

MINUTES OF REGULAR MEETING – MAY 13, 2019

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 5:06 p.m. by President LaMar on May 13, 2019 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None.

Also Present: General Manager Cook, Executive Director of Engineering and Water Quality Burton, Executive Director of Water Policy Weghorst, Executive Director of Operations Chambers, Executive Director of Finance and Administration Clary, Director of Water Resources Sanchez, Director of Public Affairs Beeman, Director of Treasury and Risk Management Jacobson, General Counsel Collins, Special Counsel DeMayo, Assistant Secretary Swan, Government Relations Officer / Deputy General Counsel Compton, Director of Maintenance Mykitta, Director of Water Quality and Regulatory Compliance Colston, Director of Water Operations Roberts, Ms. Deborah Diep, and members of staff and the public.

WRITTEN COMMUNICATIONS: None.

ORAL COMMUNICATIONS: None.

ITEMS TOO LATE TO BE AGENDIZED: None.

PRESENTATION

SCIENCE FAIR WINNERS

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

PUBLIC HEARING

CONSIDERATION OF FINAL ACTION ON A TRANSITION TO DIVISION-BASED ELECTIONS AND CONSIDERATION OF ADOPTION OF A FINAL MAP OF DIVISION BOUNDARIES AND A SEQUENCE OF ELECTIONS

President LaMar declared the Board meeting of May 13, 2019 to be the time and place for a hearing on the Irvine Ranch Water District Board of Directors' consideration of final action on a transition to division-based elections for the election of the Board of Directors, adoption of a final map of division boundaries and a sequence of elections. He asked the Board Secretary to announce how the hearing was noticed.

Secretary Bonkowski said that the hearing was noticed by publication in the *Orange County Register* on Sunday, April 28, 2019; by publication in Spanish in the *Excelsior Unidos* on Friday, April 26, 2019; by publication in Korean in the *Korea Times* on Saturday, April 27, 2019; by publication in English and Traditional Chinese in the *World Journal* on Saturday, April 27, 2019,

and Sunday, April 28, 2019; by publication in Farsi in *Haftah Bazaar* on Friday, April 26, 2019; by electronic posting in English, Farsi, Korean, Traditional Chinese, and Spanish on the IRWD website, which can be translated into approximately 20 languages; and by physical posting at IRWD's headquarters. She said that the proposed final map — Map E-2— was published on IRWD's website on April 16, 2019, along with the two options proposed for the sequence of elections. She further presented the Affidavits of Posting and Proofs of Publication to the Board related to the hearing. On MOTION by Swan, seconded and unanimously carried, THE BOARD OF DIRECTORS RECEIVED AND FILED THE AFFIDAVITS OF POSTING AND PROOFS OF PUBLICATION AS PRESENTED BY THE SECRETARY.

President LaMar requested special legal counsel to describe the nature of the proceedings, and to explain the purpose of the hearing.

Legal Counsel DeMayo described the nature of the proceedings, and explained the purpose of the hearing as being the opportunity to invite and solicit public comment on the proposed final action on a transition to division-based elections for electing the Irvine Ranch Water District Board of Directors, and recommended adoption of a final map of division boundaries and a sequence of elections.

On MOTION by Withers, seconded by Matheis and unanimously carried, THE PUBLIC HEARING WAS OPENED TO SOLICIT AND ACCEPT COMMENT ON THE PROPOSED FINAL ACTION ON A TRANSITION TO DIVISION-BASED ELECTIONS FOR ELECTING THE IRVINE RANCH WATER DISTRICT BOARD OF DIRECTORS, AND RECOMMENDED ADOPTION OF A FINAL MAP OF DIVISION BOUNDARIES AND A SEQUENCE OF ELECTIONS.

President LaMar asked Government Relations Officer/Deputy General Counsel Compton to provide a report to the Board regarding the proposed final action on a transition to by division-based elections, and recommended action of a final division map and a sequence of elections.

Government Relations Officer/Deputy General Counsel Compton provided a report to the Board regarding the proposed final action on a transition to division-based elections for electing the Irvine Ranch Water District Board of Directors, and recommended adoption of a final map of division boundaries and a sequence of elections. Using a PowerPoint presentation, Ms. Diep reviewed Map E-2 with the original numbering for the divisions and an alternate numbering sequence with odds and evens being elected in separate election cycles.

President LaMar asked whether there is any person present who wished to provide comments regarding the proposed final action on a transition to division-based elections for electing the Irvine Ranch Water District Board of Directors, and recommended adoption of a final map of division boundaries and a sequence of elections. There was no one who wished to be heard.

On MOTION by Swan, seconded and unanimously carried, THE PUBLIC HEARING WAS CLOSED.

President LaMar asked whether there are any comments or questions from members of the Board of Directors. Director Withers and Swan both noted their preference for the original sequencing of the divisions, and on MOTION by Withers, seconded and unanimously carried, THE

DIVISION NUMBERING AND THE SEQUENCE OF ELECTIONS WERE APPROVED WITH DIVISIONS 1 AND 4 UP FOR ELECTION IN 2020 AND DIVISIONS 2, 3, AND 5 UP FOR ELECTION IN 2022, AND THE BOARD ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2019-12

RESOLUTION CHANGING THE METHOD OF ELECTION OF DIRECTORS FROM AT-LARGE TO BY-DIVISION, AND ADOPTING A MAP ESTABLISHING INITIAL DIVISIONS FOR THE ELECTION OF MEMBERS OF THE BOARD OF DIRECTORS, DIVISION NUMBERING AND THE SEQUENCE OF ELECTIONS

CONSENT CALENDAR

On MOTION by Matheis, seconded and unanimously carried, CONSENT CALENDAR ITEMS 5 THROUGH 9 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, Mary Aileen Matheis, Peer Swan, and John Withers.

6. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the April 22, 2019 Regular Board meeting be approved as presented.

7. FISCAL YEAR 2018-2019 LEGAL SERVICES PROVIDED BY ALSTON & BIRD

Recommendation: That the Board authorize the General Manager to execute a variance to the Letter of Engagement with Alston & Bird for legal services related to complex issues and litigation increasing the not-to-exceed value of the contract by \$1,500,000.

8. RATIFICATION OF LAWSUIT SETTLEMENT PAYMENT *FARMERS INSURANCE EXCHANGE V. THE IRVINE COMPANY, ET AL*

Recommendation: That the Board ratify the General Manager's approval of payment for \$15,000 to settle case no.: 30-2018-01015483-cu-po-cjc – *Farmers Insurance Exchange v. The Irvine Company, et al.*

CONSENT CALENDAR (CONTINUED)

9. LETTER OF CREDIT EXTENSION FOR THE SERIES 2009B -

Recommendation: That the Board approve an extension of the Bank of America N.A. Letter of Credit for the District's 2009B bonds to May 2022 at an annual cost of 0.30%, and adopt the following resolution by title authorizing certain actions in connection with an extension of Letter of Credit.

RESOLUTION NO. 2019-13

RESOLUTION OF THE BOARD OF DIRECTORS OF
THE IRVINE RANCH WATER DISTRICT
AUTHORIZING CERTAIN ACTIONS IN CONNECTION
WITH EXTENSION OF LETTER OF CREDIT
(CONSOLIDATED SERIES 2009B)

ACTION CALENDAR

2019 REGULAR LAFCO SPECIAL DISTRICTS SEAT ELECTION TO FILL VACANT
SPECIAL DISTRICT SEAT

Director Withers left the Board meeting at 5:28 p.m. On MOTION by Reinhart, seconded and carried (LaMar, Reinhart, Matheis and Swan voting yes, and Withers absent) (4-0), THE BOARD AUTHORIZED THE DISTRICT SECRETARY TO SUBMIT THE "DECLARATION OF QUALIFICATION TO VOTE" FORM DESIGNATING PRESIDENT STEVE LAMAR AS IRWD'S AUTHORIZED VOTING MEMBER AND VICE PRESIDENT MARY AILEEN MATHEIS AS IRWD'S ALTERNATE VOTING MEMBER FOR THE ORANGE COUNTY SPECIAL DISTRICT SELECTION COMMITTEE ELECTION; NOMINATED SANTA MARGARITA WATER DISTRICT DIRECTOR SANDRA JACOBS AS A CANDIDATE FOR THE REGULAR LAFCO SPECIAL DISTRICT SEAT; AUTHORIZED PRESIDENT LAMAR OR THE DESIGNATED ALTERNATE TO SUBMIT THE "2019 NOMINATION FORM" ON BEHALF OF DIRECTOR WILSON; AND AUTHORIZED THE DISTRICT'S VOTING MEMBER TO CAST THE DISTRICT'S BALLOT IN FAVOR OF DIRECTOR JACOBS.

REHABILITATION OF DYER ROAD WELLFIELD WELLS 5, 14, AND 16 BUDGET
INCREASE AND CONSTRUCTION AWARD

Executive Director of Engineering and Water Quality Burton reported that Dyer Road Wellfield (DRWF) Wells 5, 14 and 16 have experienced biological and inorganic fouling as well as reduction in production and specific capacity and need rehabilitation. Mr. Burton said that Well 5 was constructed in 1998 with copper bearing steel and was previously rehabilitated in 2015 due to extensive biological fouling. In 2018, after the well had sat dormant for a period, an inspection video of the well casing revealed that the louvers were completely plugged by what appears to be crystalline calcite, a result of microbial induced corrosion (MIC). The well at the time of shutdown was unable to produce water and is in need of a thorough mechanical and chemical rehabilitation.

Mr. Burton said that Well 14 was constructed in 1986 with mild steel as the casing material and steel Johnson screens. The specific capacity and production levels have not dropped dramatically; however, a video of the well conducted in November 2018 indicated heavy encrustation of iron-related and slyme bacteria at various depths within the screened intervals within the well. Due to its high production capacity, this well has been in operation for an extensive period and the pump assembly and motor were operated to failure. As a result, the pump and motor will also be replaced as part of the project.

Mr. Burton said that Well 16 was constructed in 1996 with copper bearing steel as the casing material. The specific capacity of Well 16 has decreased over time from the well's original specific capacity of 49 gpm per foot of drawdown to 12 gpm per foot of drawdown in 2017. The decrease in specific capacity is attributed to heavy biological fouling and encrustation buildup within the gravel pack as verified by a recent downhole video of the well. In addition to the rehabilitation, a new well pump will be installed in the well.

Mr. Burton said that the rehabilitation design was completed in March 2019, and the project was advertised for construction to a select bidders list of seven contractors. He said that the bid opening was held on April 23, 2019 and one bid was received. Best Drilling and Pump, Inc. is the apparent low bidder with a bid amount of \$2,334,370. The engineer's estimate of \$1,728,900 was lower than the bid amount due to: 1) the assumption that the contractor would complete only one well rig mobilization/demobilization at each well site; however, the contractor will need to mobilize/demobilize a second time to install the new pumps and motors at Wells 14 and 16 at the time of equipment delivery, 2) increased costs for a new pump and motor at Well 14 and a new pump at Well 16, and 3) increased costs for a stainless steel liner at Well 16. He further said that although the District received only one bid, the majority of the line item bid unit prices and costs are consistent with bids from previous rehabilitation projects.

On MOTION by Reinhart, seconded and carried (LaMar, Reinhart, Matheis and Swan voting yes, and Withers absent) (4-0), THE BOARD AUTHORIZED A BUDGET INCREASE IN THE AMOUNT OF \$324,000, FROM \$770,000 TO \$1,094,000, FOR PROJECT 07089, AND IN THE AMOUNT OF \$469,000, FROM \$770,000 TO \$1,239,000, FOR PROJECT 07091; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH BEST DRILLING AND PUMP, INC. IN THE AMOUNT OF \$2,334,370 FOR REHABILITATION OF DYER ROAD WELLFIELD WELLS 5, 14, AND 16, PROJECTS 10914, 07089 AND 07091.

IRWD 2019 REPLACEMENT FUND POLICY IRWD 2019 REPLACEMENT FUND POLICY

Using a PowerPoint presentation, Mr. Christopher Smithson reviewed the objectives of a Replacement Fund Policy including: 1) establishing a prudent level to designate and generate funds for long-term capital infrastructure replacement needs: 2) moderating the financial impact of future customer rates attributable to replacing and enhancing capital facilities: 3) providing financial flexibility to effectively respond to catastrophic events and significant unplanned emergency repairs; and 4) providing operating liquidity for rate stabilization, unplanned revenue shortfall, or unanticipated expenditures.

Mr. Smithson said that IRWD established a Replacement Fund in the early 1980s funded by its customers as a component of the monthly fixed water and sewer service charge. He said that the District adopted a formal policy in 1996 to ensure sufficient funds are available to pay for the replacement infrastructure; this policy was updated in 2001. The 2001 policy identified categories for use and target balances for each category within the Replacement Fund. Mr. Smithson reviewed tables and/or charts showing proposed funding criteria, replacement fund targets versus fund balances, and the replacement fund balance in relation to planned expenditures.

Director Swan said that this item was reviewed by the Finance and Personnel Committee on May 1, 2019. On MOTION by Swan, seconded and carried, (LaMar, Reinhart, Matheis and Swan voting yes, and Withers absent) (4-0), THE BOARD ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2019 - 13

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE
RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA
ADOPTING CHANGES TO REPLACEMENT FUND POLICY

OTHER BUSINESS

GENERAL MANAGER'S REPORT

General Manager Cook reported that he had emailed the Board a report from the Grand Jury relative to re-opening Irvine Lake for fishing, and that a draft response will be submitted to the Water Resources Policy and Communications Committee for review.

Mr. Cook reported that the District's contractor, Tropical Plaza, completed the succulent demonstration garden in front of headquarters today.

The District's newest staff member in the General Manager's office was introduced to the Board, Mr. Frank Prewoznik.

Mr. Cook further noted that the District's consultant, Mr. Bruce Newell, was unable to attend tonight's meeting but relayed that he was able to review the Proposition 218 notices with the Inter-Canyon League group recently.

DIRECTORS' COMMENTS

Director Reinhart reported on his attendance at a SOCWA issues discussion, a MWDOC workshop, a monthly WACO meeting, and an ACWA Spring Conference in Monterey.

Director Swan reported on his attendance at an OCWA lunch meeting, a Newport Chamber of Commerce meeting, a WACO Planning meeting, an ACWA JPIA meeting, and an ACWA Spring Conference in Monterey. He further reported that he accepted a plaque from the Orange County Alumnae Chapter of Delta Sigma Theta Sorority, Inc. recognizing the District for outstanding service and dedication to the Community.

Director Matheis reported on her attendance at an ACWA conference, the City of Irvine's annual Korean Festival, an Urban Water Institute meeting, a WACO meeting, and an ACWA Spring Conference in Monterey.

Director LaMar reported on his attendance at an ACWA State Legislative Committee meeting in Sacramento, a WACO meeting, and an ACWA Spring Conference in Monterey.

ADJOURNMENT

There being no further business, President LaMar adjourned the meeting at 6:05 p.m.

APPROVED and SIGNED this 10th day of June, 2019.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Claire Hervey Collins, Legal Counsel
– Lewis Brisbois