$1,148, with all other Agreement terms to remain the same;

NOW, THEREFORE, the Board of Directors of the Orange County Water District does hereby approve Amendment Two to such License Agreement with T.E. Roberts, Inc. as described herein; and, upon approval as to form by District General Counsel, its execution by the District officers is authorized.

4. Amendment to Duck Hunting Lease with Elaine Raahauge D.B.A. Mike Raahauge's Shooting Enterprises

RESOLUTION NO. 18-7-75
APPROVING AMENDMENT TO DUCK HUNTING LEASE WITH ELAINE RAAHAUGE
D.B.A. MIKE RAAHAUGE'S SHOOTING ENTERPRISES

WHEREAS, pursuant to Resolution No. 05-11-125 adopted November 2, 2005, as amended annually, OCWD issued a Lease to Elaine Raahauge d.b.a. Mike Raahauge's Shooting Enterprises; to extend the lease for a duck hunting concession on District property at Prado Basin for the 2017/18 duck hunting season with a new expiration date of June 30, 2018; and

WHEREAS, the Property Management Committee has recommended issuance of Amendment No. 16 to such lease extending the lease for the 2018/19 duck hunting season through June 30, 2019;

NOW, THEREFORE, the Board of Directors of the Orange County Water District does hereby approve the aforementioned Amendment No. 16 to such Lease as described herein; and, upon approval as to form by District General Counsel, its execution by the District's officers is authorized.

5. Amendment to Duck Hunting Lease with Prado Basin Duck Club

RESOLUTION NO. 18-7-76
AUTHORIZING AMENDMENT TO LEASE WITH PRADO BASIN DUCK CLUB
FOR DUCK HUNTING AT PRADO BASIN

WHEREAS, pursuant to Resolution No. 03-5-71 adopted May 21, 2003, as amended annually, OCWD authorized issuance of a Lease to the Prado Basin Duck Club for duck hunting activities in the OCWD lower Prado Basin ponds through June 30, 2018; and

WHEREAS, the Property Management Committee of this Board has recommended issuance of Amendment No. 13 to such Lease extending the lease for the 2018/19 duck hunting season through June 30, 2019;

NOW, THEREFORE, the Board of Directors of the Orange County Water District does hereby approve the aforementioned Lease Amendment No. 13 with Prado Basin Duck Club as described herein; and, upon approval as to form by District General Counsel, its execution by the District's officers is authorized.

6. Execution of Easement Deed for OCWD Monitoring Well MCAS-2

RESOLUTION NO. 18-7-77
APPROVING ACCEPTANCE OF EASEMENT DEED FROM CAPITAL RESEARCH
COMPANY FOR OCWD MONITORING WELL MCAS-2

WHEREAS, pursuant to Resolution No. 88-12-197C adopted December 14, 1988, OCWD accepted a 25-year Easement Deed from The Irvine Company required for Monitoring Well MCAS-2; and

WHEREAS, the Property Management Committee of this Board has recommended acceptance of a new Easement Deed from Capital Research Company for OCWD Monitoring Well MCAS-2, (Assessor Parcel No. 466-012-03) for a 25-year period through October 21, 2038;

NOW, THEREFORE, the Board of Directors of the Orange County Water District does hereby approve the aforementioned Easement Deed with Capital Research Company as described herein; and, upon approval as to form by District General Counsel, its execution and recordation by the District's officers is authorized.

7. Annual Rent Adjustments

This item was removed from the Consent Calendar and considered later in tonight's meeting.

8. CalTrans Property at Burriss Basin and Gentry Golf, Inc. d.b.a. the Islands Golf Center

RESOLUTION NO. 18-7-78
APPROVING AIRSPACE RENTAL AGREEMENT WITH CALTRANS FOR PROPERTY AT
BURRIS BASIN AND GENTRY GOLF, INC. D.B.A.
THE ISLANDS GOLF CENTER LEASEHOLD

WHEREAS, pursuant to Resolution No. 18-2-9 adopted February 7, 2018, OCWD authorized a temporary month-to-month lease agreement with Caltrans for use of a portion (approximately 1.3 acres) of the land owned by Caltrans and leased by OCWD to Gentry Golf, Inc., d.b.a. The Islands Golf Center, at the southerly portion of Burriss Basin, located at 14893 Ball Road, Anaheim; and

WHEREAS, the Property Management Committee of this Board has recommended approval of an Airspace Rental Agreement with Caltrans for the continued use of the 1.3 acres on a month-to-month basis at a rent of \$736 per month;

NOW, THEREFORE, the Board of Directors of the Orange County Water District does hereby approve the aforementioned Airspace Rental Agreement as described herein; and, upon approval as to form by District General Counsel, its execution by the General Manager is authorized.

ITEMS RECOMMENDED FOR APPROVAL AT WATER ISSUES COMMITTEE MEETING
HELD JULY 11, 2018

- 9. Contract No. GBM-2018-1, Destruction of Monitoring Well WBS-3R and Construction of Replacement Monitoring Well OCWD-HG2: Award Contract to BEKS Acquisition Inc. dba BC2 Environmental
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RESOLUTION NO. 18-7-79

AWARDING CONTRACT NO. GBM-2018-1, DESTRUCTION OF MONITORING WELL WBS-3R AND CONSTRUCTION OF REPLACEMENT MONITORING WELL OCWD-HG2: TO BEKS ACQUISITION INC. DBA BC2 ENVIRONMENTAL

WHEREAS, a Notice Inviting Bids for Contract No. GBM-2018-1, Destruction of Monitoring Well WBS-3R and Construction of Replacement Monitoring Well OCWD-HG2, was published in *The Orange County Register* on June 4, 2018; and

WHEREAS, the following bids were received and opened on June 26, 2018:

BEKS Acquisition Inc. dba BC2 Environmental	\$25,216
Cascade Drilling L.P.	\$31,635

WHEREAS, the Water Issues Committee has recommended award of said contract to the lowest responsive bidder, BEKS Acquisition Inc. dba BC2 Environmental in the amount of \$25,216;

NOW, THEREFORE, the Board of Directors of the Orange County Water District does hereby resolve as follows:

Section 1: The Affidavit of Publication of Notice Inviting Bids for Contract No. GBM-2018-1, Destruction of Monitoring Well WBS-3R and Construction of Replacement Monitoring Well OCWD-HG2, is hereby received and filed.

Section 2: The lowest responsive bid of BEKS Acquisition Inc. dba BC2 Environmental in the amount of \$25,216; is accepted and all other bids are rejected.

Section 3: The District officers are authorized to execute an agreement on behalf of the District, in a form heretofore approved by this Board, with BEKS Acquisition Inc. dba BC2 Environmental pursuant to the terms of its proposal.

Section 4: The District General Counsel is authorized to approve the Performance and Labor and Materials Bonds submitted by said contractor on behalf of the District, provided the bonds comply with the requirements of the bid proposal.

Section 5: Staff is directed to notify the unsuccessful bidders of the action taken herein and, upon execution of the agreement by the successful bidder, to return to the unsuccessful bidders their Bid Bonds.

10. Purchase Order to Eberhard Equipment for Disc Harrow at Prado Wetlands

RESOLUTION NO. 18-7-80
AUTHORIZING PURCHASE ORDER TO EBERHARD EQUIPMENT FOR
DISC HARROW TO CUT VEGETATION AT THE PRADO WETLANDS

RESOLVED, that issuance of a Purchase Order to Eberhard Equipment is authorized in the amount of \$56,063 for a disc harrow to cut vegetation at the Prado Wetlands.

11. Contract No. SAR-2018-1, Upper and Lower Five Coves Rehabilitation Project:
Amendment to Stantec Consulting Services Agreement for Construction Support Services

RESOLUTION NO. 18-7-81
AUTHORIZING AMENDMENT TO AGREEMENT WITH STANTEC CONSULTING
SERVICES FOR CONSTRUCTION SUPPORT SERVICES FOR CONTRACT NO. SAR-
2018-1, UPPER AND LOWER FIVE COVES REHABILITATION PROJECT:

WHEREAS, pursuant to Resolution No. 09-9-148 adopted September 16, 2009, as amended, OCWD authorized Agreement No. 0595 with Stantec Consulting, Inc. for engineering services for the design of the Five Coves and Lincoln Basin Bypass Pipeline Project; and

WHEREAS, the Water Issues Committee of this Board has recommended issuance of Amendment No. 4 to such Agreement with Stantec for an amount not to exceed \$28,456 for additional construction support services for the Upper and Lower Five Coves Rehabilitation Project, Contract No. SAR-2018-1;

NOW, THEREFORE, the Board of Directors of the Orange County Water District does hereby approve the aforementioned Amendment to Stantec as described herein; and, upon approval as to form by District General Counsel, its execution by the District officers is authorized.

12. South Basin Remedial Investigation Monitoring Well Installations: Contract GBM-2017-3
Notice of Completion

RESOLUTION NO. 18-7-82
ACCEPTING COMPLETION OF CONTRACT NO. GBM-2017-3, SOUTH BASIN
REMEDIAL INVESTIGATION MONITORING WELL INSTALLATIONS

WHEREAS, the District staff has submitted its report that Yellow Jacket Drilling has completed work under Contract No. GBM-2017-3, South Basin Remedial Investigation Monitoring Well Installations; and

WHEREAS, the District staff has advised of issuance of Change Orders No.1 through 4 to such Contract decreasing the contract amount by \$20,663; and

WHEREAS, staff has recommended that the District accept completion of said work and that a Notice of Completion be filed for recordation and the balance of payment be made, pursuant to the terms and conditions of such contract;

NOW, THEREFORE, the Board of Directors of the Orange County Water District does hereby resolve as follows:

Section 1: Issuance of Change Orders No. 1 - 4 to Yellow Jacket Drilling is hereby ratified.

Section 2: Work under such Contract is accepted as complete, and the District staff is authorized and directed to execute a Notice of Completion and record said Notice in the Office of the County Recorder.

Section 3: Upon expiration of the interim lien period, providing no liens have been filed, payment of the balance due under such contract shall be made.

- 13. Contract No. SC-2017-1, Santiago Pipeline 66-Inch Butterfly Valve Replacement Project (Kaveh Engineering & Construction): Notice of Completion

RESOLUTION NO. 18-7-83
 ACCEPTING COMPLETION OF CONTRACT NO. SC-2017-1, SANTIAGO PIPELINE 66-
 INCH BUTTERFLY VALVE REPLACEMENT PROJECT
 (KAVEH ENGINEERING & CONSTRUCTION)

WHEREAS, the District staff has submitted its report that Kaveh Engineering & Construction, Inc. has completed work under Contract No. SC-2017-1, Santiago Pipeline 66-Inch Butterfly Valve Replacement Project; and

WHEREAS, the District staff has advised of issuance of Change Order No. 4 to such Contract increasing the contract amount by \$2,878; and

WHEREAS, staff has recommended that the District accept completion of said work and that a Notice of Completion be filed for recordation and the balance of payment be made, pursuant to the terms and conditions of such contract;

NOW, THEREFORE, the Board of Directors of the Orange County Water District does hereby resolve as follows:

Section 1: Issuance of Change Order No. 4 to Kaveh Engineering & Construction, Inc. is hereby ratified.

Section 2: Work under such Contract is accepted as complete, and the District staff is authorized and directed to execute a Notice of Completion and record said Notice in the Office of the County Recorder.

Section 3: Upon expiration of the interim lien period, providing no liens have been filed, payment of the balance due under such contract shall be made.

- 14. Contract No. TAL-2018-1, Talbert Barrier Well Redevelopment Project: Fund Phase II Scope of Work for Contract with Layne Christensen Company

RESOLUTION NO. 18-7-84
 APPROVING PHASE II SCOPE OF WORK FOR CONTRACT NO. TAL-2018-1, TALBERT BARRIER WELL REDEVELOPMENT PROJECT (LAYNE CHRISTENSEN COMPANY)

WHEREAS, pursuant to Resolution No.18-4-49 adopted April 18, 2018, OCWD awarded Contract No. TAL-2018-1, Talbert Barrier Well Redevelopment Project, to Layne Christensen Company, in the amount of \$199,996; and

WHEREAS, the scope of work for such Contract was broken into two Phases that span the 2017-18 and 2018-19 fiscal years, and staff has advised that Layne Christensen Company has successfully completed the Phase I scope of work and has therefor recommended funding the Phase II portion in an amount not to exceed \$190,000;

NOW, THEREFORE, the Board of Directors of the Orange County Water District does hereby approve funding of the Phase II portion of Contract No. TAL-2018-1 in an amount not to exceed \$190,000.

- 15. RFP for Construction Management Services for the GWRS Final Expansion Project

MOTION NO. 18-82
 AUTHORIZING ISSUANCE OF RFP FOR CONSTRUCTION MANAGEMENT SERVICES FOR THE GWRS FINAL EXPANSION PROJECT

Issuance of a Request for Proposals (RFP) is authorized for construction management services for the GWRS Final Expansion Project.

- 16. Trojan Ultraviolet System Procurement for GWRS Final Expansion Project

RESOLUTION NO. 18-7-85
 APPROVING PRE-SELECTION AGREEMENT WITH TROJAN TECHNOLOGIES FOR MANUFACTURE OF UV LIGHT EQUIPMENT FOR GWRS FINAL EXPANSION, AND AUTHORIZING PAYMENT TO TROJAN FOR ENGINEERING DETAILS FOR EQUIPMENT DESIGN, AND ASSIGNING VALUE OF UV LIGHT EQUIPMENT TO FUTURE CONTRACT TO INSTALL DEMONSTRATION UV SYSTEM

RESOLVED, that the Pre-Selection Agreement with Trojan Technologies for the manufacture of ultraviolet light equipment for the Final Expansion of the Groundwater Replenishment System for the total capital cost of \$5,918,787 including tax, is hereby approved as follows:

- 1) Payment to Trojan Technologies for engineering support services for the equipment design in the total amount of \$92,430; and
- 2) Assignment of the value of the ultraviolet light equipment to the GWRS Final Expansion Project Contract to install the UV system at an estimated capital cost of \$5,826,357 including tax.

17. MOU for North/Central Orange County IRWM Plan Implementation

RESOLUTION NO. 18-7-86
APPROVING MOU FOR NORTH/CENTRAL ORANGE COUNTY INTEGRATED
REGIONAL WATER MANAGEMENT PLAN IMPLEMENTATION

WHEREAS, pursuant to M18-50 adopted April 18, 2018, OCWD adopted the Orange County Plan for Integrated Regional Water Management (IRWM) in North and Central Orange County dated March 2018; and

WHEREAS, the California Department of Water Resources administers the State's IRWM program and has required that a Regional Water Management Group be established to implement such Plan; and

WHEREAS, in this regard, the District staff has presented and recommended approval of the Memorandum of Understanding (MOU) for IRWM in North and Central Orange County Watershed Management Areas with the County of Orange and the Orange County Sanitation District for the creation of the Regional Water Management Group to implement the Plan;

WHEREAS, such MOU would provide for OCWD membership in the Regional Water Management Group;

NOW, THEREFORE, the Board of Directors of the Orange County Water District does hereby resolve as follows:

Section 1: OCWD participation as a member of the Regional Water Management Group is authorized.

Section 2: The aforementioned MOU is approved as outlined herein; and, upon approval as to form by District General Counsel, its execution by the District officers is authorized.

ITEMS RECOMMENDED FOR APPROVAL AT ADMINISTRATION AND FINANCE
ISSUES COMMITTEE MEETING HELD JULY 12, 2018

18. Monthly Cash Control Report

MOTION NO. 18-83
RECEIVING AND FILING THE MONTHLY CASH CONTROL REPORTS

The Summary Cash and Cash Equivalents Control Reports dated June 30, 2018 are hereby received and filed.

19. Investment Portfolio Holdings Reports

MOTION NO. 18-84
RECEIVING AND FILING THE INVESTMENT PORTFOLIO HOLDINGS REPORTS

The Investment Portfolio Holdings Reports dated June 30, 2018 are hereby received and filed.

20. Policy for Inventory Purchases Over \$50,000

RESOLUTION NO. 18-8-87
ADOPTING POLICY FOR INVENTORY PURCHASES OVER \$50,000

RESOLVED, that the OCWD Board hereby adopts a policy that requires Inventory Purchases over \$50,000 be approved by the Board of Directors.

21. RFP for Administration Building Carpeting Replacement

MOTION NO. 18-85
AUTHORIZING REQUEST FOR PROPOSALS (RFP) FOR THE ADMINISTRATION
BUILDING CARPETING REPLACEMENT

Issuance of a Request for Proposals is authorized for the OCWD Administration Building carpeting replacement project.

22. Joel Kotkin Study Regarding Demographics and California Middle Class

RESOLUTION NO. 18-7-88
AUTHORIZING FINANCIAL PARTICIPATION IN STUDY REGARDING
DEMOGRAPHICS AND THE CALIFORNIA MIDDLE CLASS
(JOEL KOTKIN CHAPMAN UNIVERSITY)

RESOLVED, that OCWD financial participation in the amount of \$25,000 is authorized in the Joel Kotkin study entitled, "*California's Vanishing Middle Class and How to Preserve It – Leading Research from Chapman University's Hoag Center.*"

23. Employment Agreement Renewal with Multimedia Graphic Designer Tyler Crossno

RESOLUTION NO. 18-7-89
APPROVING LIMITED TERM EMPLOYMENT AGREEMENT RENEWAL WITH
MULTIMEDIA GRAPHIC DESIGNER TYLER CROSSNO

WHEREAS, the Water Issues Committee of this Board has recommended authorization of a Limited Term Employment Agreement with Multimedia Graphic Designer Tyler Crossno for an amount not to exceed \$87,000 (\$33.00/hour plus benefits) for a one-year period ending July 21, 2019;

NOW, THEREFORE, the Board of Directors of the Orange County Water District does hereby resolve as follows:

Section 1: The aforementioned Limited Term Employment Agreement with Tyler Crossno is approved as outlined herein; and upon approval as to form by District General Counsel, its execution by the District officers is authorized.

Section 2: An additional \$8,000 in the 2018-2019 Fiscal Year Budget to fund the multimedia graphics designer

24. Actuarial Valuation of Retiree Medical Insurance Benefit Plan

MOTION NO. 18-86
RECEIVING AND FILING ACTUARIAL VALUATION OF RETIREE MEDICAL
INSURANCE BENEFIT PLAN

The June 30, 2018 Orange County Water District Retiree Healthcare Plan Actuarial Valuation report is hereby received and filed.

25. CSDA Board of Directors Election – Southern Region, Seat A

MOTION NO. 18-87
NOMINATING VISTA IRRIGATION WATER DISTRICT DIRECTOR JO MACKENZIE
FOR CSDA SOUTHERN REGION, SEAT A

OCWD hereby supports the nomination of Vista Irrigation District Director Jo MacKenzie for the California Special District Southern Region, Seat A, and the General Manager is authorized to cast the OCWD ballot accordingly.

26. Water Infrastructure Finance and Innovation Act (WIFIA) Loan Agreement and Term Sheet for the GWRS Final Expansion Project

RESOLUTION NO. 18-8-90
AUTHORIZING THE EXECUTION AND DELIVERY OF WIFIA LOAN AGREEMENT
AND CERTAIN OTHER MATTERS

WHEREAS, Orange County Water District (the “District”), a political subdivision duly organized and existing under and by virtue of the laws of the State of California, has submitted an Application for Financial Assistance to the United States Environmental Protection Agency (“EPA”) for a loan (the “WIFIA Loan”) to be made by EPA, as WIFIA Lender (the “WIFIA Lender”), under authority of the Water Infrastructure Finance and Innovation Act to assist in financing a project consisting of Groundwater Replenishment System Final Expansion (the “Project”) to be located in northern Orange County, California; and

WHEREAS, the District and the WIFIA Lender have negotiated the terms of the proposed loan which are set forth in a WIFIA Loan Agreement (the “WIFIA Loan Agreement”);

WHEREAS, the District has determined to qualify the WIFIA Loan Agreement as a “Contract” as defined in the Indenture of Trust, dated as of November 1, 2016 (the “2016 Indenture”), by and between MUFG Union Bank, N.A. and the District and intends to comply with the additional debt test set forth in Section 5.09 thereof; and

WHEREAS, the District is authorized by Section 2.5(b) of the Orange County Water District Act, Chapter 924 of the California Statutes of 1933, as amended to the date hereof (the “District Act”) to enter into the WIFIA Loan Agreement and by Section 5451 of the California Government Code to pledge Revenues to secure the WIFIA Loan Agreement;

NOW THEREFORE, the Board of Directors of the Orange County Water District does hereby resolve as follows:

Section 1: The WIFIA Loan Agreement in substantially the form attached hereto as Exhibit A and, upon execution as authorized below, made a part hereof as though set forth in full herein, is hereby approved. The President, First Vice President or Second Vice President and General Manager or the designee thereof are hereby authorized and directed to execute and deliver the WIFIA Loan Agreement with such changes, insertions and omissions, including determination of its final terms and conditions, as may be recommended by General Counsel or Stradling Yocca Carlson & Rauth, a Professional Corporation and approved by the officers executing the same, said execution being conclusive evidence of such approval.

Section 2: The WIFIA Loan shall be secured as set forth in the WIFIA Loan Agreement. The WIFIA Loan shall be a “Contract” for purposes of Section 5.01 of the 2016 Indenture; provided, however, the WIFIA Loan will be subordinate in order of payment from Net Revenues to Bonds and Contracts, subject to becoming payable on a parity with Bonds and Contracts after the occurrence of a Bankruptcy Related Event as set forth in the WIFIA Loan Agreement. Attached hereto as Exhibit B is a form of a certificate to be delivered by an Independent Financial

Consultant to demonstrate that the Net Revenues as shown by the books of the District for a 12 consecutive calendar month period within the 24 calendar month period prior to the execution and delivery of the WIFIA Loan, as computed in accordance with the 2016 Indenture, amounted to at least 1.25 times maximum annual Debt Service (as defined in the 2016 Indenture).

Section 3: The execution and delivery of, and performance under, the WIFIA Loan Agreement are each hereby authorized.

Section 4: The Project is hereby authorized to be constructed pursuant to Sections 2(5), 2(6)(f) and 2(6)(j) of the District Act.

Section 5: The Board of Directors acknowledges that the good faith estimates required by Section 5852.1 of the California Government Code are disclosed in Exhibit 1 to the staff report and are available to the public at the meeting at which this Resolution is approved.

Section 6: The President, First Vice President or Second Vice President or the General Manager, the Chief Financial Officer or the designee thereof and any other proper officer of the District, acting singly, is authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper to effectuate the WIFIA Loan and the transactions contemplated by the WIFIA Loan Agreement and this Resolution, and such actions previously taken by such officers are hereby ratified, confirmed and approved.

Section 7: Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the WIFIA Loan Agreement unless the context otherwise clearly requires.

Section 8: This Resolution shall take effect immediately.

ITEM REMOVED FROM CONSENT CALENDAR FOR CONSIDERATION

7. Annual Rent Adjustments

Director Green recommended the Board waive only the penalties for late payment, noting the District has already received the late rent. The Board took the following action.

MOTION NO. 18-88
AUTHORIZING WAIVER OF LATE PENALTIES FOR DISTRICT LESSEES

Upon motion by Director Dewane, seconded by Director Green and carried (7-1), with Director Sheldon voting "No," waiver of the penalties incurred as a result of delayed rent adjustments for the following District Lessees is authorized: The Phoenix Club, Corona Recreation, V. Montoya Enterprises, Gentry Golf d.b.a. The Islands Golf, and Sunnyslope Nursery

Ayes: Bilodeau, Dewane, Green, Nguyen, Sarmiento, Whitaker, Yoh

Noes: Sheldon

Absent: Anthony, Vanderbilt

MATTER FOR CONSIDERATION

27. Proposed Poseidon Resources Huntington Beach Ocean Desalination Project – New 2018 Term Sheet

Mr. Kennedy provided an overview of the proposed new term sheet in which OCWD would pay Poseidon for the water based upon its actual cost plus an agreed to return on equity; the term of the contract would be reduced to 30 or 35 years; OCWD would assume the risk of electricity cost increases; and OCWD would have an option to have Poseidon construct the necessary distribution facilities serving potable water to other participating agencies. He recalled that at the June 6 meeting, the Board deferred consideration of the term sheet to allow additional time for Board, Groundwater Producer, and public comments and questions. Based upon those comments, he provided additional historical MWD rate increase information; the estimated GWRS Unit Cost vs MWD rates in 2001 when the GWRS Project was being contemplated; ad valorem property tax money MWD receives to subsidize its rates; Groundwater Producer comments; and staff's responses to three letters received at the June 6, 2018 Board meeting. He also provided the 2018-19 MWD budget and rates. Mr. Kennedy noted that the current project budget is \$320,000 and he recommended it be increased to \$370,000 for consulting work.

The following individuals expressed **support** for the Poseidon Project based upon increased water reliability, drought-proof, diversified water supply, improved term sheet with shortened term and reduced financial risk to tax payers.

Brett Barbre, Municipal Water District of Orange County
 John Sears, East Orange County Water District
 John O'Neil, Garden Grove City Council
 Robert Mansfield, 433 Ironworkers
 Ernesto Medrano, LA/OC Building and Construction Trades Council
 Phil Salerno, Cement Mason Local 500
 Herb Kleeman, Huntington Beach resident
 Patrick Swymer, Millennials for Social Economic Justice
 Siegfried Caloquin,
 Connor Kirby, Millennials for Social Economic Justice
 Rich Gomez, Carpenter Union

The following individuals expressed **opposition** to the Poseidon Project based upon environmental factors; water quality issues; project cost issues; lack of exploration of alternatives; lack of prospective customers; lack of input by the Groundwater Producers, unfair financial burden to taxpayers; poor performance by Carlsbad Desalination Plant; discharge violations by Poseidon; significant future energy costs; and poor site location on an earthquake fault and inundation area.

Paul Cook, Irvine Ranch Water District General Manager
 Erik Peterson, Garden Grove resident
 John Earl, Surf City Voice

Hoiyin Ip, Sierra Club
Steve Ray, Banning Ranch Conservancy
Laura Smith, Huntington Beach resident
Cindy Black
Milsa Vijayadharan
Wayne Miller
Joe Geever
Gary Brown, Orange County Coastkeeper
Michael Wellborn, Friends of Harbors, Beaches & Parks
Stephanie Pacheco, Sierra Club
Joshua Dela Rama
Dr. Mikel Hogan, resident
Pam Kamps, Huntington Beach resident
Bill McCarty
Mary Jo Baretich
Kelsei Bailey
Bethany Webb, Huntington Beach Huddle
Eric Hertzeug
Cynthia Romanowski, Huntington Beach Huddle
Mary Ann Celinder, resident
Mark Dixon, R4D4
Merle Mosiri, R4D4
Debbie Cook
Richard Armandariz
Kathy Martens
Bobbi Ashurst, Huntington Beach resident
Steve Shepherd, Huntington Beach resident
Christine Brady, Huntington Beach resident
Larry McNeely, Huntington Beach resident
Barbara Robinson, Huntington Beach resident
Leah Russell
Ray Heimstra, presented a "No on Poseidon" Petition
Tim Geddes, Huntington Beach resident
Al Nederhord
Sara Forsgren, Huntington Beach resident
Linda Law, Huntington Beach resident
Karen Coyne, Huntington Beach Huddle
Mandy Sackett, Surfrider Foundation
Ron Sterud, Huntington Beach resident
Ernie Courter, Huntington Beach resident
Carol Thicksten
Danny Lowe, union member
Mark Tonkovich, Huntington Beach resident
Carl Cassidy, Newport Beach resident
Anna Costa Mesa resident
Milt Dardis, Huntington Beach resident

Enrique Valencia, OC Environmental Justice
Glenn Howland, Orange County resident
Jerry Friedman, candidate for Huntington Beach City Attorney
Joshua McIntosh, resident
Jose Trinidad Castanada, resident
Daelyn Daniloff, Fountain Valley resident
Sean Paden, taxpayer
Nora Pedersen, Huntington Beach resident

(Director Vanderbilt arrived at 8:00 p.m. during the following Board discussion.)

Director Dewane noted that the baseflows of the Santa Ana River have been declining for years and stated that MWD has identified the need for desalination in the future even if the twin tunnels are built. He stressed that the term sheet does not obligate OCWD, stating that the Board is trying to improve the terms for consideration of a potential contract in the future. Director Dewane stressed that the project water would provide the largest new, local, drought-proof, and reliable source that exists today, and stated he would only support the Project when it provides economic value to the taxpayers. Director Whitaker stressed that the responsibility of the Board is to ensure supply at the lowest cost and that future demand may have reached a plateau due to legislative action in Sacramento. He stressed that with the addition of water from the MWD Carson Plant and the twin tunnels, going forward with desalination may be oversupply. Director Sarmiento noted he canvassed his City Council and they passed a resolution of support if the desalination plant is rate neutral, with no subsidy of water for South County. Because Poseidon is months away from obtaining the necessary permits, he noted that the Board is pretty far out from final decisions being made and that there is no need to discontinue discussions at this point in time. He questioned General Counsel as to whether the new term sheet is any more binding than the previous term sheet. General Counsel Kuperberg responded that the term sheet is nonbinding and that there are no consequences if OCWD does not move forward. Director Sarmiento expressed concern over a doctrine in the law entitled "Detrimental Reliance" which might raise expectations that OCWD is supportive of the Poseidon Project should the term sheet get approved. He stressed that he is not certain on any of this, but would rather proceed with discussions with improved terms, and stated he would like to see an alternative supply analysis performed and wants to know the layered costs that will be passed on to the ratepayers. Director Sheldon noted the new term sheet is an improvement over the old one. After further discussion by the Board, the following action was taken.

Upon motion by Director Dewane, seconded by Director Green, and carried [6-2-1-1], the following resolution was adopted.

Ayes: Bilodeau, Dewane, Green, Nguyen, Sarmiento, Sheldon

Noes: Whitaker, Yoh

Abstain: Vanderbilt

Absent: Anthony

RESOLUTION NO. 18-8-91
APPROVING 2018 TERM SHEET WITH POSEIDON RESOURCES

RESOLVED, that the new 2018 Term Sheet with Poseidon Resources is hereby approved and the project budget is increased from \$320,000 to \$370,000.

RESOLVED, FURTHER, that staff is directed to finalize the means and methods and identify the necessary participants for the distribution of the desalinated water and report back to the Board on the final terms for the cost of water once the project has been approved by Regional Board.

INFORMATIONAL ITEMS

26. Santa Ana Watershed Project Authority Activities

There was no discussion of this item.

27. Water Resources Summary

There was no discussion of this item.

28. Committee/Conference/Meeting Reports

The Board reported on the following Committee meetings and noted the Minutes/Action Agendas were included in tonight's Board packet.

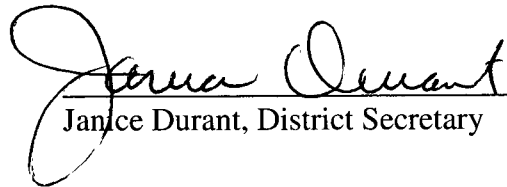
- June 22 – Property Management Committee
- July 09 – GWRS Steering Committee
- July 11 – Water Issues Committee
- July 12 - Administration and Finance Issues Committee

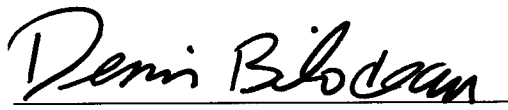
29. Verbal Reports

Director Sarmiento advised that he testified last week in Washington DC before the Senate Committee on the Environment and Public Works regarding OCWD's WIFIA loan agreement and term sheets. President Bilodeau noted that the WIFIA loan would be finalized next week and stated that the US EPA might visit OCWD on August 1.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 8:30 p.m.


Janice Durant, District Secretary


Denis Bilodeau, President