

MINUTES OF REGULAR MEETING – DECEMBER 17, 2007

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 6:00 p.m. by President Reinhart on December 17, 2007 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Withers (arrived at 6:12 p.m.), Miller, Swan, Reinhart, and Matheis.

Directors Absent: None.

Also Present: General Manager Jones, Assistant General Manager Cook, Director of Engineering Heiertz, Director of Finance Cherney, Secretary Bonkowski, Legal Counsel Arneson, Mr. Jim Reed, Ms. Beth Beeman, Mr. Terry Loomis, Mr. Rob Jacobson, Mr. Mike Hoolihan, Mr. Steve Malloy, Mr. Paul Weghorst, Mr. Ergun Bakall, Mr. Mark Tetterer, and other members of the public and staff.

COMMUNICATIONS TO THE BOARD

Written Communications: None.

Oral Communications: 1) Mrs. Joan Irvine Smith addressed the Board of Directors with respect to the Dyer Road Wellfield. Mrs. Smith said it was her understanding that currently wells 1, 4, 5, C-8 and C-9, 10, 15, 16, and 17 are in operation in accordance with the District's annual pumping plan which is 1,700 AF per month for December. This was confirmed by Mr. Paul 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 Layne Christensen Company and Bakersfield Well & Pump, Inc. to construct a total of eight wells. Well drilling activities are complete, and it will take an additional 18 months to complete the well head facilities. OCWD is required to have the wells operational by March 2008. Following well construction, each well will be owned by the individual participating agency. This was confirmed by Mr. Jones.

Relative to the OCWD annexation of certain IRWD lands, an OCWD Board workshop was held on September 24 at 4:00 p.m. to discuss the annexation status and issues. Both Director Miller and General Manager Jones attended the workshop. Director Miller reported that at the OCWD Board Workshop, OCWD staff and legal counsel were directed to work with IRWD on the Annexation Agreement. Staff and legal counsel of both agencies have come to consensus on several sections of the draft Annexation Agreement, and an additional meeting to address outstanding issues was held on October 23. Potential litigation in regard to the annexation matter was discussed twice, in Closed Session during IRWD's Strategic Planning Meeting held on October 26, and at IRWD's Regular Board Meeting on November 12.

Subsequent meetings were held with OCWD's General Manager to convey IRWD's current position on the Annexation Agreement. A follow-up meeting is scheduled for December 19 with OCWD's newly-elected Board President to discuss IRWD's current position. This was confirmed by Mr. Jones.

2) Mr. Philip Bettencourt, representing the Ridgeline Equestrian Estates, asked to speak on the item relative to the Orange Park Acres Mutual Water Company consolidation. President Reinhart asked Mr. Bettencourt if he would mind deferring his comments until the item comes before the Board in the agenda (see page 12) which was satisfactory with him.

ITEMS TOO LATE TO BE AGENDIZED:

General Manager Jones reported that an item came to staff's attention after the agenda was posted in regard to the Local Agency Formation Commission's revised terms and conditions for the Orange Park Acres Mutual Water Company Consolidation. On MOTION by Matheis, seconded by Swan and carried (Withers absent), IT WAS DETERMINED THAT THERE WAS A NEED TO TAKE IMMEDIATE ACTION ON THE REVISED LAFCO TERMS AND CONDITIONS FOR THE ORANGE PARK ACRES MUTUAL WATER COMPANY CONSOLIDATION THIS EVENING, AND THIS MATTER WAS ADDED TO THE AGENDA AS ITEM 29A (see pages 12 and 13).

PRESENTATIONS

RESOLUTION COMMENDING TEOFY COMILLAS FOR HER SERVICE TO THE DISTRICT

Director Withers arrived at 6:12 p.m.

General Manager Jones read the resolution prepared by staff commending Mrs. Comillas for her 30 years of dedicated and outstanding service to the District. On MOTION by Matheis, seconded and unanimously carried, THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2007 - 43

RESOLUTION OF THE BOARD OF DIRECTORS
OF IRVINE RANCH WATER DISTRICT COMMENDING
TEOFY COMILLAS FOR HER DEDICATED AND LOYAL
SERVICE TO THE DISTRICT

NATIONAL PURCHASING INSTITUTE ACHIEVEMENT OF EXCELLENCE
IN PROCUREMENT AWARD

Mr. Alex Aguilar presented the Achievement of Excellence in Procurement Award to the Board which had been presented by the National Purchasing Institute. The award is achieved by those organizations that demonstrate excellence in procurement by obtaining a high score on a rating of standardized criteria. The program is designed to measure

innovation, professionalism, e-procurement, productivity, and leadership attributes in the procurement function. General Manager Jones complimented staff on their efforts.

CASQA 2007 OUTSTANDING STORMWATER RESEARCH PROJECT AWARD

Mr. Chris Crompton presented the 2007 Outstanding Stormwater Research Project Award to Mr. Jim Hyde and the Board for the Cienega Filtration Project - Selenium and Nitrogen Treatment Research.

CONSENT CALENDAR

On MOTION by Swan, seconded and unanimously carried, CONSENT CALENDAR ITEMS 6 THROUGH 21 WERE APPROVED AS FOLLOWS:

6. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the November 26, 2007 Regular Board meeting be approved as presented.

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

Recommendation: That the Board ratify/approve the meetings and events for Mary Aileen Matheis, Darryl Miller, Doug Reinhart, Peer Swan, and John Withers.

8. MASTER CALENDAR AND OTHER INFORMATION ITEMS

Recommendation: Receive and file.

9. 2008 SELECTION OF STATE LOBBYIST AND LOCAL GOVERNMENT CONSULTANT

Recommendation: That the Board authorize the General Manager to execute a professional services agreement for a term of six months with Isenberg/O'Haren in the amount of \$6,500 per month retainer plus reimbursable direct expenses for a total not to exceed \$42,900, and a Professional Services Agreement for a term of six months with Curt Pringle and Associates in the amount of \$5,000 per month retainer plus reimbursable direct expenses for a total not to exceed \$33,000.

10. NOVEMBER 2007 FINANCIAL REPORTS

Recommendation: Receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate SWAP Summary for November 2007; approve the November 2007 Summary of Wire Transfers and ACH payments in the total amount of \$5,586,114.34; and approve the November 2007 Warrant Nos. 285228 through 286216, Workers' Compensation Distributions and voided checks in the total amount of \$10,574,839.14.

11. IRWD INTERCONNECTION TO SOUTH ORANGE COUNTY WATER TRANSMISSION MAINS PHASE A – REDUCTION OF RETENTION

Recommendation: That the Board authorize the reduction of retention from 10% to 5% of the contract amount and release of funds in excess of 5% of the contract amount from retention currently held for the IRWD Interconnection to South Orange County Water Transmission Mains, Phase A, project 11159.

12. RESERVOIR LADDER AND SAFETY IMPROVEMENTS – REDUCTION OF RETENTION AND FINAL ACCEPTANCE

Recommendation: That the Board authorize the reduction of retention from 10% to 5% of the contract amount and release of funds in excess of 5% of the contract amount from retention currently held; accept construction of the reservoir ladder and safety improvements, project 10819; authorize the General Manager to file a Notice of Completion; and authorize the release of retention 35 days after filing of the Notice of Completion.

13. DYER ROAD WELL FIELD STARTER REPLACEMENT PROJECT – FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Dyer Road Well Field Starter Replacement, project 10534; authorize the General Manager to file a Notice of Completion; and authorize the release of retention 35 days after filing of the Notice of Completion.

14. SAN JOAQUIN RESERVOIR ACCESS ROAD REPAIR PROJECT – FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the San Joaquin Reservoir access road repair, project 30277; authorize the General Manager to file a Notice of Completion; and authorize the payment of the retention 35 days after the date of recording the Notice of Completion.

15. CULVER DRIVE WATER MAIN REPLACEMENT – FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Culver Drive water main replacement from Campus Drive to Bonita Canyon Drive, project 10569; authorize the General Manager to file a Notice of Completion; and authorize the release of retention 35 days after filing of the Notice of Completion.

16. BUDGET INCREASE AND EXPENDITURE AUTHORIZATION FOR THE ANNEXATION OF IRWD INTO ORANGE COUNTY WATER DISTRICT

Recommendation: That the Board authorize a budget increase for project 19420 by

\$277,300, from \$715,000 to \$992,300, and approve an Expenditure Authorization in the amount of \$387,300 for the annexation of IRWD areas into the Orange County Water District.

17. SANTIAGO FIRE DAMAGE – REPAIR AND REPLACEMENT FUNDING

Recommendation: That the Board adopt the following resolution by title rescinding Resolution No. 1998–2 and authorizing its agents to provide to the State Office of Emergency Services all matters pertaining to such state disaster assistance the assurances and agreements required.

RESOLUTION NO. 2007 - 44

RESOLUTION OF THE BOARD OF DIRECTORS
OF IRVINE RANCH WATER DISTRICT,
RESCINDING RESOLUTION NO. 1998-2
AND AUTHORIZING ITS AGENTS TO PROVIDE TO
THE STATE OFFICE OF EMERGENCY SERVICES ALL
MATTERS PERTAINING TO SUCH STATE DISASTER
ASSISTANCE THE ASSURANCES AND AGREEMENTS REQUIRED

18. REIMBURSEMENT TO MERRILL LYNCH FOR RATING AGENCY SERVICES

Recommendation: That the Board authorize payment of \$87,627.51 to Merrill Lynch to reimburse staff time and expenses related to meetings with the rating agencies to upgrade the ratings on the 2002 Certificates of Participation.

19. PROPOSITION 50 GRANT AGREEMENT WITH DEPARTMENT OF WATER RESOURCES FOR DEVELOPMENT OF STATEWIDE ET DATA PROTOCOL

Recommendation: That the Board authorize the General Manager to enter into an agreement with the Department of Water Resources to receive \$156,300 in Proposition 50 Grant Funding for the development of a Statewide Evapotranspiration (ET) Data Protocol.

20. KERN COUNTY WATER AGENCY AGREEMENT TO PURCHASE FEE TITLE AND TEMPORARY CONSTRUCTION EASEMENT

Recommendation: That the Board authorize the General Manager to execute an agreement with Kern County Water Agency for the purchase of fee simple title to .40-acre portion of Strand Ranch and a temporary construction easement to .57 acre portion of Strand Ranch.

21, TWO-YEAR REIMBURSEMENT AGREEMENT BETWEEN IRWD AND THE CITY OF IRVINE FOR THE INSTALLATION OF MISCELLANEOUS FACILITIES (2008/09)

Recommendation: That the Board authorize the General Manager to execute a two-year reimbursement agreement with the Irvine Ranch Water District and the City of Irvine for the installation of miscellaneous facilities (2008-2009), and approve an Expenditure Authorization in the amount of \$39,000 for project 10889.

ACTION CALENDAR

SHORT-TERM WATER SHORTAGE PARTNERSHIP WITH CARPINTERIA VALLEY WATER DISTRICT

General Manager Jones reported that Carpinteria Valley Water District (CVWD) and IRWD have entered into discussions regarding a possible “long-term” water banking partnership under the IRWD/Rosedale Rio-Bravo (Rosedale) water banking program. Mr. Jones said that as a precursor to the potential long-term-partnership, CVWD is interested in storing a portion of its 2007 and 2008 SWP allocation under the IRWD/Rosedale interim recharge project. The interim recharge project involves use of interim recharge ponds on a portion of the Strand Ranch property in Kern County.

Mr. Jones said that the terms of the interim project allow IRWD to store up to 10,000 af of water. He said that IRWD is allowed to recharge water until May 1, 2008, with water (less losses) being recovered by May 1, 2013. Under the “interim program” all recovery must be by SWP entitlement exchange. He said that the terms of the letter agreement with CVWD are consistent with the interim recharge project agreement. By May 1, 2008 (or May 1, 2009 should the interim project be extended as provided for in the interim recharge project agreement), CVWD would provide up to 1,000 af of SWP water for delivery into storage. The water put into storage would be subject to losses that will range from 11% to 15 % for evaporation and migration. IRWD and CVWD will each be entitled to recovery of 50 % percent of the water recharged (after losses) under the short-term agreement. If CVWD does not recover its 50% share of stored water by May 1, 2013, all such water shall be transferred to IRWD.

The proposed letter agreement provides a short-term opportunity for CVWD to place water into storage under IRWD’s interim program with Rosedale. It is anticipated that CVWD may want to store additional water under IRWD’s proposed long-term program with Rosedale that is currently undergoing environmental review. Staff will continue to work with CVWD (and other potential partners) to develop terms for a long-term storage arrangement and will bring these terms and draft agreements back to the Committee and Board for future consideration.

Director Swan reported said this item was reviewed and approved by the Water Banking Ad Hoc Committee meeting on December 7, 2007. President Reinhart commended staff on

doing a good job handling this matter. On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE A LETTER AGREEMENT WITH CARPINTERIA VALLEY WATER DISTRICT SUBJECT TO NON-SUBSTANTIVE CHANGES APPROVED BY THE GENERAL MANAGER AND LEGAL COUNSEL.

MICHELSON WATER RECLAMATION PLANT PRIMARY CLARIFIERS COATING REPLACEMENT CONSTRUCTION AWARD

Director of Engineering Heiertz reported that the Michelson Water Reclamation Plant's (MWRP) five primary clarifiers were rehabilitated in 1996 which included installation of skimmer units and an application of a polyurethane concrete coating. Mr. Heiertz said that due to the harsh primary clarifier environment, it has caused severe corrosion of the non-stainless steel skimmer components and deterioration of the concrete coating. He said that the Board awarded a contract to EIMCO in May 2007 for five replacement skimmers and the new equipment. He further said that staff has determined that the best option for long-term protection of the clarifiers is to completely remove the existing coating system, resurface the concrete, and apply a new coating system.

Mr. Heiertz said that a design was developed by staff to implement the rehabilitation of the concrete surfaces above the water level within the five primary clarifiers. The project was advertised for bidding to the two specialty coating contractors that participated in the tank inspection process. He said that two bids were received with the apparent low bidder from Zebron Coating Inc. for \$725,088. Mr. Heiertz said that the engineer's estimate was \$534,750, a difference of about 35% and that a review of the engineer's estimate and discussion with Zebron identified that staff severely underestimated the level of effort required to remove the existing coating system and, therefore, the engineer's estimate was very low for that portion of the project. He further said that though the price received from the low bidder exceeded the engineer's estimate, staff believes the price quoted for the work is fair because the two bids were within 8% of each other. On MOTION by Miller, seconded and unanimously carried, THE BOARD AUTHORIZED A BUDGET INCREASE TO THE FY 2007-08 CAPITAL BUDGET FOR PROJECT 20433 BY \$664,400, FROM \$629,200 TO \$1,293,600; APPROVED AN EXPENDITURE AUTHORIZATION FOR \$842,600 FOR PROJECT 20433; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONTRACT WITH ZEBRON COATING, INC. FOR \$725,088 FOR THE MWRP PRIMARY CLARIFIERS COATING REPLACEMENT, PROJECT 20433.

HARVARD AVENUE TRUNK SEWER DIVERSION TO MICHELSON WATER RECLAMATION PLANT – CONTRACT CHANGE ORDER NO. 2

Director of Engineering Heiertz reported that the Harvard Avenue Trunk Sewer (HATS) Diversion to the Michelson Water Reclamation Plant (MWRP) project will be capable of diverting wastewater flows ranging from a minimum of 2.0-mgd to a maximum of

16.5-mgd with an average flow of 8.0-mgd. Mr. Heiertz said that in March 2007, the Board awarded a construction contract to CDM in the amount of \$7,839,000 for the construction of the project utilizing a design-build delivery approach.

Mr. Heiertz said that Contract Change Order No. 2, in the amount of \$394,894 to CDM, is being submitted for approval. It consists of two negotiated contract change requests and generally includes the following items: 1) Odor Control System – Add the design and construction of a granular activated carbon foul air scrubbing system for the lift station wet well for \$183,000, and 2) Shoring Modification – Revise the shoring system installation method at the Lift Station to include pre-drilling along the perimeter of the excavation to loosen the soils thereby reducing the driving force necessary to install the shoring for \$211,894.

On **MOTION** by Miller, seconded and unanimously carried, **THE BOARD AUTHORIZED A BUDGET INCREASE FOR PROJECT 20400 IN THE AMOUNT OF \$414,800, FROM \$9,009,100 TO \$9,423,900; APPROVED AN EXPENDITURE AUTHORIZATION FOR PROJECT 20400 IN THE AMOUNT OF \$414,800; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE CONTRACT CHANGE ORDER NO. 2 FOR PROJECT 20400 IN THE AMOUNT OF \$394,894 TO CDM CONSTRUCTORS, INC. FOR CONSTRUCTION OF THE HARVARD AVENUE TRUNK SEWER DIVERSION TO MICHELSON WATER RECLAMATION PLANT, PROJECT 20400.**

WELLS 21 AND 22 REHABILITATION AND PRELIMINARY DESIGN

Director of Engineering Heiertz reported that staff has investigated the feasibility of using two existing groundwater wells to supplement the IRWD domestic water system. Mr. Heiertz said that Wells 21 and 22, located in the City of Tustin, were constructed in 1992 and have been inactive for 15 years. He said that both wells had nitrate levels that exceeded the primary drinking water standard and total dissolved solids (TDS) levels in excess of the secondary standard. In order to further develop IRWD's groundwater resources, staff recommends that these two wells be reevaluated to determine how they could be incorporated into the system. In addition, nearby Well 14 needs to be abandoned due to obsolete well construction techniques and the wellhead facilities should be demolished in compliance with current state standards.

Mr. Heiertz said that the consultant's scope of work stipulated in the request for proposal includes: 1) assessment and rehabilitation of Wells 21 and 22; 2) assistance in Well 14 abandonment; 3) evaluating water treatment and conveyance options; and 4) preparing cost estimates and a project schedule.

Mr. Heiertz said that proposals were received from EarthTech and RBF Consulting. CDM, URS, and Malcolm-Pirnie declined to submit proposals due to the heavy workload of its key engineers. He said that staff recommends RBF Consulting be awarded the preliminary design of this project as RBF's project manager has extensive experience in groundwater development projects and have demonstrated a comprehensive understanding of the key issues for implementing the project including well rehabilitation, blending, and treatment.

President Reinhart said that this item was reviewed and approved by the Engineering and Operations Committee meeting on December 11, 2007. Following discussion on Well No. 14, once it has been abandoned, staff will submit an item to the Asset Management Committee relative to the condition of the property for resale or quitclaiming. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD AUTHORIZED THE ADDITION OF PROJECT 10285 FOR \$1,225,400 TO THE FY 2007-08 CAPITAL BUDGET; APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$1,167,700 FOR PROJECT 10285; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE AN ENGINEERING SERVICES AGREEMENT WITH RBF CONSULTING FOR PROJECT 10285 FOR WELLS 21 AND 22 REHABILITATION AND PRELIMINARY DESIGN IN THE AMOUNT OF \$801,809.

ASSET OPTIMIZATION – WATERWORKS WAY BUSINESS PARK – CONSTRUCTION AWARD AND EXPENDITURE AUTHORIZATION

Mr. Rob Jacobson reported that in July 2007, the Board authorized an increase to the 2007/08 Capital Budget for construction of the Waterworks Way Business Park on the site. When completed, the Waterworks Way Business Park will consist of two separate buildings with 10 for-lease units, totaling approximately 37,250 square feet.

Mr. Jacobson said that the District's project/construction manager for the project, Newport Real Estate Services (NRES), distributed plans and specifications to WL Butler Construction, Inc., Miller Construction and Gentosi Builders on November 1, 2007. He said that the cost variance of the submitted proposals was minimal with a range in prices from \$4,703,354 to \$4,880,794. He further said that based on their competitive bid proposal as well as their experience with similar commercial office construction projects, staff is recommending WL Butler Construction, Inc. to provide general contractor services for the project.

President Reinhart reported that this item had been reviewed by the Asset Management Committee at its September 12, 2007 meeting. On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH WL BUTLER CONSTRUCTION, INC. IN THE AMOUNT OF \$4,703,354.15 AND APPROVED AN EXPENDITURE AUTHORIZATION FOR \$5,432,300 FOR PROJECT 11117.

ASSESSMENT OF WATER SUPPLY FOR PLANNING AREA 40/12 – GENERAL PLAN AMENDMENT, ZONE CHANGE AND ENVIRONMENTAL IMPACT REPORT

Mr. Mike Hoolihan reported that in August 2007, the City requested a new Water Supply Assessment (WSA) for a General Plan Amendment and zone change which includes substantial changes to the previously proposed development in Planning Area 40 and adds a portion of Planning Area 12. He said that the Planning Area (PA) 40 project portion consists of 649 acres generally located at the southeast corner of Jeffrey and Trabuco Roads and bounded by Jeffrey Road to the northwest, Trabuco Road to the northeast, Interstate I-5

freeway to the southwest and Planning Area 51 to the southeast (the future Orange County Great Park and Heritage Fields). The PA 12 portion comprises 39 acres located southwest of PA 40 and I-5, and northwest of Sand Canyon Avenue. The current land use for PA 40 is medical and science and industrial (currently under agricultural production) and PA 12's primary current use is a recreational vehicle sales and service complex.

Mr. Hoolihan said that the original PA 40 project consisted of 1,312,352 square feet of industrial and 8,900,000 sq. ft. of medical science. Within the revised PA 40 portion of the project, the City proposes a reduction of 8,550,000 square feet of medical and science to allow for the development of 3,918 dwelling units. The 3,918 units include the intensity transfer of 1,533 previously entitled units from Planning Areas 1 (222 du) and PA 9 (1,311 du) and 2,385 new dwelling units. In addition, the PA 40-portion of the project includes a maximum of 1,540,000 sq. ft. of multi-use and 205,000 sq. ft. of commercial. The General Plan Amendment and Zone Change will facilitate the redevelopment of the 36-acre PA 12 site. This project portion will consist of redeveloping existing vehicle-related commercial to allow for up to 575,000 sq. ft. of medical science.

Mr. Hoolihan said that the City's proposed project is substantially different from the previous project in the approved WSA and, therefore, staff has completed a new WSA which supersedes the prior WSA. The WSA for the proposed project is based on information from the IRWD Water Resources Master Plan (WRMP), which was last updated in January 2003. Specific tables in the WRMP will be updated to include new demand projections for this project. Preliminary estimates associated with this land use change show an overall net increase in potable water demands for this project of 1,426 AF/Y and a net decrease of 1,084 AF/Y non-potable (due to conversion of agricultural use).

Director Matheis said that this item was reviewed by the Water Resources Policy and Communications Committee on December 10, 2007, and that Committee concurred with the analysis. On MOTION by Matheis, seconded and unanimously carried, THE BOARD APPROVED THE ASSESSMENT OF WATER SUPPLY FOR PLANNING AREA 40/12 GENERAL PLAN AMENDMENT, ZONE CHANGE AND ENVIRONMENTAL IMPACT REPORT.

PLANNING AREA 39 SEWER IMPROVEMENTS – APPROVAL OF PROJECT ADDITION TO THE FY 2007-08 CAPITAL BUDGET, EXPENDITURE AUTHORIZATION, AND SUPPLEMENTAL REIMBURSEMENT AGREEMENT

General Manager Jones said that the Planning Area (PA) 39 is located in the City of Irvine, and is generally bound by Interstate 405 to the north, Irvine Center Drive and Bake Parkway to the east, the future extension of Lake Forest Drive to the south, and PA 18 to the west. Mr. Jones said that the Irvine Community Development Company (ICDC) has requested that the portion of the PA 39 capital sewer system which crosses I-405 and connects to the sewer system within PA 33 (north of I-405) be constructed at this time concurrent with the construction of the PA 33 site development improvements, thereby eliminating trenching into the PA 33 street improvements in the future.

Mr. Jones said that the required Irvine Ranch Water District (IRWD) sewer facilities are documented in the Preliminary PA 39 Sub Area Master Plan dated May 2005. The installation of the pipeline will be performed by KEC Engineering under a Supplemental Reimbursement Agreement (SRA) between IRWD and ICDC. The SRA will stipulate that the costs for any required future sewer system change, resulting from the preparation of the PA 39 Sub-Area Master Plan or similar analysis and study (e.g., change of diameter or re-alignment) will be the sole responsibility of ICDC. The construction cost for this project is \$1,311,688.

President Reinhart said that this item was reviewed and approved by the Engineering and Operations Committee meeting on December 11, 2007. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD AUTHORIZED THE ADDITION OF PROJECT 20736 TO THE FY 2007-08 CAPITAL BUDGET IN THE AMOUNT OF \$1,599,200; APPROVED AN EXPENDITURE AUTHORIZATION FOR PROJECT 20736 IN THE AMOUNT OF \$1,599,200; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A SUPPLEMENTAL REIMBURSEMENT AGREEMENT WITH THE IRVINE COMMUNITY DEVELOPMENT COMPANY FOR THE DESIGN AND CONSTRUCTION OF THE IRVINE RANCH WATER DISTRICT CAPITAL SEWER PIPELINE FACILITIES FOR PLANNING AREA 39.

PLANNING AREA 40 CAPITAL IMPROVEMENTS – AUTHORIZATION OF PROJECT ADDITIONS TO THE BUDGET, EXPENDITURE AUTHORIZATIONS, AND SUPPLEMENTAL REIMBURSEMENT AGREEMENT

General Manager Jones reported that Planning Area (PA) 40, formerly known as Spectrum 8, is located in the City of Irvine and generally bound by Trabuco Road to the north, Sand Canyon Avenue to the east, the Santa Ana Freeway Interstate 5 to the south, and Jeffrey Road to the west. Mr. Jones said that ICDC is proceeding with the installation of utilities required to serve the school site and fire station. The capital facilities required to serve PA 40 are documented in the PA 40 Preliminary Sub-area Master Plan. Construction of these facilities will be performed by All-American Construction under a Supplemental Reimbursement Agreement with Irvine Ranch Water District and ICDC.

President Reinhart reported that this item was reviewed at the Engineering and Operations Committee meeting on December 11, 2007. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD AUTHORIZED THE ADDITION OF PROJECT 10419 FOR \$859,100, PROJECT 20419 FOR \$226,900, AND PROJECT 30419 FOR \$204,600 TO THE FY 2007-08 CAPITAL BUDGET; APPROVED EXPENDITURE AUTHORIZATIONS IN THE AMOUNT OF \$108,900 FOR PROJECT 10419, \$226,900 FOR PROJECT 20419, AND \$204,600 FOR PROJECT 30419; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A SUPPLEMENTAL REIMBURSEMENT AGREEMENT WITH THE IRVINE COMMUNITY DEVELOPMENT COMPANY FOR THE DESIGN AND CONSTRUCTION OF THE IRVINE RANCH WATER DISTRICT FACILITIES FOR PLANNING AREA 40.

ORANGE PARK ACRES MUTUAL WATER COMPANY CONSOLIDATION - REVISED
LAFCO TERMS AND CONDITIONS

General Manager Jones reported that in September 2007, the IRWD Board approved an Annexation and Acquisition Agreement between OPAMWC and IRWD and a resolution of application to the Local Agency Formation Commission (LAFCO). Mr. Jones said that the Acquisition and Annexation Agreement was also approved by the OPAMWC Board and the annexation application was submitted, and has been deemed complete by LAFCO staff.

Mr. Jones said that subsequent to the Board meeting, staff has been working with LAFCO to finalize the Terms and Conditions and address issues raised by the City of Orange. He said that specifically, the City of Orange views itself as a “full service city,” and has expressed a desire to maintain an option to provide water and sewer service in OPA should the area ever be annexed to the City in the future. He said that based upon direction received at the initial meeting, IRWD staff has met on several occasions with City staff and developed revised Terms and Conditions that provide a mechanism for the City, if it annexes OPA in the future, to acquire at its option the sewer and water systems and service from IRWD. However, the Proposed Terms and Conditions as revised place specific compensation and other requirements on the transfer of service to the City that will result in IRWD and the residents within the OPAMWC being kept financially whole.

Mr. Jones said that staff has also requested comments from the LAFCO staff regarding the revised Terms and Conditions. LAFCO staff and legal counsel have reviewed the document, and provided comments that pertain to the transition of the existing limited sewer service from the City to IRWD, resolution of the City’s Out of Area Service Agreements, and the acquisition of sewer facilities by IRWD. He further said that staff recommends that the revised Terms and Conditions as presented be approved by the Board and submitted to LAFCO for consideration at its December 19, 2007 hearing.

Director Matheis reported that the revised terms and conditions were reviewed and approved by the Water Resources Policy and Communications Committee meeting on December 10, 2007.

Mr. Philip Bettencourt, a planning consultant, representing Mr. John Martin, owner of the property called Ridgeline Equestrian Estates, reported on the development proposed for residential purposes in the Orange Park Acres area. He summarized the owner’s concerns as he was not able to obtain the costs for water service to date and noted that since the property is located on the border of the OPAMWC service area and the City of Orange, water service could be provided by either entity. General Manager Jones said that it was important to note that the area was not currently within IRWD’s service area. He said that the OPAMWC’s Board has considered Mr. Martin’s request and that a letter would be signed tonight outlining options for either OPAMWC or the City of Orange for providing water service to the Ridgeline development.

On MOTION by Matheis, seconded and unanimously carried, THE BOARD APPROVED THE REVISED TERMS AND CONDITIONS SUBJECT TO NON-SUBSTANTIVE

CHANGES FOR THE ANNEXATION APPLICATION BEING SUBMITTED BY IRWD TO LAFCO FOR CONSIDERATION AT ITS DECEMBER 19, 2007 MEETING.

ELECTION OF OFFICERS FOR 2008

The Bylaws of the District provide that the President and Vice President shall be elected by the Board from among its members and shall serve for a term of one year or until the election and qualification of their successors. On MOTION by Swan, DARRYL MILLER WAS NOMINATED TO THE OFFICE OF PRESIDENT AND MARY AILEEN MATHEIS TO THE OFFICE OF VICE PRESIDENT. By unanimous consent, THE NOMINATION FOR PRESIDENT AND VICE PRESIDENT WAS CLOSED AND DARRYL MILLER WAS ELECTED PRESIDENT AND MARY AILEEN MATHEIS WAS ELECTED VICE PRESIDENT FOR 2008. General Manager Jones said he was pleased to have worked with outgoing President Reinhart during the 2007 year.

GENERAL MANAGER'S REPORT

General Manager Jones reported that the cable service at the District's Sycamore Canyon apartments had been successfully switched to Times Warner. He recognized Mr. Rob Jacobson and Mr. Terry Loomis on their efforts handling this situation.

DIRECTORS' COMMENTS

Vice President Matheis reported on her attendance at the Colorado River Water Users' Association conference.

Director Swan also reported on his attendance at the Colorado River Water Users' Association conference. He also said that he attended a SAWPA meeting relative to water supply which he would be working further on to re-write some language.

President Miller thanked the Board for the vote of confidence in electing him President of the Board in 2008.

CLOSED SESSION

President Miller said that two Closed Session items would be held with legal counsel: 1) relative to anticipated litigation- Government Code Section 54956.9(b) - significant exposure to litigation – one potential case concerning claim filed by SEMA Construction against the City of Tustin under the Tort Claims Act (Valencia North Loop Road and Armstrong Avenue), on file with the District; and 2) relative to anticipated litigation - Government Code Section 54956.9(b) - significant exposure to litigation – one potential case concerning arbitration filed by Affholder, Inc. against Vido Artukovich & Son/Vidmar (Armstrong Trunk Sewer).

OPEN SESSION

Following the Closed Session, the meeting was reconvened with Reinhart, Miller, Swan, Matheis, and Withers present. No action was reported.

ADJOURNMENT

There being no further business, President Miller adjourned the meeting at 8:30 p.m.

APPROVED and SIGNED this 14th day of January 14, 2008.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone