

MINUTES OF REGULAR MEETING – APRIL 13, 2009

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 Reinhart on April 13, 2009 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None.

Also Present: General Manager Jones, Director of Engineering and Construction Burton, Director of Planning, Water Resources and Environmental Quality Heiertz, Director of Finance Cherney, Secretary Bonkowski, Legal Counsel Arneson, Mr. Jim Reed, Mr. Paul Weghorst, Mr. Jeff Stanart, Ms. Beth Beeman, Mr. Rob Jacobson, Mr. Mike Hoolihan, Mr. Wayne Posey, Ms. Kirsten McLaughlin, Mr. Bruce Newell, Mr. Tony Mossbarger, Ms. Mary Kay Hassett, Ms. Lisa Bates, Mr. Alex Aguilar, and other members of the public and staff.

COMMUNICATIONS TO THE BOARD

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 5, C-8, C-9, and 10 are in operation in accordance with the District's annual pumping plan. Wells 1, 2, 11, 14 and 15 will operate a portion of the week. Wells 3, 4, 6, 7, 12, 13, 17 and 18 are inactive. The District's planned pumping for April is 3,375 acre-feet. 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), a Notice of Completion was approved by the OCWD Board of Directors on March 19, 2008. Metropolitan Water District has given notice to OCWD that it will begin extracting a portion (i.e. 22,000 acre-feet) of its 48,500 acre-feet in storage beginning in fiscal year 2008-09. It is expected that an additional 22,000 acre-feet will be extracted in FY 2009-10. The extraction is being performed by agencies that constructed conjunctive use wells under this program. IRWD is not a participant. This was confirmed by Mr. Jones.

With respect to the OCWD annexation of certain IRWD lands, OCWD staff is evaluating IRWD's most current projections of the amount and general location of its future groundwater production for inclusion in OCWD's proposed update of the Long-Term Facilities Plan and Annexation Environmental Impact Report. OCWD has taken no further actions with respect to the annexation. At OCWD's request, IRWD staff has provided additional future groundwater production scenarios with annexation. This was confirmed by Mr. Jones.

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 County in case of emergencies. IRWD has approved the operating agreement with certain south Orange County water agencies to fund the interconnection facilities needed to affect the emergency transfer of water. MWDOC and OCWD have also both approved the operating agreement. This was confirmed by Mr. Jones.

ITEMS TOO LATE TO BE AGENDIZED – None.

PRESENTATIONS

RESOLUTION COMMENDING MARY HOLLIDAY FOR HER SERVICE TO THE DISTRICT

General Manager Jones presented Mary Holliday with a resolution commending her for 32 years of service to the District. On MOTION by Swan, seconded and unanimously carried, THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2009 –12

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

2009 AWARD OF EXCELLENCE

Mr. John Wolter of VA Consulting, Inc. presented to the Board of Directors the 2009 Award of Excellence for IRWD's Natural Treatment System project at El Modena Park received from the Orange County Chapter of the American Council of Engineering Companies.

PUBLIC HEARING

2009-A AND 2009-B BOND ISSUANCE

General Manager Jones said that he placed before each Board of Director a supplemental staff report for tonight's Public Hearing. Mr. Jones said that due to continuing negotiations on the final terms of the various documents for the bond sale, staff will be asking that the hearing be continued following the Board receiving and filing the Affidavit of Posting and the Proof of Publication.

President Reinhart declared this to be the time and place for a hearing on the proposed resolution of issuance of consolidated bonds for Improvement District Nos. 105, 112, 113, 121, 130, 140, 161, 182, 184, 186, 188, 212, 213, 221, 230, 240, 250, 261, 282, 284,

286, and 288 in an amount up to \$150 million, and declared the hearing open. He asked the Secretary how the hearing was noticed.

Secretary Bonkowski reported that Resolution No. 2009-11 declaring the Board's intention to issue bonds was published for two successive weeks in the Orange County Register on March 24, 2009 and March 31, 2009, and was posted at the District office on March 24, 2009. Additionally, she said that on March 28, 2009, Resolution No. 2009-11 was posted in three public places within each Improvement District. She presented the Proof of Publication and Affidavit of Posting to be received and filed.

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 Reinhart said that staff has been in consultation with co-bond counsel and is continuing to negotiate the final terms of the various documents for the bond sale, and has recommended that the hearing be continued to the April 27, 2009 Board meeting. On MOTION by Swan, seconded by Matheis, and unanimously carried, THE HEARING WAS ORDERED TO BE CONTINUED TO APRIL 27, 2009, AT 5:00 P.M. (OR AS SOON THEREAFTER AS IS REASONABLY PRACTICABLE) IN THE BOARD OF DIRECTORS ROOM OF IRVINE RANCH WATER DISTRICT, 15600 SAND CANYON AVENUE, IRVINE, CALIFORNIA.

WORKSHOP

PROPOSED FISCAL YEAR 2009-10 OPERATING BUDGET AND RATE IMPACTS

General Manager Jones reported that the proposed Operating Budget for Fiscal Year 2009-10 has been developed by staff and the proposed budget and associated assumptions were reviewed by the Finance and Personnel Committee on March 3, March 26 and April 7, 2009. Mr. Jones said that public notice of this workshop was given by publication in the Orange County Register on April 6, 2009. The proposed operating budget for Fiscal Year 2009-10 is \$110.7 million. The second workshop will be held on April 27, 2009 with public notice scheduled for April 20, 2009.

Using a PowerPoint presentation, Assistant Controller Smithson reported on the key factors in the proposed budget including: 1) significant increases in the costs of water from the Metropolitan Water District; 2) significant increases in the solids disposal from the Orange County Sanitation District; 3) staff being asked to hold/cut controllable expenses where possible; and 4) the addition of one new position and seven positions eliminated.

Mr. Smithson reviewed: 1) the overall operating expense budget; 2) controllable versus uncontrollable increases; 3) projected operating revenue; 4) consolidated sources and uses of funds; 5) rate considerations; 6) proposed tiered rates for IRWD and Los Alisos; 7) comparison of the proposed rates of the Irvine Ranch Service Area, Santiago County

Service Area, and Orange Park Acres Services area; 8) comparison of IRWD's proposed rates to current rates of neighboring north and south county agencies; and 9) next steps. Vice President Swan asked staff to provide in the next workshop a typical LAWD bill at 18 ccfs and compare it from last year to this year's proposed rates. Following discussion, General Manager Jones said to contact him if the Board had any interim questions prior to the next workshop.

CONSENT CALENDAR

On MOTION by Withers, seconded and unanimously carried, CONSENT CALENDAR ITEMS 7 THROUGH 12 WERE APPROVED AS FOLLOWS:

7. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the March 23, 2009 Regular Board meeting be approved as presented.

8. 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, Doug Reinhart and John Withers.

9. VAULT FACILITIES LID REPLACEMENT, WALNUT AVENUE MANHOLES, AND MITCHELL AVENUE WELLS 21 AND 22 DISCHARGE LATERALS – FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Vault Facilities Lid Replacements, project 20981; the Walnut Avenue Bridge Manhole Modifications, project 10981; and the Mitchell Avenue Wells 21 and 22 Discharge Laterals, project 10285; 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.

10. PLANNING AREA 6 ZONE 6 AND D RESERVOIRS – FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Planning Area 6 Zone 6 and D Reservoirs, projects 10426 and 30180; 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.

11. RATTLESNAKE AND IRVINE LAKE PIPELINE STRAINERS REPLACEMENT - FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Rattlesnake and Irvine Lake Pipeline Strainers Replacement, project 30104; authorize the General Manager to file a Notice of Completion and authorize release of retention 35 days after the filing of the Notice of Completion.

CONSENT CALENDAR (CONTINUED)

12. 2009 STATE LEGISLATIVE UPDATE

Recommendation: That the Board take a SUPPORT position on: AB 410 (De La Torre), AB 474 (Blumenfield), AB 804 (Hall), and AB 1061 (Leiu); a WATCH position on SB 407 (Padilla); and an OPPOSE position on AB 460 (Anderson).

ACTION CALENDAR

PROPOSED COMPENSATION, BENEFIT AND BUDGET CHANGES FOR FY 2009-10

General Manager Jones said that each year during the budgetary process, staff reviews the current budgeted positions, salaries, and benefits to determine whether the District's compensation package is competitive within our industry. Mr. Jones said that a list of the proposed changes with associated costs and savings are provided in the exhibit.

Mr. Jones said that staff is recommending several changes to existing budgeted positions, including the upgrade of five positions, downgrade of one position, transfer of one position, and deletion of three positions. Staff is also recommending the addition of one position, the re-classification of four job titles, and a title change for one position. Mr. Jones said that the estimated annual increase in salaries and benefits to implement the proposed changes for five competitive wage adjustments and the upgrade of five positions to higher level positions is \$25,913. The estimated annual decrease in salaries and benefits associated with the one proposed new position, the deletion of three positions and the downgrade of one position is \$268,338. The estimated net annual cost to implement all recommended changes to budgeted positions represents a decrease in salaries and benefits of \$242,425 or less than 1% of the FY 2009-10 total salaries and benefits budget of \$35.6 million.

Vice President Swan reported that this item was reviewed and approved by the Finance and Personnel Committee on April 7, 2009. Director Matheis complimented staff on their efforts. On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED THE PROPOSED CHANGES IN THE DISTRICT'S BUDGETED POSITIONS AND IN THE PROPOSED OPERATING BUDGET, APPROVED THE SALARY GRADE SCHEDULE CHANGES EFFECTIVE WITH THE APPROVED FY 2009-10 OPERATING BUDGET ON JULY 1, 2009 AND THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2009-13

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE IRVINE RANCH WATER DISTRICT
RESCINDING RESOLUTION NO. 2008-65
AND ESTABLISHING REVISED SCHEDULE OF POSITIONS
AND SALARY RATE RANGES

LETTER OF CREDIT EXTENSIONS

Director of Finance Cherney reported that staff is recommending the extension of two Letters of Credit (LOC) scheduled to expire in May 2009 for a term of two years as follows: 1) State Street – 1995 Bond issue in the amount of \$25,353,425; and 2) Bank of America – 1993 Bond issue in the amount of \$37,987,500. She said that both banks proposed a fee of 125 basis points for a one to three-year commitment which is a 109 basis point increase over the current fees of 16 basis points. Staff recommends utilizing a two-year term. The proposed legislation SB 613 would allow more flexibility with credit support and bond issuance structures in the future. The proposed fee structure and term are consistent with the U.S. Bank and Bank of America proposals approved by the Committee last month in connection with the new bond issuance expected to close in late April.

Ms. Cherney said that the LOC extensions will result in an annual fee of \$916,762, which is an \$815,417 increase over the previous annual fees of \$101,345. One-time expenses for the extensions are estimated to include an amendment of \$5,000 from State Street, \$15,000 in legal fees and \$10,000 for rating agency fees.

Vice President Swan reported that this item was reviewed and approved by the Finance and Personnel Committee on April 7, 2009. On MOTION by Swan, seconded and unanimously carried, **THE BOARD APPROVED THE EXTENSION OF THE LETTERS OF CREDIT WITH BANK OF AMERICA AND STATE STREET FOR TWO YEARS FOR THE SERIES 1995 AND SERIES 1993 BOND ISSUES.**

GENERAL MANAGER'S REPORT

General Manager Jones reported that tomorrow he will be in Sacramento testifying on IRWD's recycled water plumbing code revision bill, SB 283, to the Senate Transportation and Housing Committee. He said there is no opposition to the bill.

Mr. Jones said that staff has made a lot of progress on the Orange Park Acres (OPA) sewer flow accommodation agreement with the City of Orange which will be submitted to the Engineering and Operations Committee in May and to the Board in June 2009. He said that staff provided an overview of IRWD's proposed water system upgrades at an OPA Association meeting and will also be meeting with the Trails Committee on Wednesday evening. He said that he would update the Board on any feedback received.

DIRECTORS' COMMENTS

Director La Mar reported that he attended the MWDOC Board workshop and a WACO meeting.

Director Matheis reported that she participated in a conference call for ACWA's Centennial Committee. She said that the Shadetree Board meeting will be held on April 23, 2009 and complimented General Manager Tom Bonkowski on his efforts along with Ms. Leslie Bonkowski, Mr. Dave Lochridge, and Mr. Dale Skidmore. She said she was also pleased that Mr. Matt Rayl and Ms. Kay Phillis regularly attended the successful Saturday nursery events with over 100 volunteers. She further said that she attended Senator Tom Harmon's kick-off event for Attorney General.

Vice President Swan reported on his attendance at: 1) Southern California Dialog meeting; 2) ACWA's Board Meeting; 3) MWDOC's Director breakfast; 4) OCWD Board meeting; 5) ACWA's Region 5 tour in Livermore and asked General Manager Jones to provide individuals with information relative to IRWD's rate structure; 6) Newport Bay Watershed Executive Committee meeting where they opted to continue in the SAWPA Watershed program. He said he was planning to attend OCSD's dedication of the Steve Andrew Lift Station. He suggested that the President adjourn the Board meeting in memory of Richard O'Neill and Don Hall.

President Reinhart reported that he attending WACO along with a MWDOC Board workshop. He congratulated Mr. Steve Malloy and Mr. Greg Heiertz for 30 years of service as well as Mr. Paul Jones for 10 years of service to the District.

ADJOURNMENT

President Reinhart adjourned at 6:35 p.m. in memory of Don Hall and Richard O'Neill.

APPROVED and SIGNED this 27th day of April, 2009.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone