

EXHIBIT “A”

MINUTES OF REGULAR MEETING – JUNE 12, 2017

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 Vice President Swan on June 12, 2017 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: Reinhart.

Also Present: General Manager Cook, Executive Director of Water Policy Weghorst, Executive Director of Operations Sheilds, Executive Director of Finance and Administration Clary, Executive Director of Engineering and Water Quality Burton, Director of Water Resources Sanchez, Director of Public Affairs Beeman, Director of Human Resources Roney, Director of Maintenance Drake, Legal Counsel Alfred Smith, Secretary Bonkowski, Principle Engineer Akiyoshi, Government Relations Officer Compton, Ms. Kristine Swan, Mr. Allen Shinbashi, Ms. Cheryl Kelly, Ms. Tanja Fournier, Mr. Jeff Bertsch, Ms. Amy McNulty, Mr. Jim Reed, Mr. Mike Rudinica, and members of the public.

ORAL COMMUNICATIONS: None.

WRITTEN COMMUNICATIONS: None.

ITEMS TOO LATE TO BE AGENDIZED: None.

PRESENTATION – SCIENCE FAIR WINNERS

Ms. Cheryl Kelly presented awards to local students for their water-related projects entered in the Irvine Unified School District Science Fair.

WORKSHOP – FISCAL YEAR 2017-18 CAPITAL BUDGET

Using a PowerPoint presentation, Mr. Eric Akiyoshi provided a comparison of the fiscal year 2016-17 budget-to-actual capital expenditures in the amount of \$194.3 million versus the projected FY 2017-18 capital expenditures in the amount of \$165.3 million. Mr. Akiyoshi said that development activity is forecasted to be similar to 2016-17 with multi-family and single family dwelling units continuing to be developed in Orchard Hills, Portola Springs, Eastwood, Great Park Area, Cypress Village, and Baker Ranch. Mr. Akiyoshi said that the top 10 project group is estimated at \$97.2 million and includes the Irvine Lake Pipeline conversation projects; the Michelson Water Recycling Plant’s Biosolids and Energy Recovery Facilities; the Orange County Sanitation District capital expenditures; system repair and rehabilitation; operational enhancement projects; annual operational system repair and rehabilitation; asset optimization; development – regional projects; water resources including University of California Irvine’s recycled water conversions;, and well rehabilitation. He reviewed the capital budget funding sources from domestic water projects (\$29.4 million), sewer system projects (\$35.1 million), and recycled projects (\$32.7 million). He reviewed the proposed flagged projects that will require

additional Board review prior to capital expenditures. He reviewed the long-term capital program summary and noted the proposed increase of \$50.7 million, for a total unexpended Long-Term Capital Program Summary for Fiscal Year 2017-18 to be \$561.7 million.

Director LaMar reported that this item was reviewed by the Engineering and Operations Committee on May 16, 2017 and that Mr. Akiyoshi did an excellent job on the proposed budget. The total FY 2017-18 capital expenditures presented to the Committee were \$98.2 million and minor updates were incorporated resulting in the \$1.0 million decrease. Discussion was held on the changing land use from one area to another and its impact on the District. There being no further comments, on MOTION by LaMar, seconded and unanimously carried, THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2017 – 14

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT, ORANGE COUNTY
CALIFORNIA, APPROVING THE DISTRICT'S CAPITAL
BUDGET FOR FISCAL YEAR 2017-18

CONSENT CALENDAR

On MOTION, by Withers, seconded and unanimously carried, CONSENT CALENDAR ITEMS NOS. 5 THROUGH 12 WERE APPROVED AS FOLLOWS:

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

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

6. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the May 22, 2017 Regular Board Meeting be approved as presented.

7. APPOINTMENT OF ASSISTANT DISTRICT SECRETARY

Recommendation: That the Board appoint Ms. Kristine Swan as Assistant District Secretary and expire the appointment of Ms. Joan Arneson, effective June 12, 2017.

8. 2017 LEGISLATIVE UPDATE

Recommendation: That the Board adopt a "WATCH" position on AB 1000 (Friedman).

CONSENT CALENDAR (CONTINUED)

9. IRWD APARTMENT CONSULTANT – CONTRACT RENEWAL

Recommendation: That the Board approve the retention of Market-THINK LLC as apartment consultant for the District's apartment properties for a period of two years effective May 1, 2017 for an amount not to exceed \$106,000, which includes monthly out-of-pocket expenses estimated at \$50 per month.

10. FISCAL YEAR 2017-18 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 Fiscal Year 2017-18 Operating Budget expenditures.

11. WATER EFFICIENCY TACTICAL INCENTIVE FUNDING AUTHORIZATION

Recommendation: That the Board authorize the General Manager to allocate \$1,400,000 in funding to the FY 2017-18 rebate programs administered through the Water Conservation Participation Agreement between MWDOC and IRWD, and to execute addendums to the agreement as may be necessary to allocate funds to specific programs and modify device incentive levels based on customer participation rates and regional program funding levels.

12. CHLORAMINE BOOSTER STATIONS AT FOOTHILL ZONE 6 AND PORTOLA ZONE 8 RESERVOIRS FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Chloramine Booster Stations at Foothill Zone 6 and Portola Zone 8 Reservoirs, project 04409, 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

NETWORK INFRASTRUCTURE UPGRADES

Executive Director of Finance and Administration Clary reported that staff issued a Request for Proposal for Network Infrastructure Upgrades and received responses from three firms. Ms. Clary said that based on a thorough evaluation of the proposals, staff recommends that the Board approve a General Plant expenditure of \$504,400 with Resilient Communications for purchase, installation, and configuration of Network Infrastructure Upgrades at Sand Canyon Headquarters, Operations Center, Baker Water Treatment Plant, and Los Alisos Water Recycling Plant. She said that Resilient Communications had the best overall pricing for the Network Infrastructure Upgrades, providing the District significant discounts from list pricing, and has experience providing networking equipment and implementation services to public agencies including Orange County Water District and Moulton Niguel Water District.

Director Swan reported that this item was reviewed by the Finance and Personnel Committee on June 6, 2017. On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED A GENERAL PLANT EXPENDITURE OF \$504,400 WITH RESILIENT COMMUNICATIONS TO PURCHASE AND IMPLEMENT THE NETWORK INFRASTRUCTURE UPGRADES.

RETIREE HEALTH COSTS ASSISTANCE PROGRAM

General Manager Cook reported that during a legal review of the District's Retiree Health Costs Assistance Program, staff was informed that the current structure of the benefits plan that requires employees to complete 10 years of service to IRWD to qualify for the benefit does not meet the Internal Revenue Service discrimination testing requirements. Legal counsel opined that IRS regulations require the program to provide a benefit for retirees with three to nine years of service in order to be non-discriminatory, and proposed a benefit design that would meet the IRS discrimination testing requirements. Mr. Cook said that the fiscal impact of modifying the program to comply with IRS regulations is negligible.

Director Swan provided a summary of this item as reviewed by the Finance and Personnel Committee on February 7, 2017, May 2, 2017, and June 6, 2017. Following discussion, on MOTION by Matheis, seconded and unanimously carried, THE BOARD AUTHORIZED STAFF TO MODIFY THE DISTRICT'S RETIREE HEALTH COSTS ASSISTANCE PROGRAM BENEFITS PLAN STRUCTURE TO PROVIDE BENEFITS TO IRWD RETIREES WITH THREE TO NINE YEARS OF SERVICE TO MEET THE INTERNAL REVENUE SERVICE DISCRIMINATION TESTING REQUIREMENTS.

SETTING CONNECTION FEES AND PROPERTY TAXES FOR FISCAL YEAR 2017-18

General Manager Cook reported that connection fees were last updated for the IRWD Improvement Districts (IDs) in July 2016, with recommended periodic updates based on an updated capital budget and other changing assumptions. Mr. Cook said that there are three separate developments contributing to IDs 112/212: the City of Irvine (City) Great Park development, the Great Park Neighborhoods development, and the 100-acre parcel owned by the County of Orange. Connection fees for these developments will be set separately.

Executive Director of Finance and Administration Clary reported that in December 2016, staff presented to the Finance and Personnel Committee a proposed recycled water connection fee for the Great Park development area, and that based on direction from the Committee, the fee for the Great Park was reviewed in detail, and staff met with City staff on several occasions to discuss IRWD's calculations. Ms. Clary said that the Great Park is unique in that significant recycled water infrastructure was built to meet demands and the District needs to establish a connection fee to recover those costs. She said that staff recommends that the Board approve a recycled connection fee of \$28.85 million that will be paid on a per acre basis as the development of the park occurs.

Ms. Clary said that in addition, the City has requested that: 1) 50% of the fee be paid at the time of connection, and 2) that IRWD provide financing for the remaining 50% payable over 30 years. She said that IRWD is prohibited under Government Code from lending funds to another public agency, but it is permissible for IRWD to provide financing if the financing is considered

an investment in the other public agency. Staff plans to request that the City provide a written request for the financing which can then be brought back to the Board for further discussion.

Ms. Clary said that in 2011, a connection fee was established for ID 256 related to IRWD sewer service in Orange Park Acres (OPA). The basis for the recommended sewer connection fees was the anticipated construction cost estimate for a community sewer system in OPA, as documented in the OPA Sub-Area Master Plan. This included a full buy-in into the Orange County Sanitation District (OCSD) capital outlay (CORF and Equity). The connection fee for ID 256 is currently \$25,839. To date, local homeowners have funded the necessary local infrastructure connecting to existing systems. Ms. Clary said that the staff recommendation assumes that IRWD will not provide construction for the community sewer and any community facility costs will continue to be funded by local homeowners. The connection fee will provide for a full buy-in into the OCSD capital outlay. In changing the capital requirements, the sewer connection fee will decrease from \$25,839 to \$5,900 per residential unit. As some homeowners have been charged and paid the current connection fee or made partial payments, difference will be refunded to existing homeowners. The total amount to be refunded to customers is approximately \$63,000.

Director Swan reported that this item was reviewed by the Finance and Personnel Committee on June 6, 2017. On MOTION by Swan, seconded and unanimously carried, **THE BOARD APPROVED THE CONNECTION FEES AND PROPERTY TAXES AS PROPOSED.**

GENERAL MANAGER'S REPORT

General Manager Cook updated the Board on Water Use Efficiency legislative efforts. He said that staff is working with Eastern Municipal Water District to create a white paper explaining the challenges associated with calculating water budgets using the methods proposed by the state. He said that Ms. Christine Compton and Ms. Fiona Sanchez will be in Sacramento tomorrow to discuss the details of this methodology, and he will keep the Board updated on this item.

DIRECTORS' COMMENTS

Director Matheis reported on her attendance at the Water Education's Santa Ana River Watershed conference in Ontario, and an ISDOC Executive Committee meeting.

Director Withers reported that he attended the Tustin Chamber of Commerce and City of Tustin's State of the City address, and will be attending a LAFCO Commissioner's meeting this Wednesday and an Orange County Water Summit this Friday.

Director LaMar reported that he attended an ACWA Board Meeting in Sacramento, and an ACC-OC Water Committee meeting.

Director Swan reported that he attended an Orange County Watershed meeting, a Newport Bay Watershed tour, a WACO monthly meeting, a meeting at West Basin relative to MWD's future incentive program for building projects, a meeting with General Manager Cook, President Reinhart and representatives from Mesa Water District relative to mutual water issues, and a Newport Beach Chamber of Commerce meeting. He also said he will be attending the Water Educations Foundation's Bay-Delta Water tour this week.

The District's consultant, Mr. Jim Reed, reported on meetings he attended on behalf of IRWD.

RECESS AND RECONVENE

At 6:30 p.m. Vice President Swan declared a recess to hold the Annual Meetings of Bardeen Partners, Inc., Improvement Corporation, and Water Service Corporations. The meeting was reconvened at 6:40 p.m. with all Directors present.

CLOSED SESSION

Vice President Swan said that the following Closed Sessions would be held this evening:

CLOSED SESSION Conference with Labor Negotiators - Government Code Section 54957.6:
Agency Designated Representatives: Paul Cook and Jenny Roney
Employee Group: Managers, Supervisors and Confidential Employees, and

CLOSED SESSION with real property negotiator (Government Code Section 54956.8).
Property: Parcel 393-29-301
Negotiating Parties: Anish Gore
Agency Negotiator: Paul Cook, General Manager
Propose of Negotiations: Price and Term of Payment

OPEN SESSION

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

ADJOURNMENT

There being no further business, Vice President Swan adjourned the meeting.

APPROVED and SIGNED this 26th day of June, 2017.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Alfred Smith, Legal Counsel – Nossaman LLP