

## EXHIBIT "A"

### MINUTES OF REGULAR MEETING – JUNE 23, 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 Vice President Swan on June 23, 2014 in the District office, 15600 Sand Canyon Avenue, Irvine, California. President LaMar, via teleconference, asked that Vice President Swan chair tonight's meeting.

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

Directors Absent: None.

Also Present: General Manager Cook, Executive Director of Engineering and Planning Burton, Executive Director of Water Resources Weghorst, Director of Water Resources Sanchez, Director of Risk Management and Treasury Jacobson, Director of Public Affairs Beeman, Director of Administrative Services Mossbarger, Director of Human Resources Roney, Assistant Director of Maintenance Drake, Assistant Director of Recycling Operations Lee, Ms. Christine Compton, Ms. Shannon Reed, Legal Counsel Arneson (by teleconference), Secretary Bonkowski, Ms. Gina Jackson, Mr. Jim Reed, Mr. Bruce Newell, Mr. Randy Heiman, Mr. Parker Schweich, 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 1, 2, 4, 6, 7, C-8, C-9, 10, 12, 13, 14, 15, 17 and 18 will operate in accordance with the District's annual pumping plan. Wells 3, 5, 11 and 16 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. This was confirmed by Mr. Cook.

2) Mr. Randy Herman and Mr. Parker Schweich, both relative to Item No. 3 (see page 3).

ITEMS TOO LATE TO BE AGENDIZED: None.

## PUBLIC HEARING

### PROPOSED CHANGES TO THE SCHEDULE OF RATES AND CHARGES EFFECTIVE JULY 1, 2014

General Manager Cook reported that the Fiscal Year (FY) 2014-15 Operating Budget was adopted by the Board at the public workshop held on April 28, 2014. Mr. Cook said that pursuant to the requirements of Proposition 218, a Public Hearing on the rates and charges is required.

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

Secretary Bonkowski reported that the hearing was noticed by an independent processing firm, PSB Integrated Mark, by mail. She then presented the affidavit of mailing to be received and filed.

On MOTION by Reinhart, seconded and unanimously carried on a roll call vote (5-0) (Reinhart, Swan, LaMar, Withers and Matheis voting aye), **THE AFFIDAVIT OF MAILING BY AN INDEPENDENT PROCESSING FIRM AS PRESENTED BY THE SECRETARY WAS RECEIVED AND FILED.**

Vice President Swan 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 and Article XIII D 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.

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

Mr. Christopher Smithson said for the noticing procedure, notices were mailed including separate notices for the Irvine rate area for residential, commercial, and landscape customers; for the Los Alisos rate area for residential, commercial, and landscape customers; and for the Orange Park Acres rate area. He said that as of today, six 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. In response to Director Matheis' inquiry concerning public comments where the District may wish to make a detailed written response, staff will prepare a response, and then determine who will respond, either Director of Water Resources Sanchez, or a Board member.

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 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 a typical residential customer's rates from the current rate to the proposed rate for FY 2014-15 for the three separate rate areas. He further discussed the mitigation measures staff was

implementing to encourage conservation and control rate increases, and also reviewed the customer outreach programs.

Vice President Swan inquired whether there was anyone present who wishes to address the Board regarding the proposed changes to the rates and charges.

Mr. Randy Herman made comments relative to the fixed charges on his bill which he felt were unfair since he is a low volume user. In response to his suggestion that fixed charges should be implemented for *tiers* used, Director Swan said that he would like an item added to a future Finance and Personnel Committee meeting to explore this idea. Director Reinhart further explained the cost for the infrastructure in place for services which need to be shared amongst the user in a fair and equitable manner.

Vice President Swan inquired if there was anyone else who wished to address the Board, and Mr. Parker Schweich asked to speak. In response to Mr. Schweich's comment on the San Juan Capistrano lawsuit, Director Reinhart explained the lawsuit and noted the reclaimed water component in place which was not applicable to all residents causing the lawsuit. Legal Counsel Arneson commented that other tiered rate cases as well as this suit had challenged alleged flaws in implementing the rate structure, and did not mean that tiered rate structures were invalid per se under Proposition 218. In response to Mr. Schweich's inquiry for information on the cost of delivering water to higher *tiers*, General Manager Cook said he will obtain the data to provide him.

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

On MOTION by Matheis, seconded and unanimously carried on a role call vote (5-0) (Reinhart, Swan, LaMar, Withers and Matheis voting aye), THE HEARING WAS CLOSED AND THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2014 - 32

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA  
RESCINDING RESOLUTION NO. 2013- 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

On MOTION by Withers, seconded and unanimously carried on a role call vote (5-0) (Reinhart, Swan, LaMar, Withers and Matheis voting aye), CONSENT CALENDAR ITEMS 4 THROUGH 11 WERE APPROVED AS FOLLOWS:

4. MINUTES OF REGULAR BOARD MEETING AND ADJOURNED REGULAR BOARD MEETING

Recommendation: That the minutes of the June 9, 2014 Regular Board Meeting and June 16, 2014 Adjourned Regular Board Meeting be approved as presented.

5. MAY 2014 TREASURY REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report, the Monthly Interest Rate Swap Summary for May 2014, and Disclosure Report of Reimbursements to Board members and staff; approve the May 2014 Summary of Payroll ACH Payments in the total amount of \$2,139,905 and approve the May 2014 Accounts Payable Disbursement Summary of Warrants 348232 through 349246, workers' compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$16,165,585.

6. APPROVAL OF IRWD'S SHARE OF SOCWA'S FISCAL YEAR 2014-15 OPERATING BUDGET

Recommendation: That the Board recommend approval of IRWD's share of SOCWA's Operations and Maintenance Fiscal Year 2014-15 budget in the amount of \$255,208.

7. SYPHON RESERVOIR INTERIM FACILITIES BUDGET INCREASE, EXPENDITURE AUTHORIZATION, AND VARIANCE

Recommendation: That the Board authorize a budget increase for Project 30374 (3729) in the amount of \$189,100 from \$2,732,300 to \$2,921,400; approve an Expenditure Authorization for Project 30374 (3729) in the amount of \$189,100; and authorize the General Manager to execute Variance No. 5 in the amount of \$10,500 with URS Corporation, Inc. for the Syphon Reservoir Interim Facilities, Project 30374 (3729).

8. SAN JOAQUIN RESERVOIR ACTUATOR REPAIR/REPLACEMENT EXPENDITURE AUTHORIZATION

Recommendation: That the Board approve an Expenditure Authorization in the amount of \$155,700 for the San Joaquin Reservoir Actuator Repair/Replacement, Project 30455 (5153).

## CONSENT CALENDAR (CONTINUED)

### 9. MICHELSON WATER RECYCLING PLANT PHASE 2 EXPANSION VARIANCE

Recommendation: That the Board authorize the General Manager to execute Variance No. 9 in the amount of \$52,390 with Delta Systems Engineering for supplemental services associated with the remaining start-up and commissioning activities for the Michelson Water Recycling Plant Phase 2 Expansion, Projects 20214 (1599) and 30214 (1706).

### 10. FISCAL YEAR 2014-15 EXPENDITURE AUTHORIZATIONS

Recommendation: That the Board approve Expenditure Authorizations for FY 2014-15 in the amount of \$198,000 for Engineering Planning Study Reserve (water), project 11056 (1790); \$171,600 for Engineering Planning Study Reserve (sewer), project 21056 (1366); \$176,000 for Engineering Planning Study Reserve (recycled), project 31056 (1593); \$1,391,000 for OCSD Solids Handling, project 20812 (1410); \$110,000 for raise manholes to grade 14/15, project 20947 (5299); \$39,000 for Great Park Coordination and Sub-area Master Plan update, project 11469 (1520); and \$39,000 for Great Park Coordination and SAMP update, project 21469 (1167).

### 11. FISCAL YEAR 2014-15 OPERATIONS EXPENDITURE AUTHORIZATIONS

Recommendation: That the Board approve Expenditure Authorizations for projects 10392 (1409) \$445,000; 11652 (3770) \$336,600; 11646 (5149) \$916,900; 11648 (3768) \$190,300; 11649 (3769) \$203,500; 11653 (5492) \$130,200; 11703 (4422) \$660,000; 20914 (4438) \$332,200; 20959 (5482) \$330,000; 21010 (4420) \$132,000; 21646 (5490) \$218,900; 21703 (4432) \$400,000; 31646 (3781) \$342,100; 31648 (5485) \$82,500; and 31703 (4429) \$440,000 included in the FY 2014-15 Capital Budget for the total budgeted amount of \$5,160,200.

## ACTION CALENDAR

### SILVERADO CANYON DOMESTIC WATER PIPELINE CONSTRUCTION AWARD

General Manager Cook reported that Silverado Canyon is served by an existing 8-inch steel pipeline that was installed in 1964 that extends from Fleming Booster Pump Station into the canyon. Mr. Cook said that this project will replace and upsize approximately 7,100 linear feet of the existing pipeline with a 12-inch PVC pipeline from Fleming Booster Pump Station to the first bridge over Santiago Creek as recommended in the Santiago County Water District Facilities Integration Study. The replacement will improve the system reliability and fire flow to Silverado Canyon.

Executive Director of Engineering Burton reported that the design was completed and the project was advertised for construction on May 16, 2014 to a select list of 13 contractors. Mr. Burton said that the bid opening was held June 5, 2014 with bids received from Sully-Miller, GCI Construction, WA Rasic Construction, Leatherwood Construction, L&S Construction, Vido Artukovich & Son, and Kennedy Pipeline. He said that Sully-Miller was the apparent low bidder with a bid amount of \$1,742,143. The engineer's estimate is \$2,148,481.

Mr. Burton said that staff reviewed Sully-Miller's bid and identified a minor irregularity in the construction schedule consisting of a project duration that exceeds the contract time of 210 calendar days as stated in the Bid Documents. He said that this is an apparent clerical error as the submitted schedule equals approximately 210 *work* days. The contract time of 210 *calendar* days will be binding. Staff conferred with legal counsel and legal counsel concurred that there is a sufficient basis for a factual finding by the Board that the irregularity in Sully-Miller's bid was inconsequential and cannot have affected the bid amount or given the bidder a competitive advantage over the other bidders. Staff recommends waiving the bid irregularity and awarding the construction contract to Sully-Miller in the amount of \$1,742,143. On MOTION by Reinhart, seconded and unanimously carried on a role call vote (5-0) (Reinhart, Swan, LaMar, Withers and Matheis voting aye), **THE BOARD APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$2,000,300 FOR PROJECT 11743 (4919); FOUND THAT THE IRREGULARITY IN THE BID SUBMITTED BY SULLY-MILLER CONTRACTING COMPANY ON JUNE 5, 2014 DID NOT AFFECT THE AMOUNT OF THE BID OR AFFORD SULLY-MILLER A COMPETITIVE ADVANTAGE OVER THE OTHER BIDDERS AND WAIVED THE IRREGULARITY; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH SULLY-MILLER CONTRACTING COMPANY IN THE AMOUNT OF \$1,742,143 FOR THE SILVERADO CANYON DOMESTIC WATER PIPELINE, PROJECT 11743 (4919).**

#### PORTOLA SPRINGS 16-INCH RECYCLED WATER PIPELINE CONSTRUCTION AWARD

General Manager Cook reported that this project will construct a permanent 16-inch recycled water pipeline to replace an existing above-ground 16-inch temporary pipeline located on the University of California's Agriculture & Natural Resources' South Coast Field Station between Ridge Valley and Lambert Road.

Executive Director of Engineering Burton reported that the design was completed and the project was advertised for construction on May 5, 2014 to a select list of 12 contractors. Mr. Burton said that the bid opening was held June 5, 2014 with four bids received from GCI Construction, Inc., Kennedy Pipeline Company, L&S Construction, Inc. and TE Roberts, Inc. TE Roberts is the apparent low bidder with a bid amount of \$184,665.90. Staff reviewed TE Roberts' bid and has determined that it is responsive. The engineer's estimate was \$222,407. Mr. Burton said that TE Roberts was recently added to the list of prequalified contractors and wanted to be very competitive as this would be their first project bid for IRWD.

On MOTION by Matheis, seconded and unanimously carried on a role call vote (5-0) (Reinhart, Swan, LaMar, Withers and Matheis voting aye), **THE BOARD AUTHORIZED A BUDGET INCREASE FOR PROJECT 30433 (4951) IN THE AMOUNT OF \$40,200, FROM \$284,500 TO \$324,700; APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$285,000; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH TE ROBERTS, INC. IN THE AMOUNT OF \$184,665.90 FOR THE PORTOLA SPRINGS 16-INCH RECYCLED WATER PIPELINE, PROJECT 30433 (4951).**

STRAND RANCH WELL OPTIMIZATION AND MONITORING PROJECT BUDGET INCREASE, EXPENDITURE AUTHORIZATION, CHANGE ORDERS AND VARIANCES

General Manager Cook reported that on March 10, 2014, the Board approved the Strand Ranch Well Optimization and Monitoring Project (Project) to lower the pumps and install wellhead monitoring and remote telemetry equipment at six Strand Ranch extraction wells which is currently under construction. In March 2014, the Compromise and Release Agreement with Bakersfield Well & Pump (BWP) for the replacement of SREX-4 was executed and they are preparing to drill and construct a new SREX-4 well (SREX-4R). He said that an additional budget increase and Expenditure Authorization are required for change order work and to fund the cost of design, construction and construction management for the reconnection and start-up of SREX-4R, as well as to perform work related to lowering of the pump and installation of the wellhead telemetry equipment for the new SREX-4R.

Executive Director of Water Resources Weghorst described the Contract Change Orders in the total amount of \$100,331 with BWP as follows: 1) No. 1 in the amount of \$12,349 includes the cost of adding enclosures with panel louvers and relays for the telemetry units on the six Strand wells. It also includes additional cost to transport the bowl assemblies for SREX-1, 2 & 6 to BWP's shop to disassemble, inspect and reassemble the equipment; 2) No. 2, in the amount of \$6,400 includes the additional cost to provide and install 316 stainless steel couplings on the line shafts of the six wells; and 3) No. 3 includes the work associated with repairing and reinstalling the pump, motor and well enclosure for the new SREX-4R, establishing electrical connections, as well as testing the wellhead equipment and discharge piping (which was excluded in the Agreement). It also includes the work to lower the pump, install the instrumentation for SREX-4R, and shop inspection of the SREX-6 motor.

Mr. Weghorst said that a variance in the amount of \$14,536 to Kennedy/Jenks Consultants (KJC) agreement is needed to provide additional design services for SREX-4R to lower the pumps and install telemetry equipment as well as to provide record drawings.

Mr. Weghorst also said that a variance in the amount of \$28,630 with Dee Jaspar & Associates (DJA) is required to perform daily site inspections, safety monitoring, processing requests for information and submittals, preparing field inspection reports and reviewing record drawings for the drilling and replacement of well SREX-4.

Director Reinhart said that this item was reviewed and approved by the Engineering and Operations Committee on June 17, 2014. On MOTION by Reinhart, seconded and unanimously carried on a roll call vote (5-0) (Reinhart, Swan, LaMar, Withers and Matheis voting aye), THE BOARD AUTHORIZED A NET INCREASE TO THE FY 2014-15 CAPITAL BUDGET IN THE AMOUNT OF \$153,100 WHICH INCLUDES AN INCREASE TO PROJECT 11794 IN THE AMOUNT OF \$211,500, FROM \$501,600 TO \$713,100, AND A DECREASE TO PROJECT 11289 IN THE AMOUNT OF \$58,400, FROM \$17,739,700 TO \$17,681,300; APPROVED AN EXPENDITURE AUTHORIZATION FOR PROJECT 11794 FOR \$211,500; AUTHORIZE THE GENERAL MANAGER TO EXECUTE CHANGE ORDER NOS. 2 AND 3 WITH BAKERSFIELD WELL & PUMP IN THE AMOUNT OF \$106,731 FOR ADDITIONAL COST OF STAINLESS STEEL COUPLINGS, WORK AND TO LOWER THE PUMP AND INSTALL WELLHEAD MONITORING EQUIPMENT ON SREX-4R, AND TO START UP SREX-4R; AUTHORIZED THE GENERAL MANAGER TO EXECUTE VARIANCE NO. 2 WITH

KENNEDY/JENKS CONSULTANTS IN THE AMOUNT OF \$14,536 FOR ADDITIONAL DESIGN SERVICES TO ADD SREX-4R TO THE STRAND RANCH WELL OPTIMIZATION AND MONITORING PROJECT AND PREPARE RECORD DRAWINGS; AND APPROVED VARIANCE NO 1 WITH DEE JASPAR & ASSOCIATES IN THE AMOUNT OF \$28,630 FOR CONSTRUCTION OVERSIGHT SERVICES FOR THE REPLACEMENT OF SREX-4R AND FOR THE PUMP LOWERING AND INSTRUMENTATION INSTALLATION FOR SREX-4R.

#### GENERAL MANAGER'S REPORT

General Manager Cook reported that SB 848 failed on the Senate Floor by a 22-9 vote with re-submittal expected in the future. He updated the Board on SB 26 and said that both Senator Correa and OCWD have been meeting, and that OCWD is taking a "Watch" position on the bill which is evolving with amendments.

Mr. Cook said that amicus briefs were filed on the San Juan Capistrano rate case. He said that an item on allocation rate structure may be submitted for discussion at a future WRP Committee meeting. Legal Counsel Arneson said that she would follow-up with information on the filing date for any responsive briefing.

Mr. Cook reported on last Friday's chlorine leak which occurred due to a faulty cylinder gasket at the primary disinfection facility in Santa Ana. He said that Assistant Director of Maintenance, Ken Drake and 15 employees responded and performed very well with the OCFA.

Mr. Cook reported on the District receiving the Diamond Rideshare award from the OCTA as well as the Comprehensive Annual Financial Report from the Government Finance Officers Association.

#### DIRECTORS' COMMENTS

Director Matheis reported on today's media clips from staff relative to the 1922 Colorado River Compact as well as an article on the Governor's position on two proposed tunnels under the Delta that would deliver water to Central Valley, Los Angeles and other cities.

Director Withers reported on his attendance at a LAFCO meeting last week with the Commissioners appointing Mr. Derick McGregor as its Public Member as well as a Lake Forest community event. He said that this Wednesday he will be attending an OCSD Board meeting.

Director Reinhart reported that he, Mr. Paul Cook and Ms. Christine Compton met with Mr. Bill Campbell, IRWD's representative candidate for the MWDOC appointment on the MWD Board, and noted the proposed schedule for interviews. He noted that MWDOC is holding a Special Board meeting on Wednesday to provide candidates with a review and understanding of the MWD role as MWDOC's Director. He said that interviewing by MWDOC was premature and was not intended at this point in the process. He further said that he attended a MWDOC Board meeting.

Director Swan reported on his attendance at the ACWA Finance Committee meeting via teleconference; an ACWA meeting relative to bonds with Director Matheis; a WACO Planning meeting, and an OCWD Board meeting.



ADJOURNMENT

Vice President Swan adjourned the meeting at 6:22 p.m.

APPROVED and SIGNED this 14th day of July, 2014.

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President, IRVINE RANCH WATER DISTRICT

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Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

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Legal Counsel - Bowie, Arneson, Wiles & Giannone