

MINUTES OF REGULAR MEETING – APRIL 14, 2014

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 Director Matheis, acting by consensus as temporary chair, on April 14, 2014 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Withers, Matheis and Reinhart

Directors Absent: LaMar and Swan

Also Present: General Manager Cook, Executive Director of Finance Clary, Executive Director of Engineering and Planning Burton, Executive Director of Operations Sheilds, Executive Director of Water Resources Weghorst, Director of Human Resources Roney, Director of Public Affairs Beeman, Assistant Director of Maintenance Drake, Assistant Director of Water Operations Roberts, Assistant Director of Recycling Operations Lee, Legal Counsel Arneson, Secretary Bonkowski, Mr. Christopher Smithson, Mr. Mike Hoolihan, Ms. Tina Bertsch, Mr. Ian Swift, Mr. Mike Bray, Mr. Jim Reed, Mr. Bruce Newell, and other members of the public and staff.

WRITTEN COMMUNICATION: None.

ORAL COMMUNICATION

1) Mrs. Joan Irvine Smith's assistant addressed the Board of Directors with respect to the Dyer Road Wellfield. She said it was her understanding that currently wells 2, C-8, C-9, 10, 12, 15 16, 17 and 18 will operate in accordance with the District's annual pumping plan. Wells 1, 3, 4, 5, 6, 7, 11, 13, and 14 will be off. This was confirmed by Mr. Cook, General Manager of the District.

On October 31, 2013, the District received its fully executed copy of the Annexation Agreement with the Orange County Water District. This was confirmed by Mr. Cook.

With respect to the Groundwater Emergency Service Plan, IRWD has an agreement in place with various south Orange County water agencies, MWDOC and OCWD, to produce additional groundwater for use within IRWD and transfer imported water from IRWD to south Orange County in case of emergencies. On November 10 2008, the IRWD Board approved the operating agreement with certain south Orange County water agencies to fund the interconnection facilities needed to affect the emergency transfer of water. MWDOC and OCWD have also approved the operating agreement. This was confirmed by Mr. Cook.

2) Mr. James Fisler, incumbent Special District Alternate member for LAFCO, is running for re-election, and provided the Board background on his current involvement with LAFCO. A copy of Mr. Fisler's bio and support letter from General Manager Shoenberger of Mesa Water District were placed before each Director where Mr. Fisler holds the position of its Board President. Director Reinhart said that at a future date, that all of the LAFCO candidates will be invited to attend a Board meeting to provide background and qualifications.

WORKSHOP

FISCAL YEAR 2014-15 OPERATING BUDGET AND PROPOSED RATES AND CHARGES

Using a PowerPoint presentation, Executive Director of Finance Clary reported on the Operating Budget highlights, including revenues, significant factors effecting rate setting, and operating expenses by system. Ms. Clary said that the proposed Fiscal Year (FY) 2014-15 Operating Budget is \$131.1 million (M), representing an increase of \$14.1 M, or 12.1%, when compared with the Operating Budget for FY 2013-14. She reported on the proposed increase over last year's budget which is driven primarily by the following: increased cost of water, primarily due to increased demands and anticipated rate increases from outside agencies (\$5.7 M); increased electricity expenses due to a full year of operations for the Michelson Water Recycling Plant (MWRP) as well as an increase in energy rates (\$4.3); increased labor costs (including overtime and contract labor) for additional personnel, primarily in the operations groups for new facilities, along with additional temporary labor required for the integration of the new Customer Care and Billing (CC&B) system (\$2.2 M); increased employee benefits primarily due to higher labor costs (\$0.6 M); decreased chemicals resulting from the expansion of the MWRP (<\$0.7 M>); higher repair and maintenance expenses due to five new Natural Treatment System (NTS) sites as well as higher expenses at other facilities. (\$.06 M); higher professional fees due primarily to the recycled water site inspection and testing program (\$0.4 M); higher data processing fees due primarily to CC&B software maintenance fee which was previously capitalized prior to system implementation (\$0.3 M); higher insurance due to premium increases, higher loss experience below deductible limits and associated legal expenses (\$0.3 M); lower conservation expenses (\$0.2 M); and all other costs less than \$0.2 M individually (\$0.6 M).

Mr. Christopher Smithson reported on the IRWD rate setting process including; strategic options used to control rate increases; current and proposed water rates for the IRWD rate areas; conservation allocation changes; current and proposed tiered rates per ccf for IRWD rate areas; comparison of the IRWD rate area compared with FY 13-14 to FY 14-15; current and proposed tiered rates per ccf for OPA and LAWD areas; 10-year rate history of IRWD; comparison of IRWD's and LAWD's proposed rates with other agencies; and next steps with the advertised workshop scheduled for April 28, 2014 and mail notifications to residents (meeting the Proposition 218 requirement notice) in early May 2014. Following discussion, Director Reinhart suggested that staff prepare a study on drought schedules for all tiered rates as well as accelerate studies relative to expanding IRWD's seasonal storage capacity at the Syphon Reservoir and the Los Alisos Water Recycling Plant. Director Withers suggested an outreach meeting be scheduled with the top 10 water users. General Manager Cook recognized staff members Smithson and Bertsch on their efforts with the budget process.

CONSENT CALENDAR

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

CONSENT CALENDAR (continued)

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

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

7. IRWD PROPERTY INSURANCE FISCAL YEAR 2014-15

Recommendation: That the Board authorize changing the District's property insurance coverage from Affiliated FM to the CSAC-EIA property insurance program effective April 15, 2014.

8. 2014 STATE LEGISLATIVE UPDATE

Recommendation: That the Board take a "SUPPORT" position on AB 1799 (Gordon); a "SUPPORT" position on AB 2104 (Gonzalez); a "SUPPORT" position on AB 2312 (Nestande); a "SUPPORT" position on AB 2434 (Gomez); and authorize IRWD to send a comment letter on the administration's groundwater management proposal, which is expected to be released in mid-April, upon review and approval of the Water Banking Committee at its April 22, 2014, meeting.

ACTION CALENDAR

PENSION PLAN FUNDING STATUS UPDATE

In response to Director Reinhart's inquiry, Executive Director of Finance Clary provided clarification on the District's estimated unfunded liability at approximately \$33 million, or 86% funded as of December 31, 2103 as provided by the District's actuarial consultant, AON Hewett. Ms. Clary said that the District's long-term goal of being fully funded, assuming a continuation of the Board-adopted contribution rate of 25% of payroll, is now projected to be met in approximately seven years. There being no further comments, on MOTION by Reinhart, seconded and unanimously carried, **THE BOARD AUTHORIZED STAFF TO TRANSFER DISTRICT FUNDS IN THE AMOUNT OF \$2,236,900 TO THE POST-EMPLOYMENT RETIREMENT TRUST (RETIREMENT TRUST) NO LATER THAN JUNE 30, 2014 AND THAT THESE FUNDS BE ALLOCATED CONSISTENT WITH THE INVESTMENT POLICY OF THE RETIREMENT TRUST BOARD.**

GENERAL MANAGER'S COMMENTS – None.

DIRECTORS' COMMENTS

Director Withers reported on his attendance at an ACC-OC Board of Directors installation where he received an award for Local Government Liaison. He said that this week he will be attending an OCSD Public Affairs Committee meeting, a meeting with the State Water Board, and a City of Dana Point Planning Commission meeting.

DIRECTORS' COMMENTS (continued)

Director Reinhart reported that he attended a MWDOC Board meeting and MWDOC's elected officials forum. He said that this Thursday he will be interviewing candidates for SOCWA's General Manager position.

Director Matheis reported on her attendance at a two-day Water Education Foundation event, a MWDOC Elected Officials forum, and a WACO meeting.

CLOSED SESSION

Director Matheis said that a Closed Sessions would be held with legal counsel relative to:

- 1) Existing litigation - Government Code Section 54956.9(a) – Williams vs. IRWD and MWDCS; Chen vs. IRWD, and
- 2) Anticipated litigation - Government Code Section 54956.9(b) - significant exposure to litigation – 19 cases – 19 claims filed under the Tort Claims Act, on file with the District.

OPEN SESSION

Director Matheis said that the meeting was adjourned with both Directors Withers and Reinhart present. Director Matheis said that there was no action to report from the Closed Session.

ADJOURNMENT

Director Matheis adjourned the meeting.

APPROVED and SIGNED this 28th day of April, 2014.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone