

MINUTES OF REGULAR MEETING – JUNE 26, 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 President Reinhart on June 26, 2017 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None.

Also Present: General Manager Cook, Executive Director of Water Policy Weghorst, Executive Director of Operations Sheilds, Executive Director of Finance and Administration Clary, Director of Treasury and Risk Management Jacobson, Director of Water Resources Sanchez, Director of Recycling Operations Zepeda, Director of Human Resources Roney, Legal Counsel Smith, Secretary Bonkowski, Assistant Secretary Swan, Principle Engineer Akiyoshi, Principle Engineer Mori, Risk Manager Shinbashi, Mr. Christopher Smithson, Mr. Jeff Payne, Mr. Jim Reed, Mr. Bruce Newell, Mr. Mike Rudinica, and members of the public.

WRITTEN COMMUNICATIONS: One protest letter was received on June 26, 2017 from Mr. Robert Elliott which was placed before each Director relative to item No. 4 - Workshop – Fiscal Year 2017-18 Capital Budget.

ORAL COMMUNICATIONS: Mr. Ted Finken spoke relative to item No. 4 - Workshop – Fiscal Year 2017-18 Capital Budget.

ITEMS TOO LATE TO BE AGENDIZED: None.

PRESENTATION – RESOLUTION COMMENDING MR. JAMES D. REED FOR HIS DEDICATED SERVICE TO THE IRVINE RANCH WATER DISTRICT

General Manager Cook presented a resolution to Mr. Reed for his dedicated service to the District. Following comments, on MOTION by Swan, seconded and unanimously carried, THE BOARD ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2017-15

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT, ORANGE COUNTY,
CALIFORNIA COMMENDING MR. JAMES D. REED FOR HIS
DEDICATED SERVICE TO THE IRVINE RANCH WATER DISTRICT

PUBLIC HEARING - PROPOSED CHANGES TO THE SCHEDULE OF RATES AND CHARGES EFFECTIVE JULY 1, 2017

General Manager Cook reported that the Fiscal Year (FY) 2017-18 Operating Budget was adopted at the April 24, 2017 Board meeting. 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.

Using a PowerPoint presentation, Mr. Smithson said that the proposed changes were reviewed at four Finance and Personnel Committee meetings and two Board workshops. Mr. Smithson said that the Proposition 218 Notices were mailed on May 5, 2017 and that staff is in the process of responding to each letter. He said that one additional letter was received today which was placed before each Director. He said that the key drivers' comparison to the prior year budget are due to the following increases: Salaries and Benefits (4.7%); Purchased Water (-2.5%); Repairs and Maintenance (1.7%); Electricity (-1.4%); and Other Expenses (0.5%). 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 2017-18 for the three separate rate areas; comparison of the District's rate area compared with other cities and agencies in Orange County; a rate increase history; and Proposition 218 noticing stating that 99,510 notices were mailed.

President Reinhart 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 Reinhart asked Legal Counsel Smith to describe the nature of the proceedings. Legal Counsel Smith 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 Reinhart asked for a staff report on the proposed rates and charges and inquired whether there have been any written communications.

Ms. Cheryl Clary said that as of today, and including the one letter received this afternoon, 13 written protest letters were received which represents 0.01% of total customers, substantially less than the 50% which would have been required to prevent the Board from adopting the current proposed rates and charges.

President Reinhart asked if there were anyone in addition to Mr. Ted Finken who wished to address the Board regarding the proposed rate increases. No one else in the audience wished to be heard.

Mr. Finken, a resident of Irvine, said that Mr. Smithson his answered her questions relative to the rate increase in his presentation. However, he made a suggestion to include a paragraph in the Proposition 218 notice indicating a justification of why a rate increase is necessary, and note that the increase was due to the Orange County Water District's rate increase of 11%.

President Reinhart 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, THE HEARING WAS CLOSED AND THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2017-16

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH
WATER DISTRICT, ORANGE COUNTY, CALIFORNIA
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

On MOTION by Swan, seconded and unanimously carried, CONSENT CALENDAR ITEMS 5 THROUGH 7 WERE APPROVED AS FOLLOWS:

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

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

6. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the June 12, 2017 Regular Board Meeting be approved as presented.

7. MAY 2017 TREASURY REPORT

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report, the monthly Interest Rate Swap Summary for May 2017, and disclosure report of reimbursements to Board members and staff; approve the May 2017 summary of Payroll ACH payments in the total amount of \$1,728,062 and approve the May 2017 Accounts Payable Disbursement summary of Warrants 376894 through 377650, Workers' Compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$10,854,420.

RECESS AND RECONVENE

At 5:47 p.m., President Reinhart declared a recess to hold a Closed Session as follows:

Conference with Labor Negotiators – Government Section 54957.6
Agency Designated Representatives: Paul Cook and Jenny Roney
Employee Group: Managerial, Supervisory, and Confidential Employees

At 6:00 p.m., the meeting was reconvened with all Directors present. President Reinhart said that there was no action to report.

ACTION CALENDAR

SALARY GRADE SCHEDULE CHANGES FOR FY 2017-18

General Manager Cook reported that each year during the process of developing the Operating Budget, staff reviews the current budgeted positions, salaries, and benefits to determine the necessary staffing levels and to maintain a competitive compensation package. Mr. Cook said that the justifications for staffing and organizational changes and the associated costs and cost savings have been incorporated in the FY 2017-18 Operating Budget, adopted by the Board on April 24, 2017.

Mr. Cook said that staff is recommending that a revised salary grade schedule for FY 2017-18 be adopted, with changes becoming effective as of July 1, 2017. The revised salary grade schedule incorporates the following changes: 1) a 2.0% Cost of Living Adjustment for the General Employees Unit, as executed in Article IX of the Memorandum of Understanding between IRWD and the IRWD Employees Association, approved by the Board on August 24, 2015, and 2) a 2.7% Cost of Living Adjustment for the Supervisory, Managerial, and Confidential Employees.

On MOTION by Swan, seconded and unanimously carried, THE BOARD ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2017 - 17

RESOLUTION OF THE BOARD OF DIRECTORS
OF IRVINE RANCH WATER DISTRICT,
RESCINDING RESOLUTION NO. 2017-2 AND
ESTABLISHING A REVISED SCHEDULE OF POSITIONS
AND SALARY RATE RANGES

FORMER ORANGE PARK ACRES MUTUAL WATER COMPANY RESERVOIR
PROPERTY - OFFER TO PURCHASE

Mr. Allen Shinbashi reported that recently the District’s real estate broker for the sale of the former Orange Park Acres Mutual Water Company (OPAMWC) reservoir site (Ferragamo Real Estate) received an offer to purchase the property. The subject property located at 346 South Calle Grande in the City of Orange, was originally the site of an aboveground reservoir

providing potable water to the Orange Park Acres community by the former OPAMWC. Mr. Shinbashi said that the property is zoned for residential use, is free and clear of title issues and includes a fence line encroachment with an adjacent neighbor's property. The Vacant Land Purchase Agreement form representing the buyer's offer to purchase includes the buyer's acknowledgement of the following conditions: 1) The neighbor's fence is not "true" to the property line; 2) Current access to the parcel is a driveway access easement; and, 3) Terms and conditions are subject to final confirmation by IRWD's Board of Directors.

District legal counsel has confirmed that the documentation and related disclosures were properly made to the potential buyers, and further recommends an "As-Is" addendum be included with the escrow instructions as formal acknowledgement of the disclosures.

Director Withers said that this item was reviewed in Closed Session by the Asset Management Committee on May 30, 2017 and in Closed Session by the Board on June 12, 2017. On **MOTION** by Swan, seconded and unanimously carried, **THE BOARD AUTHORIZED STAFF TO ACCEPT THE OFFER OF \$580,000 FOR THE SALE OF THE FORMER ORANGE PARK ACRES MUTUAL WATER COMPANY RESERVOIR PROPERTY LOCATED AT 346 S. CALLE GRANDE IN THE CITY OF ORANGE, SUBJECT TO NON-SUBSTANTIVE CHANGES, TO INCLUDE AN "AS-IS" ADDENDUM ACKNOWLEDGING EXISTING PROPERTY CONSTRAINTS; AND AUTHORIZED THE GENERAL MANAGER, TREASURER AND EACH OTHER OFFICER OF THE DISTRICT, EACH ACTING SINGLY, TO EXECUTE AND DELIVER ANY AND ALL DOCUMENTS, ASSIGNMENTS, CERTIFICATES, INSTRUCTIONS AND INSTRUMENTS NECESSARY OR PROPER FOR CARRYING OUT AND CLOSING THE REAL ESTATE TRANSACTION FOR THE SALE OF THE PROPERTY.**

GENERAL MANAGER'S REPORT

General Manager Cook reported that SOCWA is in litigation with Moulton Niguel Water District for nonpayment of \$756,000 for its share of Project Committee 15. Mr. Cook said that there may come a time when IRWD will become involved as a member of SOCWA.

Mr. Cook said that he and Mr. Patrick Shields met with NWRI's newly-appointed Executive Director Ken Hardy where they provided an overview of the District as well as brainstormed potential collaborative efforts.

DIRECTORS' COMMENTS

Director Matheis reported on her attendance at the Water Education Foundation's Bay Delta Tour, a Celebrate Irvine event, a State of South County 2017 event with Supervisor Lisa Bartlett, and Chapman University's Annual Economic Forecast update.

Director LaMar reported on his attendance at a Natural Communities Coalition field trip, and a meeting with representatives of the California Data Collaborative relative to governance.

Director Swan reported on his attendance at the Water Education Foundations' Bay Delta tour, RJM Consultant's 30th Anniversary lunch event, a Newport Chamber of Commerce Open House,

a Southern California Water Committee meeting, a Southern California Dialogue meeting, and meetings with OCWD, OCSD, and the County.

Director Reinhart said that in early June he attended a SOCWA Board meeting, a WACO monthly meeting, and a MWDOC Planning and Operations Committee meeting.

ADJOURNMENT

There being no further business, President Reinhart adjourned the meeting in honor of Mr. Jim Reed's service to the District over the past 17 years.

APPROVED and SIGNED this 10th day of July, 2017.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Alfred Smith, Legal Counsel – Nossaman LLP