

## MINUTES OF REGULAR MEETING – MARCH 14, 2005

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order by Vice President Matheis at 6:00 p.m., March 14, 2005 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Matheis, Reinhart, and Withers

Directors Absent: Swan and Miller

Also Present: General Manager Jones, Acting Director of Engineering Malloy, Treasurer Loomis, Assistant General Manager Cook, Secretary Bonkowski, Legal Counsel Arneson, Mr. Ergun Bakall, Mr. Wayne Clark, Mr. Jim Reed, Mr. Tom Bishop, and other members of the public and staff. Vice President Matheis introduced Nancy Savedra to the Board, a new employee currently working in the General Manager's office.

WRITTEN COMMUNICATIONS: None

ORAL COMMUNICATIONS:

Mrs. Joan Irvine Smith addressed the Board of Directors with respect to the Dyer Road Wellfield. She said that she understood the summer production season ended and that currently Dyer Road Wells 1, 2, 3, 4, 5, 6, 7, 10, 11, 12, 13, 14, 15, 16, 17, and 18 are currently not being operated. Wells C-8 and C-9 are operational. Average weekly groundwater production was 11 cfs, representing 15% of the total supply to the domestic water system. This was confirmed by Mr. Jones, General Manager of the District.

With respect to the Orange County Basin Groundwater Conjunctive Use Program being coordinated by Municipal Water District of Orange County (MWDOC) and Orange County Water District (OCWD), the agencies participating are the cities of Anaheim, Westminster, Santa Ana, Buena Park, and Garden Grove, Yorba Linda Water District and Southern California Water Company. Contracts have been awarded by OCWD to Beylik Engineering and Bakersfield Well & Pump, Inc. to construct a total of eight wells. It is anticipated that well drilling will be completed by June of 2005 and it will take an additional 12 to 18 months to complete the wellhead facilities. OCWD is required to have the wells operational by December 2008. Following well construction, each well will be owned by the individual participating agencies. This was confirmed by General Manager Jones.

PRESENTATION

Mr. Richard Barden presented to the Board the CELSOC 2005 Award of Excellence – OC Chapter of Consulting Engineers and Land Surveyors, for the San Joaquin Reservoir Conversion Project to Reclaimed Water Storage. He further presented a resolution from California State Assembly for this project.

ITEMS TO LATE TO BE AGENDIZED – None

## CONSENT CALENDAR

General Manager Jones asked that item No. 6, Quitclaim of Real Property to The Irvine Company and the Irvine Community Development Company, be pulled from the agenda and deferred to the March 28, 2005 Board of Directors meeting. On MOTION by Reinhart, seconded and unanimously carried, CONSENT CALENDAR ITEMS 4 THROUGH 5 WERE APPROVED AS FOLLOWS:

4. MINUTES OF BOARD MEETINGS

Recommendation: That the minutes of the February 28, 2005 Board of Directors' meeting be approved as presented.

5. APPROVAL OF BOARD OF DIRECTOR ATTENDANCE AT MEETINGS AND EVENTS

Recommendation: Approval of meetings and events for Mary Aileen Matheis, Peer Swan, and John Withers.

## ACTION CALENDAR

### SOCWA OUTFALL PUMP STATION EXPANSION EXPENDITURE AUTHORIZATION AND CONSTRUCTION AWARD

General Manager Jones reported that the District's South Orange County Wastewater Authority (SOCWA) Outfall Pump Station, located at the Los Alisos Water Reclamation Plant, is being expanded to convey additional flows into the outfall. Mr. Jones said that a primary source of additional flow will be the brine produced by the Irvine Desalter Project (IDP) Potable Water Treatment Plant. He said that the design of the SOCWA Outfall Pump Station was accelerated to ensure that the completion of the pump station expansion coincided with the startup of the IDP.

Mr. Jones said that a bid opening was held and that all three bids were within \$172,500 of each other with the apparent low bidder, Margate Construction, Inc. at \$2,736,500. Margate's bid was 24% higher than the engineer's estimate of \$2,200,000; however, he said that the reason for this discrepancy was due to a lack of contingency and underestimation of contractor's overhead and profit. Acting Director of Engineering Malloy said that the District worked with Margate on another project and are satisfied with their work. On MOTION by Withers, seconded and unanimously carried, EXPENDITURE AUTHORIZATIONS FOR \$1,183,000 AND \$2,262,800 WERE APPROVED FOR PROJECTS 10376 AND PR 20243, AND THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE A CONTRACT WITH MARGATE CONSTRUCTION, INC. FOR \$2,736,500 FOR THE CONSTRUCTION OF THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY OUTFALL PUMP STATION, LOS ALISOS WATER RECLAMATION PLANT.

## SYCAMORE CANYON APARTMENTS – CAPITAL IMPROVEMENT PROJECT

General Manager Jones reported in 2004, the Board approved the addition of the Sycamore Canyon Apartments Renovation Project. Mr. Jones said that the project includes interior upgrades to the property's 450 units, and the addition of a new clubhouse/fitness center to the existing leasing office. He said that in addition to approving the project, the District authorized Bardeen Partners to retain Newport Real Estate Services (NRES) as project manager for the interior upgrades and clubhouse addition.

Mr. Jones reported that NRES completed the specifications and construction plans for the unit interior upgrades and submitted the package for bidding purposes to a pre-qualified list of four general contractors with specific experience in multi-family construction. The initial bids received were all substantially higher than the estimate provided by the project team. He said that after revisions and clarifications to the specifications, Freiss and PMC submitted revised proposals, and that PMC has been recommended by NRES to provide general contractor services for the unit upgrades.

Treasurer Loomis reported that NRES has also been working with manufacturers and suppliers to secure the most favorable pricing for the purchase of new appliances for the unit upgrades. He said based on product selection, competitive pricing and customer service provided during the bid process, NRES has recommended Whirlpool as the provider of kitchen and laundry appliances.

Mr. Loomis said that the KTG Y Group completed the specifications for the clubhouse/fitness center addition and maintenance shop construction, and NRES submitted the bid package to a pre-qualified list of three general contractors. NRES has recommended Dolan Construction Company as the clubhouse/leasing office general contractor based on their position as low bidder, and experience with similar projects. Additionally, the District's apartment consultant, Integrated Property Solutions (IPS), received bids from three interior design firms to provide comprehensive interior design specifications, design development drawings and the purchase and installation of furnishings for the new clubhouse/fitness center and renovated leasing office. IPS evaluated the proposals and recommended Style Interior Design as the successful bidder.

Director Withers reported that the Asset Management Committee reviewed this project on several occasions, most recently on March 9, 2005, and that they felt it was beneficial to upgrade this property. In response to Director Reinhart's inquiry if a portable defibrillator should be installed in the clubhouse, the consultant said that she would follow-up on the matter. On **MOTION** by Withers, seconded and unanimously carried, **THE BUDGET WAS INCREASED FOR PROJECT 10869 FOR \$196,400; AN EXPENDITURE AUTHORIZATION FOR PROJECT 10869 FOR \$9,777,400 WAS APPROVED; BARDEEN PARTNERS WAS AUTHORIZED TO EXECUTE A CONTRACT WITH PROPERTY MAINTENANCE CORPORATION TO PROVIDE GENERAL CONTRACTOR SERVICES AT THE SYCAMORE CANYON APARTMENTS (PROJECT #10869) IN THE AMOUNT OF \$6,418,531; BARDEEN PARTNERS WAS AUTHORIZED TO EXECUTE A CONTRACT**

WITH DOLAN CONSTRUCTION CO., INC. TO PROVIDE GENERAL CONTRACTOR SERVICES AT THE SYCAMORE CANYON APARTMENTS (PROJECT #10869) IN THE AMOUNT OF \$1,363,491; BARDEEN PARTNERS WAS AUTHORIZED TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH WHIRLPOOL CORPORATION TO PROVIDE APPLIANCE PRODUCTS AND INSTALLATION SERVICES AT THE SYCAMORE CANYON APARTMENTS (PROJECT #10869) IN THE AMOUNT OF \$914,546; AND BARDEEN PARTNERS WAS AUTHORIZED TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH STYLE INTERIOR DESIGN TO PROVIDE INTERIOR DESIGN SERVICES FOR THE CLUBHOUSE/LEASING OFFICE ADDITION AT SYCAMORE CANYON APARTMENTS (PROJECT #10869) IN THE AMOUNT OF \$265,000.

### LOW FLOW DIVERSION POLICY

General Manager Jones reported that since 2000, the District (District) has received two requests to divert “non stormwater” surface water flows into the District’s sewer collection system and the wastewater treatment plants. Mr. Jones said that the requests were made by The Irvine Company and involved surface water flows from Muddy Canyon and Los Trancos that were adversely impacting coastal water quality in the areas where the flows drained to the ocean. He said that the District approved both of these requests and the “non stormwater” surface water flows are being diverted into the District’s wastewater collection system and pumped to the Orange County Sanitation District for treatment.

Mr. Jones said that in January 2002, the Santa Ana Regional Water Quality Control Board (RWQCB) adopted Waste Discharge Order R8-2002-0010, which placed significant requirements on the County of Orange and the cities to regulate stormwater discharges from municipal separate storm sewer systems. One method for the County and cities to comply with the Order would be to divert dry weather surface water flows to wastewater collection systems. This approach would involve the construction of new treatment plants or costly upgrades of existing facilities, public concerns with respect to aesthetics and land availability issues. As an alternative, IRWD proposed the Natural Treatment System (NTS), a regional approach to facilitate the County’s and the cities’ efforts, to comply with the requirements. Due to the fact that diversion of surface water flows to the sewer is still an option to the County and the cities, staff believes that the District may begin to receive additional requests from cities and private sector entities to divert surface water flows to the District’s wastewater collection system. These additional flows may result in a significant increase in demand on the District’s existing wastewater treatment facilities.

Mr. Jones said that in addition to the capacity issues, the District is also concerned about the possible impacts such diversions may have on the District’s National Pollution Discharge and Elimination System (NPDES) and other discharge permits. Mr. Jones said that as a result, staff believes that it is important for the District to have a policy in place that will provide guidance to staff when considering requests for diversions of nuisance water to the District’s collection system. The policy does not require the Board to approve future diversion requests; it merely sets forth the manner in which such requests may be considered. Once the Board approves the policy, existing diversion projects will be permitted in accordance with the policy. Additional or

new requests to divert flows to the District's wastewater collection system can then be reviewed in accordance with the policy and standards set forth.

In response to Director Withers' inquiry, staff was asked to submit an analysis of the costs of Muddy Canyon and Los Trancos for treatment on an annual basis to the Water Resources Policy Committee for review. Following Director Reinhart's comments on the policy, staff will be making some minor edits on the document. Director Withers reported that this item was reviewed and approved by the Water Resources Policy and Communications Committee on January 18, 2005.

On MOTION by Reinhart, seconded and unanimously carried, THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2005 -6

RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
IRVINE RANCH WATER DISTRICT ADOPTING POLICY  
FOR ACCEPTANCE OF INTERIM DRY WEATHER NUISANCE  
FLOW TO THE WASTEWATER COLLECTION, TREATMENT  
AND DISPOSAL SYSTEM PURSUANT TO RULES  
AND REGULATIONS AND WASTE DISCHARGE REQUIREMENTS

EARLY ACQUISITION OF WATER FOR SEMITROPIC WATER BANKING  
PROGRAM

General Manager Jones reported that staff continues to work with the Semitropic Water Storage District to complete conditional "due diligence" items identified in the Memorandum of Understanding executed between the parties in December of last year. Mr. Jones said that provided that this work is favorably completed, staff expects to recommend execution of a Final Project Agreement with Semitropic in late 2005 or early 2006.

Mr. Jones said that through the end of February, precipitation on a statewide basis has generally been above average. Consequently, the Department of Water Resources has made low cost/surplus "Article 21" water available to all State Water Project Contractors, including the Kern County Water Agency (KCWA). He said that as a member unit of the KCWA, Semitropic is currently maximizing their acquisition of Article 21 water based on their in-lieu delivery capacity.

Mr. Jones further said that because of the low cost of these surplus water supplies (approximately \$25 - \$35 per AF) and IRWD's interest, Semitropic has approached IRWD about the possible acquisition of surplus supplies. As proposed by Semitropic, acquired supplies would be transferred into IRWD's storage account upon execution of a final project agreement. Staff has worked with Semitropic to develop the attached letter agreement outlining the conditions for such an acquisition. He said that the acquisition of and payment for water by IRWD is contingent on the completion and execution of a final agreement with Semitropic. If a final agreement is not executed, Semitropic will maintain acquired supplies for its own use at no cost to IRWD. The letter agreement provides a mechanism for IRWD to "pre-order" low cost water supplies that are available this year for our prospective water banking account.

Mr. Jones said that the letter agreement indicates that Semitropic could acquire up to 10,000 AF of surplus water in 2005 on IRWD's behalf. Although actual quantities of acquired water will likely be substantially less than 10,000 AF, the agreement commits IRWD to pay up to \$350,000 based upon the high end of the estimated cost range of \$35 per AF. Staff believes water acquired at this cost can be transferred to IRWD at rates competitive with imported water.

On MOTION by Withers, seconded and unanimously carried, THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE A LETTER AGREEMENT WITH SEMITROPIC WATER STORAGE DISTRICT FOR THE EARLY ACQUISITION OF WATER SUPPLIES SUBJECT TO NONSUBSTANTIVE CHANGES APPROVED BY THE GENERAL MANAGER AND LEGAL COUNSEL.

#### GENERAL MANAGER'S COMMENTS

General Manager Jones reported that a Board workshop would be held on March 21 at 12 noon relative to property taxes, a connection fee model, and The Irvine Company's position regarding the likelihood of future property tax shifts. Mr. Jones reported that at last Friday's ACWA Legislative meeting, that they adopted a property tax position paper. He provided a status report on SB 820 (Kuehl), referred to as the "Mega Water Bill", which he said is currently being amended. He said that staff is continuing the quest to get advocates for the District's Federal Appropriations request for funding of three Natural Treatment System projects. He said that the Irvine Chamber of Commerce placed a sample letter in their newsletter. He also said that a letter was received from Assemblyman John Campbell encouraging Congressman Hobson and Congressman Cox to go forward on the bill.

#### DIRECTORS' COMMENTS

Director Withers reported on a workshop he attended with the El Toro Development Authority. He said that Councilman Larry Agran was impressed with IRWD staff and said that he would be meeting within two weeks to discuss further. General Manager Jones noted that he recently met with Mr. Wally Kreutzen today and discussed water conservation efforts for the Great Park. Director Withers asked for a list once a plan is established. Director Withers reported on the successful Orange County Leadership Symposium he recently attended. He asked staff for a Fact Sheet on Semitropic's Water Banking program.

Vice President Matheis said that the District would be contacted by the Newport Bay Naturalists and Friends to become a member of its business group.

#### RECESS AND RECONVENE

Vice President Matheis declared at recess at 7:12 p.m. to hold a Special Meeting of the Bardeen Partners, Inc. The meeting was reconvened at 7:22 p.m. with Directors Matheis, Reinhart, and Withers present.

CLOSED SESSION

Vice President Matheis reported that a closed session would be held with legal counsel relative to anticipated litigation; Government Code Section 54956.9(b); significant exposure to litigation (two potential cases).

OPEN SESSION

Vice President Matheis reconvened the meeting with Reinhart, Withers, and Matheis present. Vice President Matheis reported that there was no action to report.

ADJOURNMENT

There being no further business, Vice President Matheis adjourned the meeting to 12:00 p.m. on Monday, March 21, 2005 in the multi-purpose room to hold a workshop on property taxes and connection fees..

APPROVED and SIGNED this 28th day of March, 2005.

\_\_\_\_\_  
President, IRVINE RANCH WATER DISTRICT

\_\_\_\_\_  
Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

\_\_\_\_\_  
Legal Counsel - Bowie, Arneson, Wiles & Giannone

## MINUTES OF ADJOURNED REGULAR MEETING –MARCH 21, 2005

The adjourned regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order by President Miller at 12:00 p.m., March 21, 2005 in the multi-purpose room of the District Office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None

Also Present: General Manager Jones, Controller Ferguson, General Accounting Supervisor Smithson, Treasurer Loomis, Mr. Rob Jacobson, Ms. Tanja Fournier, Legal Counsel Arneson and other members of the public and staff.

ORAL COMMUNICATIONS: None

ITEMS TOO LATE TO BE AGENDIZED: None

### WORKSHOP – CASH RUN MODELING

General Manager Jones reported that the purpose of today's workshop was to provide the Board with a more detailed review of how the cash run model can be used to develop alternative strategies intended to maintain or guide the District's long-term financial position. Mr. Jones said that exercises in cash run modeling will incorporate the critical factors impacting the District's current financial planning, including consideration of the known loss of one percent revenues over the next two years and the continuing uncertainty surrounding one percent revenues into the future.

Using a power point presentation, Controller Ferguson provided a base case and two other cash run scenarios that were developed with input from the Finance and Personnel Committee. Mr. Ferguson further reviewed a cash run scenario prepared by The Irvine Company based upon their assumptions, which results in "no fee/rate increase required" outcome.

Mr. Ferguson discussed TIC's position regarding future one percent revenues based upon an opinion provided to them by the law firm of Nielsen, Merksamer, Parrinello, Mueller and Naylor. He further reported on two responses to TIC's opinion from legal counsel Arneson as well as the District's consultant, Phil Isenberg of Isenberg/O'Haren.

### ADJOURNMENT:

There being no further business, President Miller adjourned the meeting.



APPROVED and SIGNED this 28th day of March, 2005.

---

President, IRVINE RANCH WATER DISTRICT

---

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

---

Legal Counsel - Bowie, Arneson, Wiles & Giannone