

MINUTES OF REGULAR MEETING – JUNE 22, 2015

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 LaMar on June 22, 2015 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None.

Also Present: General Manager Cook, Executive Director of Engineering and Water Quality Burton, Executive Director of Operations Sheilds, Executive Director of Finance and Administration Clary, Director of Human Resources Roney, Director of Water Resources Sanchez, Director of Treasury and Risk Management Jacobson, Director of Public Affairs Beeman, Legal Counsel Arneson, Secretary Bonkowski, Ms. Christine Compton, Mr. Christopher Smithson, Mr. Alex Aguilar, Mr. Matt Veeh, Ms. Scott Beltran, Ms. Lindsey Stuvick, Mr. Barkev Merserlian, Mr. Jim Reed, and other members of the public and staff.

Written Communications: None.

Oral Communications: In response to Mr. Ron Feng's inquiry relative to Governor Brown's recent mandate on water conservation and what the District was doing to address the drought situation in Sacramento, President La Mar and the Board members provided him with an overview of the District's involvement in these matters.

Items too late to be agendized: None.

PUBLIC HEARING - PROPOSED CHANGES TO THE SCHEDULE OF RATES AND CHARGES EFFECTIVE JULY 1, 2015

General Manager Cook reported that the Fiscal Year (FY) 2015-16 Operating Budget was adopted at the June 8, 2015 Board meeting and at that same meeting the Board adopted a resolution receiving the IRWD Cost of Service Study. Mr. Cook said that the proposed changes to the District's rates and charges were publicly noticed by mail as required under Proposition 218, and protests to the implementation of those rates and charges have been tallied by the District.

President LaMar declared this to be the time and place for a hearing on the proposed changes to the rates and charges and asked the Secretary how the hearing was noticed.

Secretary Bonkowski said that the hearing was noticed by mail and she presented the affidavit of mailing. On MOTION by Swan, seconded and unanimously carried, **THE AFFIDAVIT OF MAILING BY AN INDEPENDENT PROCESSING FIRM PRESENTED BY THE SECRETARY WAS RECEIVED AND FILED.**

President LaMar asked Legal Counsel Arneson to describe the nature of the proceedings. Legal Counsel Arneson said that the public hearing is held, pursuant to Proposition 218, Article XIID of the Constitution of the State of California, for all persons interested to be heard, to present objections or protests, including any written comments submitted, concerning the increase in property-related rates and charges and any proposed new property-related rates and charges.

President LaMar asked for a staff report on the proposed rates and charges and inquired whether there have been any written communications.

Mr. Christopher Smithson said that as of today, 13 written protest letters were received which represents 0.01% of the total customers, substantially less than the 50% which would have been required to prevent the Board from adopting the current proposed rates and charges. Using a PowerPoint presentation, Mr. Smithson said that the proposed changes were reviewed at three Finance and Personnel Committee meetings and two Board workshops. He said that a review of the IRWD's rates development process confirms strong financial and equity foundation noting that there is a reasonable and defensible cost allocation basis, and that the rates provide a strong conservation and efficiency message which has been evaluated through an independent Cost of Service and Rate Study. Additionally, he said that this study reviewed the policy considerations including the water service charge for low volume users; the cost of service nexus for recycled water; and rate methodology refinement for sewer.

Mr. Smithson said that key drivers in the operating budget are due to the following increases: Orange County Water District (10%); Orange County Sanitation District (26%); Southern California Edison (5%); and increased imported water. He reviewed the proposed rate adjustments and made a comparison from the current to the proposed charges in the various rate areas for water, sewer and recycled service for the three rate areas. He then reviewed comparisons showing the changes in a typical residential customer's rates from the current rate to the proposed rate for FY 2015-16 for the three separate rate areas. He further discussed the mitigation measures staff was implementing to meet State- mandated usage reductions.

President LaMar said that four individuals wished to address the Board regarding the proposed changes to the rates and charges.

Mr. Grant Hoag said that he is a 20-year resident of Irvine and very familiar with the water rate process as his occupation was a financial analyst. He said that based on his experience, the Cost of Service Study portrayed a very good analysis and that its recommendations were appropriate, and gave his whole-hearted support of this document.

Mr. Randy Herman said that he attended last year's meeting and that he still believes the structure is unfair relative to the fixed charges on his bill since he only uses 3 ccfs a month or 2,224 gallons of water versus other residents as an example use 15 ccfs a month, which he said was a huge discrepancy. Director Reinhart responded to Mr. Herman explaining that the infrastructure was in place for services which need to be shared among the user in a fair and equitable manner. Director Swan said that at his suggestion last year, the low volume user

charges were reviewed and rate changes have been implemented in this year's rates for these low volume users.

In response to Mr. Philip MacDonald's inquiry if the El Nino conditions develop this year, will the Board have a mechanism to relook at rates, Director Swan said that it will be dependent on the Governor's mandate, and if the Governor relaxes his mandate, then the District could revisit the rates. President LaMar said that the District annually reviews rate allocations to be fair and equitable to its customers.

Mr. Larry Fortmuller said that in recent notifications from the District, it appears that watering turf uses the most water. In response to his inquiry of how many customers use drip irrigation, President LaMar said that the District does not have a mechanism in place to determine this information.

President LaMar asked if there are any other persons who wished to be heard. There were none.

Director Withers thanked the residents in the audience and those who spoke as well as those who attended this Public Hearing. He said that the rates are complex and the Board tries to implement them in a thoughtful manner and implement creative solutions.

President LaMar inquired whether there were any comments or questions from members of the Board of Directors. There were none.

On MOTION by Swan, seconded and unanimously carried on a 5-0 vote, THE HEARING WAS CLOSED AND THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2015-17

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH
WATER DISTRICT, ORANGE COUNTY, CALIFORNIA
RESCINDING RESOLUTION NO. 2014-50 AND ADOPTING
CHANGES TO THE SCHEDULE OF RATES AND CHARGES AS
SET FORTH IN EXHIBIT "B" TO THE RULES AND
REGULATIONS OF IRVINE RANCH WATER DISTRICT
FOR WATER, SEWER AND RECYCLED WATER SERVICE

CONSENT CALENDAR

Director Reinhart asked that item No. 5 be moved to the Action Calendar for discussion. There being objection, this item was moved accordingly. On MOTION by Withers, seconded and unanimously carried, CONSENT CALENDAR ITEMS 4, 6, 7, and 8 WERE APPROVED AS FOLLOWS:

4. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the June 8, 2015 Regular Board Meeting be approved as presented.

CONSENT CALENDAR (CONTINUED)

6. MAY 2015 TREASURY REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report, the Monthly Interest Rate Swap Summary for May 2015, and Disclosure Report of Reimbursements to Board members and staff; approve the May 2015 Summary of Payroll ACH Payments in the total amount of \$2,215,506 and approve the May 2015 Accounts Payable Disbursement Summary of Warrants 358200 through 358855, Workers' Compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$20,799,540.

7. FY 2015-16 OPERATING BUDGET VENDOR EXPENDITURE COMMITMENTS GREATER THAN \$100,000

Recommendation: That the Board approve the list of vendor commitments greater than \$100,000 based on approved FY 2015-16 Operating Budget expenditures, and recommend Board approval of the same.

8. EAST ORANGE COUNTY WATER DISTRICT INTERCONNECTION REHABILITATION FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the East Orange County Water District Interconnection Rehabilitation, project 11799 (5401); authorize the General Manager to file a Notice of Completion; and authorize the payment of the retention 35 days after the date of recording the Notice of Completion.

ACTION CALENDAR

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

Director Reinhart noted a June 25, 2015 SCWC Stormwater workshop that was approved at the June 8, 2015 Board meeting that he will not be able to attend. There being no further changes, on MOTION by Reinhart, seconded and unanimously carried, THE BOARD RATIFIED/APPROVED THE MEETINGS AND EVENTS FOR STEVEN LAMAR, MARY AILEEN MATHEIS, DOUGLAS REINHART, PEER SWAN, AND JOHN WITHERS AS DESCRIBED.

METER READING SERVICES CONTRACT AWARD

On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE A FIVE-YEAR CONTRACT FOR METER READING SERVICES WITH ALEXANDER'S CONTRACT SERVICES EFFECTIVE JULY 1, 2015 TOTALING APPROXIMATELY \$6,534,000 OVER THE FIVE YEARS.

MICHELSON WATER RECYCLING PLANT BIOSOLIDS AND ENERGY RECOVERY FACILITIES CONTRACT CHANGE ORDER

On MOTION by Reinhart, seconded and unanimously carried, THE BOARD APPROVED CONTRACT CHANGE ORDER NO. 29 IN THE AMOUNT OF \$225,971.77 FOR FOUL AIR PIPE SUPPORTS AND A SECONDARY CIRCUIT BREAKER WITH FILANC/BALFOUR-BEATTY FOR THE MICHELSON WATER RECYCLING PLANT BIOSOLIDS AND ENERGY RECOVERY FACILITIES, PROJECT 21146 (4286).

GENERAL MANAGER'S REPORT

General Manager Cook reported that the District just received a five-year National Pollutant Discharge Elimination System permit from the Regional Water Quality Control Board for discharges from the MWRP and LAWRP, and thanked staff for all of their efforts. Director Withers noted that many key individuals at the Regional Board will be retiring soon so staff will see a lot of changes in the near future.

Mr. Cook reminded the Board of tomorrow's tour of the District's Baker Water Treatment Plant.

Mr. Cook reported on last week's employee recognition event and noted that 16 service awards were presented; 32 employees were promoted; and 38 employees were hired.

DIRECTORS' COMMENTS

Director Withers reported that he had been recently appointed Chair of the Orange County Sanitation District's Engineering and Operations Committee and noted that its community outreach last week went very well.

Director Swan reported that he and Director Matheis attended a meeting with Woodbridge Homeowners Association relative to its inquiry to use recycled water in its decorative lakes. He further said he attended a WACO Planning meeting, an OCWD Board meeting, and various OCWD Committee meetings and desalination meetings.

Director Reinhart reported that he attended a MWDOC Board meeting, and that he and Director Matheis attended a LAFCO community meeting.

Director Matheis reported that she attended a recent Shadetree Partnership Board meeting and a monthly event, and was pleased with its Board members' involvement at these events. She also complimented General Manager Tom Bonkowski and Secretary Leslie Bonkowski on their efforts. She further reported that she attended the City of Tustin's State of the City Address, a Discovery Science Cube Grand Opening expansion event, an Association of California Cities Orange County Infrastructure Summit, and a California Water Law conference in San Francisco.

Director LaMar reported on a two-day Federal Government Advocacy trip to Washington, D.C., an Association of California Cities Orange County Infrastructure Summit, an IRWD resident

tour with approximately 40 attendees, a South Orange County Agencies' meeting and a Natural Communities Coalition quarterly meeting where members visited a research project.

IRWD's consultant Mr. Jim Reed reported on meetings he attended on behalf of the District including a WACO meeting, a Santiago Aqueduct Commission meeting, and a City of Lake Forest Council meeting.

ADJOURNMENT

President LaMar adjourned the meeting to Tuesday, June 23, 2015 at 10:00 a.m. to tour the District's Baker Treatment Plant, 21082 Wisteria in Lake Forest, CA.

APPROVED and SIGNED this 13th day of July, 2015.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson,
Wiles & Giannone