

MINUTES OF REGULAR MEETING – JULY 8, 2019

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 LaMar on July 8, 2019 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Also Present: General Manager Cook, Executive Director of Finance and Administration Clary, Executive Director of Technical Services Burton, Executive Director of Water Policy Weghorst, Executive Director of Operations Chambers, Director of Public Affairs Beeman, Director of Human Resources Roney, General Counsel Collins, Director of Water Operations Zepeda, Director of Water Quality and Regulatory Compliance Colston, Director of Water Operations Roberts, Director of Treasury and Risk Management Jacobson, Director of Administrative Services Mossbarger, Director of Maintenance Mykitta, Government Relations Officer/Deputy General Counsel Compton, Secretary Bonkowski, Assistant Secretary Swan, and members of staff and the public.

WRITTEN COMMUNICATIONS: None.

ORAL COMMUNICATIONS: None.

ITEMS TOO LATE TO BE AGENDIZED: None.

PUBLIC HEARING

REPORT ON WATER QUALITY RELATIVE TO PUBLIC HEALTH GOALS

President LaMar declared this to be the time and place for the hearing on the Report on Water Quality Relative to Public Health Goals, and declared the hearing open. He asked Secretary Bonkowski to report the manner by which the Notice of Hearing was given.

Secretary Bonkowski said that the Notice of this hearing was published in the Orange County Register on June 23, 2019 and that a Notice was also posted in the District office on June 24, 2019. She presented an Affidavit of Posting and the Proof of Publication for the Board to receive and file.

On MOTION by Swan, seconded and unanimously carried, **THE AFFIDAVIT OF POSTING AND THE PROOF OF PUBLICATION PRESENTED BY THE SECRETARY WAS RECEIVED AND FILED.**

President LaMar asked Secretary Bonkowski whether there have been any written communications. She said there were none.

President LaMar asked legal counsel to describe the nature of the proceeding. Legal Counsel Collins said that the public hearings provides an opportunity for any person or persons to provide public comments on this report as required by the Health and Safety Code.

PUBLIC HEARING (CONTINUED)

President LaMar asked for a report from the Director of Water Quality and Regulatory Compliance.

Director of Water Quality and Regulatory Compliance Colston said that the 2019 Report on Water Quality Relative to Public Health Goals is a triennial report required by the California Health and Safety Code summarizing constituents detected in the District's water supply at levels exceeding applicable Public Health Goals or Maximum Contaminant Level Goals during calendar years 2016, 2017 and 2018.

President LaMar asked whether there was anyone present who wished to address the Board concerning the Report on Water Quality Relative to Public Health Goals. There was no one who wished to be heard.

President LaMar inquired whether there are any comments or questions from members of the Board of Directors. There were none. He further asked that the hearing be closed and the Board receive and file the report.

On MOTION by Swan, seconded by Matheis, and unanimously carried, THE HEARING WAS CLOSED AND THE 2019 REPORT ON WATER QUALITY RELATIVE TO PUBLIC HEALTH GOALS WAS RECEIVED AND FILED.

CONSENT CALENDAR

In response to Director Reinhart's inquiry relative to Agenda Item No. 8, PROPOSED CELL SITE AGREEMENT EXTENSION, General Manager Cook clarified that the agreement was nearing the expiration date. There being no further comments, on MOTION by Swan, seconded by Matheis, and unanimously carried, CONSENT CALENDAR ITEMS 4 THROUGH 9 WERE APPROVED AS FOLLOWS:

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

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

5. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the June 24, 2019 Regular Board meeting be approved as presented.

6. LUMP SUM PAYMENT OPTION FOR EMPLOYER CONTRIBUTIONS FOR FY 2019-20 TO THE CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Recommendation: That the Board approve the lump sum payment for employer contributions to the California Public Employees Retirement System (CalPERS) by making a one-time contribution of \$5,246,805 for the District's FY 2019-20 employer contribution.

CONSENT CALENDAR (CONTINUED)

8. PROPOSED CELL SITE AGREEMENT EXTENSION

Recommendation: That the Board approve Amendment No. 2 to the Telecommunications Premises Master Lease Agreement between Irvine Ranch Water District and Crown Castle MU LLC.

9. MICHELSON FORCE MAIN IMPROVEMENTS BUDGET INCREASE, CONTRACT CHANGE ORDER, AND VARIANCE

Recommendation: That the Board authorize a budget increase in the amount of \$750,000, from \$2,217,300 to \$2,967,300, authorize the General Manager to execute Contract Change Order No. 7 in the amount of \$113,317.72 with Insituform Technologies, and authorize the General Manager to execute Variance No. 4 in the amount of \$46,370 with Kleinfelder for the Michelson Force Main Improvements, Project 07097.

ACTION CALENDAR

INFORMATION SERVICES PROFESSIONAL SERVICES SUPPORT CONTRACT RENEWALS

Director of Administration Services Mossbarger reported that the District requires additional resources to supplement existing staff to support and operate the Oracle Financial and Customer Care and Billing (CC&B) systems. Mr. Mossbarger said that staff has identified the need to continue these support services through Fiscal Year (FY) 2019-20 and recommends Infosys Ltd. for support services and one-time special projects; Outsource Technical for on-call programming, analysis, project management, and networking services; and Skoruz Technologies for on-call programming, analysis, and project management services.

Director Swan reported that this item was reviewed by the Finance and Personnel Committee on July 2, 2019 and the Committee concurs with the staff recommendation.

On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE PROFESSIONAL SERVICES AGREEMENTS FOR THE PERIOD JULY 1, 2019 TO JUNE 30, 2020 WITH INFOSYS LTD FOR \$350,000 FOR MANAGED SUPPORT SERVICES AND ONE-TIME PROJECTS; OUTSOURCE TECHNICAL FOR \$225,000 FOR ON-CALL PROGRAMMING, ANALYSIS, PROJECT MANAGEMENT, AND NETWORKING SERVICES; AND SKORUZ TECHNOLOGIES FOR \$225,000 FOR ON-CALL PROGRAMMING, ANALYSIS, AND PROJECT MANAGEMENT SERVICES.

EMAIL MIGRATION PROJECT CONSULTANT SERVICES

Director of Administration Services Mossbarger reported that in 2016, IRWD hired NexLevel Information Technology, Inc. to perform an Information Technology Assessment for the District and that one of the recommendations from this assessment was that the District should implement Microsoft Exchange in lieu of GroupWise to better align with industry direction and improve user experience as well as taking advantage of cloud computing benefits.

ACTION CALENDAR (CONTINUED)

Mr. Mossbarger said that a Request for Proposal was issued in March 2019 to four consultants with experience performing GroupWise email migration to Microsoft Exchange including Agile IT, Novacoast, Planet Technologies, and Quest. Three of four consultants submitted proposals. He said that staff reviewed and ranked the proposals and selected the top two: Novacoast and Planet Technologies for interviews, and following interviews, staff determined that Novacoast has the best understanding of this project.

Director Swan reported that this item was reviewed by the Finance and Personnel Committee on July 2, 2019 and the Committee concurs with the staff recommendation. Following discussion, on MOTION by Swan, seconded by Matheis and unanimously carried, **THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH NOVACOAST TO IMPLEMENT THE EMAIL MIGRATION PROJECT IN THE AMOUNT OF \$180,000 AND APPROVE A BUDGET INCREASE IN THE AMOUNT OF \$58,500 EACH TO PROJECTS 10543 AND 10544 FOR A TOTAL AMOUNT OF \$117,000.**

IRVINE LAKE NATIVE WATER YIELD AGREEMENT AND IRVINE LAKE PIPELINE SETTLEMENT AGREEMENT

General Manager Cook reported that negotiating these agreements has been a long process and following input from Finance and Personnel Committee, staff has continued to work with IRWD's legal counsel and the Irvine Company to develop an updated agreement relating to the sale of native water. Mr. Cook said that staff has placed before each Director a copy of a depiction of IDs 153/253 Detachment as well as a parcel list for this detachment to be included as Exhibits A-34 and A-35, both of which will be included as part of Exhibit 6 to the Yield Agreement.

Using a PowerPoint presentation, Mr. Christopher Smithson said that staff is proposing a new agreement which replaces the Irvine Lake 1974 agreement and the 2002 and 2006

Amended and Restated Sub-Basin Agreements. Mr. Smithson reviewed the key terms and conditions in the agreement which include: 1) replacing ID 105 eliminated in the LTFP process with ID 153/253; 2) providing for the use of native water outside of ID 153/253 previously limited to use within ID 105; 3) standardizing assumptions of 3,800 acre-feet (AF) per year of native water sales at a rate of \$291 per AF in FY 2018-19, \$312 per AF in FY 2019-20, and \$327 per AF in FY 2020-21, increasing the rate by 3% annually thereafter; 4) providing for a reconciliation every five years in years 1 through 20 based on the difference between the assumed water yield of 3,800 AF and the actual water yield, plus annual interest at 3%; 5) providing for a final reconciliation in year 21 covering years 21 through 40 based on the average annual yield of the first 20 years; 6) terminating the Sub-Basin agreements with restatement of the remaining duties including quality and quantity of water supply for the Irvine Company's properties and the related rate tied to the low volume recycled rate; 7) agreeing to annex identified parcels into ID 153/253 with the Irvine Company agreeing to pay all third-party costs. No other annexations will occur within this ID; 8) agreeing to continue to include at least 12,000 acre-feet per year (AFY) (10,000 of potable and 2,000 of non-potable) for the Irvine Sub-basin in perpetuity; and 9) applying

ACTION CALENDAR (CONTINUED)

condemnation proceeds based on a partial or complete acquisition of Irvine Lake through eminent domain.

Mr. Smithson said that in addition, staff is proposing an Irvine Lake Pipeline (ILP) Settlement Agreement which provides payment to the Irvine Company of \$50,000 to replace booster pumps relating to lower pressure of water delivered to the Irvine Company's orchard properties as a result of converting to recycled water from the new ILP project.

Director Swan reported that this item was reviewed by the Finance and Personnel Committee on July 2, 2019 and the Committee concurs with the staff recommendation. Following discussion, on MOTION by Swan, seconded by Matheis, and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE THE IRVINE LAKE NATIVE WATER YIELD AGREEMENT AND AUTHORIZE THE GENERAL MANAGER TO EXECUTE THE IRVINE LAKE PIPELINE SETTLEMENT AGREEMENT.

SETTING CONNECTION FEES AND PROPERTY TAXES FOR FISCAL YEAR 2019-20

Executive Director of Finance and Administration Clary reported that the District's Long-Term Capital Funding Plan (LTFP), completed in November 2013, established connection fees and formed new IDs for funding capital requirements and setting tax rates. A fundamental concept in the District's LTFP is that the costs of new capital facilities are shared equally between the connection fees paid by the developer and property taxes paid by property owners (a 50/50 split). Ms. Clary said that the staff uses a comprehensive financial model to incorporate capital costs, debt funding, future development, growth rates, inflation and other variables to determine connection fees. Connection fee increases were modeled along with a consolidated tax rate for both residential and commercial development. She said that staff updated the District's financial model for FY 2019-20 connection fees and tax rate-setting to include the following: 1) updated capital improvement program; 2) updated ENR estimated capital cost increase of 3.0%; 3) fund balance adjustments through May 2019 with assumptions through fiscal year end; 4) updated assessed valuations; and 5) updated development units.

Director Swan reported that this item was reviewed by the Finance and Personnel Committee on July 2, 2019 and the Committee concurs with the staff recommendation. On MOTION by Swan, seconded by Matheis, and unanimously carried, THE BOARD ADOPTED THE FOLLOWING RESOLUTIONS BY TITLE EFFECTIVE AUGUST 1, 2019:

RESOLUTION NO. 2019 - 21

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA ADOPTING CHANGES TO CONNECTION FEES AS SET FORTH IN THE SCHEDULE OF RATES AND CHARGES IN EXHIBIT "B" TO THE RULES AND REGULATIONS OF IRVINE RANCH WATER DISTRICT FOR WATER, SEWER, RECYCLED WATER, AND NATURAL TREATMENT SYSTEM SERVICE

ACTION CALENDAR (CONTINUED)

AND ADOPT THE FOLLOWING RESOLUTIONS BY TITLE:

RESOLUTION NO. 2019 -22

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA
ESTABLISHING *AD VALOREM* TAX REVENUES FOR
FISCAL YEAR 2019-20

RESOLUTION NO. 2019 -23

RESOLUTION OF THE BOARD OF DIRECTORS OF
THE IRVINE RANCH WATER DISTRICT AMENDING
ALLOCATION OF *AD VALOREM* PROPERTY
TAXES TO DEBT SERVICE, SUBJECT TO PLEDGE

GENERAL MANAGER'S REPORT

General Manager Cook reported that the District received the second place award from the Southwest Membrane Operators for the "Best Tasting Water" at the Baker Water Treatment Plant and that Mr. Dave Paulson was also awarded "Operator of the Year" in the Large System Category.

DIRECTORS' COMMENTS

Director Reinhart reported on his attendance at the District's Business Outreach luncheon, an SWD/IRWD Committee meeting, and an ACC-OC summer reception.

Director Swan reported on his attendance at the District's Business Outreach luncheon, a Watershed Stewardship in the Wildland Urban Interface Committee meeting, an SWD/IRWD Committee meeting, and a MWDOC Board and Committee meeting.

Director Matheis reported on her attendance at the District's Business Outreach luncheon, and a Watershed Stewardship in the Wildland Urban Interface Committee meeting.

Director LaMar reported on his attendance at the District's Business Outreach luncheon, a Watershed Stewardship in the Wildland Urban Interface Committee meeting, and a dinner last week at Scripps Institute relative to atmospheric rivers.

ADJOURNMENT

President LaMar adjourned the Board meeting at 5:45 p.m.

APPROVED and SIGNED this 22nd day of July, 2019.

President, IRVINE RANCH WATER DISTRICT

Secretary IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Claire Hervey Collins, Legal Counsel
– Lewis Brisbois