

MINUTES OF REGULAR MEETING – APRIL 25, 2011

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 April 25, 2011 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None

Also Present: General Manager Jones, Assistant General Manager Cook, Director of Planning/Water Resources Heiertz, Director of Engineering Burton, Secretary Bonkowski, Legal Counsel Arneson, Director of Operations Pedersen, Director of Public Affairs Beeman, Director of Human Resources Wells, Director of Wastewater Operations Posey, Mr. Paul Weghorst, Mr. Christopher Smithson, Ms. Fiona Sanchez, Mr. Christian Kessler, Ms. Shannon Reed, Mr. Dean Kirk, Mr. Jim Reed, Mr. Bruce Newell, Col. John Foley, Mr. Jeff Kightlinger, Mr. Philip Anthony, Mr. Larry Crandall, Mr. Jim Herberg, and other members of the public and staff.

WRITTEN COMMUNICATION: None

ORAL COMMUNICATION:

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, 2, 5, 6, 7, C-8, C-9, 10, 15 and 17 will operate in accordance with the District's annual pumping plan. Wells 3, 4, 11, 12, 13, 14, 16 and 18 will be off. The District's currently planned pumping for April is 2,975 AF. 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, 2009. Metropolitan Water District has given notice to OCWD to extract 22,000 acre feet in fiscal year 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, on June 5, 2009, IRWD received a letter from OCWD noting that OCWD has completed the formal responses to comments they previously received on the draft program Environmental Impact Report. The letter further noted that with this task completed, OCWD has exercised its right to terminate the 2004 Memorandum of Understanding (MOU) regarding annexation. OCWD also indicated that due to the lack of progress on the annexation issue, the draft program Environmental Impact Report will not be completed. On June 8, 2009, OCWD completed the Long-Term Facilities Plan which was received and filed by the OCWD Board in July 2009. Staff has been coordinating with the City of Anaheim (Anaheim) and Yorba Linda Water District (YLWD) on their most recent annexation requests and has reinitiated the annexation process with OCWD. IRWD, YLWD and Anaheim have negotiated a joint MOU with OCWD to process and conduct environmental analysis of the

annexation requests. The MOU was approved by the OCWD Board on July 21, 2010. 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 Orange 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 RECEIVED TOO LATE TO BE AGENDIZED

An item was added too late to be agendized relative to establishing an OCWD/MWDOC Ad Hoc Committee meeting (see page 14).

PRESENTATION

PARTNER COMMENDATION

In celebration of the District's 50th anniversary, the IRWD Board of Directors is recognizing key "Partners in Service". General Manager Jones presented three Certificates of Commendation: 1) Metropolitan Water District's Board Chairman John Foley and General Manager Jeff Kightlinger; 2) Orange County Water District's Director Philip Anthony, and 3) Orange County Sanitation District's Board Chairman Larry Crandall and General Manager Jim Ruth. Mr. Larry Crandall then presented to IRWD a Certificate of Recognition for our 50 years of service.

WORKSHOP

PROPOSED OPERATING BUDGET AND RATES AND CHARGES FOR FY 2011-12

General Manager Jones reported that the proposed Fiscal Year (FY) 2011-12 Operating Budget is \$107.5 million, representing a decrease of \$0.7 million or 0.61% from the previous Operating Budget. Mr. Jones said based on the Proposed Operating Budget and planned capital contributions from user rates and charges, the average Irvine Ranch rate area residential customer's combined monthly water and sewer bill is proposed to increase by \$1.10 (2.5%) over FY 2010-11. He said that the proposed rate increase includes: 1) An increase of \$0.01 per ccf of water on the base commodity rate as a result of pass-through increases on the cost of imported water and the groundwater replenishment assessment; and 2) increases on the fixed water service charge of \$0.75 per month, and an increase on the fixed sewer service charge of \$0.25 per month. The net increases on the fixed service charges are primarily related to the planned increase of contributions to the capital replacement and enhancement funds from user rates and charges.

Using a PowerPoint presentation, Director of Finance Cherney reported on the Committee/Board budget reviews including: April 11, 2011 - first Board Workshop on the proposed Operating Budget and Proposed Rates and Charges for FY 2011-12; April 25, 2011 - second Board

Workshop to adopt the Proposed Operating Budget and approve the Proposition 218 Notices for Customers; and June 27, 2011 - adopt Rates and Charges for FY 2011-12.

Using charts, Ms. Cherney reviewed the overall operating expenses, a comparison of the Irvine Ranch rate area proposed rates from FY 2010/11 to FY 2011/12, and a comparison of the Orange Park Acres rate area proposed rates from FY 2010/11 to FY 2011/12. She then reviewed the process for the Proposition 218 notices and the next steps.

Director Swan reported that this item was reviewed by the Finance and Personnel Committee on April 5, 2011 and February 17, 2011. He recommended that additional language on the Proposition 218 notices be included to reflect that if there are any Orange County Sanitation District and/or Orange County Water District rate increases, they be "passed through" to the rate payers within our service areas. Legal Counsel Arneson said that an index would need to be created to build this into the notices. Mr. Jones said that he, along with Director of Finance Cherney and legal would make these adjustments accordingly. On MOTION by Swan, seconded and unanimously carried, **THE BOARD APPROVED THE OPERATING BUDGET FOR FISCAL YEAR 2011/12, APPROVED THE PROPOSITION 218 NOTICES SUBJECT TO NON-SUBSTANTIVE MODIFICATIONS, AND ADOPTED THE FOLLOWING RESOLUTION BY TITLE:**

RESOLUTION NO. 2011-12

RESOLUTION OF THE BOARD OF DIRECTORS
OF IRVINE RANCH WATER DISTRICT,
ORANGE COUNTY, CALIFORNIA
APPROVING DISTRICT'S OPERATING BUDGET FOR
FISCAL YEAR 2011/12 AND DETERMINING COMPLIANCE WITH
ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION

CONSENT CALENDAR

On MOTION by Reinhart, seconded and unanimously carried, **CONSENT CALENDAR ITEMS 5 THROUGH 17 WERE APPROVED AS FOLLOWS:**

5. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the April 11, 2011 Regular Board Meeting be approved as presented.

6. 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, Douglas Reinhart, Peer Swan and John Withers.

CONSENT CALENDAR (CONTINUED)

7. MARCH 2011 FINANCIAL REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for March 2011; approve the March 2011 Summary of Wire Transfers and ACH payments in the total amount of \$6,460,454.33; and approve the March 2011 Warrants Nos. 318355 through 319296, Workers' Compensation distributions and voided checks in the total amount of \$16,209,527.72.

8. DISTRICT STRATEGIC MEASURES DASHBOARDS

Recommendation: That the Board receive and file the Strategic Measures Dashboards and Information items.

9. ASSET OPTIMIZATION - LAKE FOREST PROPERTY DEVELOPMENT AGREEMENT AMENDMENT – LAND APPRAISAL TIMING

Recommendation: That the Board authorize the General Manager to execute an agreement for the Implementation and Modification of the Development Agreement related to the Lake Forest property.

10. DEPARTMENT OF WATER RESOURCES PROPOSITION 50 GRANT FUNDED EVAPOTRANSPIRATION VIA WEB SERVICES SYSTEM PHASE II SCOPE OF WORK, MODIFICATION AND VARIANCE

Recommendation: That the Board approve a variance in the amount of \$81,000 to the agreement between IRWD and Enterprise Information Systems for implementation of reimbursable tasks associated with the modified grant scope of work.

11. ENERGY AND GREEN HOUSE GAS MASTER PLAN CONTRACT VARIANCE NO. 1

Recommendation: That the Board authorize an increase to the Fiscal Year 2010/11 Capital Budget for project 11482 in the amount of \$63,900, from \$300,000 to \$363,900; approve an Expenditure Authorization for project 11482 for \$63,900; and approve Variance No. 1 with Kennedy/Jenks Consultants in the amount not to exceed \$58,843 for additional consulting services to develop an Energy and Green House Gas Master Plan.

CONSENT CALENDAR (CONTINUED)

12. EAST IRVINE ZONE 3 RESERVOIR PHOTOVOLTAIC SYSTEM PROJECT
– REDUCTION OF RETENTION

Recommendation: That the Board find that satisfactory progress is being made on the District's construction contract with Halcyon Electric, Inc.; authorize the reduction of retention from 10% to 5% of the contract amount; and authorize the release of funds in excess of 5% of the contract amount from retention currently held for the East Irvine Zone 3 Photovoltaic System Project, project 11367.

13. EMERGENCY GENERATOR REPLACEMENT AT THE MICHELSON
SEWER LIFT STATION – FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the emergency generator replacement at the Michelson Sewer Lift Station Project, project 20846; authorize filing of a Notice of Completion; and authorize the payment of the retention 35 days after the date of recording the Notice of Completion.

14. MANHOLE REHABILITATION FISCAL YEAR 2010/11

Recommendation: That the Board authorize the General Manager to execute a construction contract with Zebron Corporation in the amount of \$190,000 for Manhole Rehabilitation Project 20866.

15. CITY OF IRVINE JAMBOREE ROAD WIDENING PROJECT EXPENDITURE
AUTHORIZATIONS

Recommendation: That the Board approve Expenditure Authorizations in the amounts of \$39,600 for project 11558 and \$72,600 for project 31558 for the Jamboree Road Widening Project Capital Improvement Project 317090 (projects 11558, 21558, 31558).

16. REIMBURSEMENT AGREEMENT BETWEEN IRWD AND THE CITY OF
IRVINE INSTALLATION AND ADJUSTMENT OF IRWD FACILITIES TO
GRADE

Recommendation: That the Board authorize the addition of projects 11575 in the amount of \$189,300 and 21575 in the amount of \$52,000 to the Fiscal Year 2010/11 Capital Budget; approve an Expenditure Authorization in the amount of \$189,300 for project 11575; and authorize the General Manager to execute a Reimbursement Agreement with the City of Irvine for its annual slurry seal and pavement rehabilitation project, Capital Improvement Projects 310010, 311106, 311102, 341101 and 361103.

CONSENT CALENDAR (CONTINUED)

17. STRAND RANCH TRANSFER STRUCTURE REPAIR AND REMEDIATION – FINAL ACCEPTANCE

Recommendation: That the Board accept the repair and remediation of the Strand Ranch transfer structures and other facilities; authorize filing of a Notice of Completion; and authorize the payment of the retention 35 days after the date of recording the Notice of Completion; and notify Rosedale-Rio Bravo Water Storage District that IRWD is transferring all maintenance and operations responsibilities for the recharge facilities to Rosedale.

ACTION CALENDAR

LAKE FOREST WOODS SEWER REHABILITATION BUDGET INCREASE, EXPENDITURE AUTHORIZATION, AND CHANGE ORDER

General Manager Jones reported that the Lake Forest Woods Sewer Rehabilitation Project is currently under construction and will rehabilitate over 40,000 linear feet of 8-inch, 10-inch, 12-inch and 15-inch sewer pipe. Mr. Jones said that staff has identified several additional sewer reaches that require rehabilitation as part of this project.

Director of Engineering Burton reported that the Board approved construction award to Insituform Technologies (Insituform) in July 2010, and since the original ranking of the pipeline, approximately 3,600 linear feet have continued to deteriorate, and are now recommended for rehabilitation. He said Insituform submitted a proposal for \$124,740 for the additional work and that the unit prices for the work are the same as its original construction bid. Insituform also informed staff that they have an additional 3,000 linear feet of extra 8-inch material left from this project and asked if there are any other sewers that would need rehabilitation. He said that staff identified three areas from the sewer assessments that have a higher priority for rehabilitation due to multiple fractures, including approximately 1,000 feet of 8-inch sewers in Pauling and Ellipse Lane in Portola Hills and approximately 2,000 feet of 8-inch sewers in Tustin Marketplace. Insituform submitted a proposal for \$100,903 for the additional work, and the unit prices are the same as the Lake Forest Woods Sewer Rehabilitation Project. Additionally, staff identified 125 feet of 12-inch sewer in Gillette at Main Street in Irvine that has severe tuberculation and corrosion in the ductile iron pipe and requires immediate rehabilitation. Insituform submitted a proposal for \$35,000 for this additional work. Lastly, staff identified two additional manholes on Old Trabuco Road that will require manhole rehabilitation, and due to corrosion, approximately 219 linear feet of 16-inch ductile iron sewer line in Sharmila will require CIPP lining. The manholes will be rehabilitated by using the Zebtron polyurethane coating at the bid price of \$2,600 per manhole; Insituform's unit cost for the 16-inch CIPP lining is \$150/LF for a total of \$32,850. Insituform's Contract Change Order No. 2 is for \$298,693. Staff reviewed the costs for the additional work and believes the costs are justified.

Director Reinhart reported that this item was reviewed and approved by the Engineering and Operations Committee on April 18, 2011. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD AUTHORIZED AN INCREASE TO THE FY 2010-11 CAPITAL BUDGET OF \$171,200, FROM \$3,133,300 TO \$3,304,500, FOR PROJECT 20747, LAKE FOREST WOODS SEWER REHABILITATION PROJECT; AUTHORIZED AN INCREASE TO THE FY 2010-11 CAPITAL BUDGET OF \$73,700, FROM \$75,900 TO \$149,600, FOR PROJECT 20868, SEWER GENERAL SYSTEMS MODIFICATIONS 2010/11; APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$171,200 FOR PROJECT 20747, LAKE FOREST WOODS SEWER REHABILITATION; APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$73,700 FOR PROJECT 20868, SEWER GENERAL SYSTEMS MODIFICATIONS 2010-11; AND APPROVED CONTRACT CHANGE ORDER NO. 2 IN THE AMOUNT OF \$298,693.55 FOR INSITUFORM TECHNOLOGIES.

ORANGE PARK ACRES WELL NO. 1 WELLHEAD DESIGN CONSULTANT SELECTION

General Manager Jones reported that proposals for the design of the OPA-1 project were received from Dudek, Kennedy/Jenks, and Tetra Tech on March 22, 2011. GHD was also invited to submit a proposal, but declined the invitation due to their current workload. Mr. Jones said that staff has completed their review of the proposals and recommends that Kennedy/Jenks be awarded the project. Its thorough understanding of the project, design approach, qualifications, schedule, and man-hour estimates are consistent with staff's expectations. Kennedy/Jenks' scope of work and fee proposal for design and construction phase services are in the amount of \$419,590.

Director Reinhart reported that this item was reviewed and approved by the Engineering and Operations Committee on April 18, 2011. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD AUTHORIZED AN INCREASE IN THE BUDGET IN THE AMOUNT OF \$462,100, FROM \$1,354,500 TO \$1,816,600; APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$548,400; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONTRACT IN THE AMOUNT OF \$419,590 WITH KENNEDY/JENKS CONSULTANTS FOR THE ORANGE PARK ACRES WELL NO. 1 WELLHEAD DESIGN, PROJECT 11405.

BAKER WATER TREATMENT PLANT PROJECT APPROVAL FO ENVIRONMENTAL IMPACT REPORT

General Manager Jones reported that the Irvine Ranch Water District (IRWD), as the Lead Agency, in consultation with El Toro Water District (ETWD), Moulton Niguel Water District (MNWD), Santa Margarita Water District (SMWD), and Trabuco Canyon Water District (TCWD) as Responsible Agencies, has prepared a Final Environmental Impact Report (FEIR) for the Baker Water Treatment Plant (WTP) Project.

Using a PowerPoint presentation, Manager of Water Resources Weghorst provided an overview of the FEIR process. He said that the Notice of Preparation was circulated on May 19, 2010; a public scoping meeting was held on May 26, 2010; the comment period closed on June 17, 2010, and that nine sets of comments were received. He said that the Draft EIR (DEIR) circulated on January 24, 2011; a public meeting was held on February 9, 2011; and that the comment period

closed on March 9, 2011; and that 10 sets of comments were received. He said that responses to comments were distributed on April 14, 2011. He said that the FEIR was presented to the Engineering and Operations Committee on April 18, 2011.

Mr. Weghorst said that the makeup of the FEIR consisted of a DEIR, comment letters, response to comments, corrections and additions to the DEIR, scoping Report, technical appendices, and mitigation monitoring and reporting program.

Mr. Weghorst said that comments were received from the California Department of Toxic Substances Control, Metropolitan Water District of Southern California, Orange County Public Works (OCPW), California Department of Transportation, California Regional Water Quality Control Board, City of Orange, South Coast Air Quality Management District, and residents Peggy Falcon and Dave Alexander. IRWD reviewed all of the oral and written comments received from interested persons, organizations and agencies and prepared detailed responses directed to environmental issues related to the Baker WTP Project. A majority of the comments received were typical non-substantive project-related comments. Significant comments and responses are summarized as follows:

Comment: OCPW requested IRWD to substantiate ownership of the Serrano Creek at the proposed project emergency discharge structure.

Response: IRWD does not own the property and operation and maintenance obligations in the creek have been disputed between the City of Lake Forest and OCPW. The property is either owned by the City of Lake Forest, the County of Orange, or possibly the neighboring homeowners' association. Staff is continuing its investigation to determine ownership of the property at the proposed discharge structure. IRWD intends to pursue encroachment permit applications with both the City and the County. If no response is received from either jurisdiction, IRWD will proceed with construction of the facility without an encroachment permit.

Comment: Ms. Peggy Falcon commented on the health risks associated with the operation and future use of the existing communications tower on the Baker Plant site.

Response: IRWD designed, constructed and operates this tower in compliance with all building codes and operational regulations set forth by Federal Communications Commission. Additionally, at this time, IRWD has no intention of leasing or renting tower space to third parties.

The responses and revisions to the DEIR text, are included in additional chapters (8, 9, and 10), which together with the DEIR, comprise the FEIR.

Director Reinhart reported that this item was reviewed and approved by the Engineering and Operations Committee on April 18, 2011. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD DIRECTED STAFF TO INCORPORATE INTO THE DRAFT FINDINGS AS PRESENTED SUCH REVISIONS AS MAY BE NECESSARY TO CONFORM THE FINDINGS TO ANY INFORMATION THAT MAY BE RECEIVED AFTER PREPARATION OF SAID DRAFT AND PRIOR TO THIS ACTION, INCLUDING ANY CHANGES MADE IN THE FINDINGS BY IRWD IN CERTIFYING THE FINAL

ENVIRONMENTAL IMPACT REPORT AND ANY COMMENTS FROM THE BOARD;
DIRECT THAT THE FINDINGS, AS SO REVISED, BE PROVIDED IN THE FOLLOWING
RESOLUTION BY TITLE:

RESOLUTION NO. 2011 -13

RESOLUTION OF THE BOARD OF DIRECTORS OF THE IRVINE RANCH WATER
DISTRICT CERTIFYING THE FINAL ENVIRONMENTAL IMPACT REPORT FOR THE
BAKER WATER TREATMENT PLANT PROJECT; ADOPTING WRITTEN FINDINGS
PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; ADOPTING A
MITIGATION, MONITORING AND REPORTING PROGRAM; APPROVING THE
PROJECT; AND AUTHORIZING THE FILING OF A NOTICE OF DETERMINATION TO
PROCEED WITH THE PROJECT

TUSTIN LEGACY WELL NO. 1 ALTERNATIVE CONSTRUCTION AWARD, CONSULTANT
SELECTION, AND ADDENDUM NO. 1 TO THE MITIGATED NEGATIVE DECLARATION
/INITIAL STUDY/ENVIRONMENTAL ASSESSMENTS

General Manager Jones reported that the location of Tustin Legacy Well No. 1 (TL-1) has been relocated to an alternative location in the City of Irvine in order to avoid delays associated with on-going well site easement negotiations with the City of Tustin. Mr. Jones said that staff prepared an addendum to the project description for the Wells 21 and 22/Tustin Legacy Well 1 project Mitigated Negative Declaration/Initial Study/Environmental Assessment (MND/IS/EA), advertised construction of the Tustin Legacy Well No. 1 Alternative (TL-1A), and solicited proposals for construction services during the drilling.

Director of Engineering Burton reported that RBF Consulting and Geoscience completed the design of the well in March 2011 and the project was advertised to four select drilling contractors: Bakersfield Well & Pump, Boart Longyear, Best Drilling and Pump, and Rottman Drilling. The bid opening was held and three bids were received; Rottman Drilling notified staff that due to its current workload they were unable to submit a bid. Mr. Burton said that Bakersfield Well & Pump submitted the apparent low bid of \$2,019,787; the engineer's estimate was \$1,791,968. He said that the difference in the low bid and the engineer's estimate can be primarily attributed to the increased cost of stainless steel. The cost associated with the stainless steel casing was over \$230,000 above the engineer's estimate.

Mr. Burton said that proposals for construction services during the construction of Well TL-1A were received from Geoscience and Richard C. Slade & Associates. Staff reviewed the proposals and recommends that Geoscience be selected for the project. Geoscience has worked on other wells in the area including Well 53, Well 51, TL-1, and Wells 21 & 22 and has a thorough understanding of the ground water system in the area. Geoscience prepared the preliminary design memoranda for the original TL-1 site and TL-1A site. Geoscience's fee proposal for construction phase services is in the amount of \$84,706. Their proposal includes civil engineering services from RBF Consulting for survey staking, submittal review, and permit procurement support.

Director Reinhart reported that the consultant selection for construction phase services was reviewed and approved by the Engineering and Operations Committee meeting on April 18, 2011. In response to Director Swan's inquiry relative to the cost of this well which was twice the cost of other wells, Mr. Burton said that the cost was due to a larger sized well and that the well will be drilled deeper, to a depth of approximately 1,300 feet. Director Swan inquired if staff investigated the water quality in the area as he was not sure if the area near the plume contained volatile organics and Freon from Steelcase and other companies. Director Heiertz said that this well is located on the old Well 52 site which was quite a bit south of the contaminated area. Following discussion, Director Swan said that he would approve this item contingent upon staff confirming with the appropriate regulatory agencies that the well site is not impacted by a plume or other sources of contamination. On MOTION by Reinhart, seconded and unanimously carried, **THE BOARD APPROVED ADDENDUM NO. 1 TO THE WELLS 21 AND 22/TUSTIN LEGACY WELL 1 PROJECTS MITIGATED NEGATIVE DECLARATION/INITIAL STUDY/ENVIRONMENTAL ASSESSMENT, INCLUDING THE DETERMINATIONS SET FORTH IN THE ADDENDUM; APPROVED A BUDGET INCREASE TO THE FY 2010/11 CAPITAL BUDGET FOR PROJECT 11419 BY \$201,600, FROM \$2,394,300 TO \$2,595,900; APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$2,431,700 FOR PROJECT 11419; DIRECTED STAFF TO CONFIRM WITH THE APPROPRIATE REGULATORY AGENCIES THE PRESENCE OR POTENTIAL FOR ANY LOCAL CONTAMINANTS TO IMPACT THE WELL AND THE INCLUSION OF PROTECTIVE MEASURES IN THE WELL DESIGN TAKING SUCH INFORMATION INTO ACCOUNT, AND, PROVIDED STAFF HAS MADE SUCH CONFIRMATIONS, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH BAKERSFIELD WELL AND PUMP COMPANY IN THE AMOUNT OF \$2,019,787; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT IN THE AMOUNT OF \$84,706 WITH GEOSCIENCE FOR CONSTRUCTION PHASE SERVICES FOR THE CONSTRUCTION OF TUSTIN LEGACY WELL NO. 1 ALTERNATIVE, PROJECT 11419.**

WELLS 21 AND 22 PIPELINES PROJECT CONSTRUCTION AWARD AND REIMBURSEMENT AGREEMENT BETWEEN IRWD AND ORANGE COUNTY SANITATION DISTRICT

Director of Engineering Burton reported that staff is proceeding with the implementation of the Wells 21 and 22 Pipeline Project that will provide the raw water, treated water and brine pipelines for the treatment plant currently being constructed by Pascal & Ludwig. This project is eligible to receive funding of up to \$11,700,000 in Title XVI funding from the American Recovery and Reinvestment Act of 2009 (ARRA) through the United States Bureau of Reclamation. Mr. Burton said that pursuant to the aggressive schedule of the ARRA funding, the proposed treatment plant is utilizing a design/build delivery approach.

Mr. Burton said that the project will also include a reverse osmosis brine line discharge from the treatment plant that will tie into the OCSD sewer located at the intersection of Edinger and Redhill Avenues in the City of Tustin. OCSD is also currently designing the Gisler-Redhill Trunk Improvements Reach "B" project located in the same vicinity of this heavily used and congested intersection. The City of Tustin recently completed street improvements near the Edinger and Redhill intersection and has requested that IRWD and OCSD combine their projects

in this area to minimize public impacts. He said that IRWD has agreed to include OCSD's project elements in its bid package and have its contractor construct the OCSD facilities. The OCSD work has been incorporated as a deletable bid schedule in the Pipelines Project.

Mr. Burton said that OCSD proposes to reimburse IRWD for the OCSD work, estimated at approximately \$450,000, through a Reimbursement Agreement. OCSD will additionally pay for IRWD's internal administrative charges as well as any changes associated with its work. OCSD will perform all construction inspection and technical support for its portion of the work.

Mr. Burton said that the Pipelines Project was advertised to a select list of 10 contractors and that the bid opening was held with nine of the 10 contractors submitting bids which included E.J. Meyer Company, Kennedy Pipeline Co., Leatherwood Construction Inc., Paulus Engineering, Inc., Sully-Miller Contracting Co., W.A. Rasic Construction, Vido Artukovich & Son, Inc., Flatiron West, Inc., and CCL Contracting, Inc. Mladen Buntich Construction Co. declined to bid. He said that the apparent low bidder was Flatiron West, Inc. with a total bid of \$7,839,221.76. The engineer's estimate was \$10,419,517 for the IRWD pipeline portion of the work and \$229,300 for the OCSD portion of the work for a total estimated amount of \$10,648,817. The received bids reflect the current competitive construction market, and that there is very little pipeline work bidding at the present time. He said that OCSD has reviewed the bid results and authorized IRWD to proceed with awarding their portion of the work to Flatiron West, Inc. The low bidder for the OCSD portion of the work was CCL Contracting Inc. in the amount of \$182,406. Flatiron West, Inc. submitted the fifth lowest bid in the amount of \$246,590 and was below the \$263,069 average for the work.

Director Reinhart reported that the OCSD Reimbursement Agreement was reviewed by the Engineering and Operations Committee on April 18, 2011. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD APPROVED THE REIMBURSEMENT AGREEMENT WITH ORANGE COUNTY SANITATION DISTRICT SUBJECT TO NON-SUBSTANTIVE CHANGES, FOR CONSTRUCTION OF A PORTION OF THE GISLER-REDHILL TRUNK IMPROVEMENTS, REACH "B", CONTRACT NO. 7-37; APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$7,972,700 FOR PROJECT 10286; AND APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$259,400 FOR PROJECT 79259. On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH FLATIRON WEST, INC. IN THE AMOUNT OF \$7,839,221.76 FOR THE WELLS 21 AND 22 DESALTER PROJECT PIPELINES, PROJECT 10286.

PROPOSED PERSONNEL CHANGES FOR FISCAL YEAR 2011-12

General Manager Jones reported that as part of the budgeting process, management staff has analyzed staffing levels and employee benefits, and prepared a plan to address the changing staffing needs of the District, improve operating efficiencies, and reduce the District's exposure to additional pension and other benefit expenses. Mr. Jones said that this plan includes functional consolidation and reorganization, position eliminations and outsourcing, and proposed benefit restructuring actions. He said that these changes, when implemented, will result in estimated annual savings in Fiscal Year (FY) 2011-12 of approximately \$1.3 million.

Mr. Jones said that staff recommends several changes to the existing budgeted positions, including: upgrading 12 positions; reclassifying four positions; downgrading one position; transferring three positions; deleting 13 positions; adding six new positions; and changing job titles for eight positions. Proposed changes to the Salary Grade Schedule as well as the resolution to adopt the revised Salary Grade Schedule will be effective July 1, 2011. The estimated cost savings from the recommended personnel changes, net of the cost of outsourcing, is \$424,778.

Mr. Jones said that several goals were taken into consideration this year while reviewing and analyzing the District's overall benefit and compensation structure. He said that first and foremost, management staff looked for opportunities to manage the current pension program while looking to the future to find ways to mitigate long-term exposure to increased liability. Management staff recommends approval of a multi-year process to transition employees to paying the full 8.0% of the CalPERS employee contribution, starting with the following adjustments in employee paid contributions to CalPERS effective July 1, 2011: 1) the General Manager and the Assistant General Manager (Executive Management) will pay an additional 5% into CalPERS increasing their employee contributions from 1% to 6%; 2) all Department Directors and Senior Directors (Senior Management) will pay an additional 4% into CalPERS; increasing their employee contributions from 1% to 5%; and 3) all other full-time regular employees will pay an additional 2% into CalPERS; increasing their employee contributions from 1% to 3%. To offset the financial impact of this adjustment, management staff recommends a one-time 2% salary increase for all employees, excluding the General Manager and the Assistant General Manager. The reductions in the District-paid employee contribution for CalPERS and the cost of the one-time 2% salary adjustment result in a net cost savings of \$59,000 for FY 2011-12.

Mr. Jones said that in addition, staff recommends the elimination of the District-paid 3% contribution of salary to employee deferred compensation accounts. It is proposed that the District's 3% matching program be continued to encourage employees to continue to save for their retirement years. The savings realized by the elimination of the District's direct deferred compensation contribution is \$772,000 for FY 2011-12.

In summary, the cost savings associated with the recommendations presented are as follows:

Total Personnel Adjustments, less cost to outsource	(\$424,778)
Reduction in CalPERS Employee Contributions plus 2% salary adjustment	(\$59,000)
Elimination of 3% of salary direct contribution to deferred comp	<u>(\$772,000)</u>
Total Net Savings for 2011-12	(\$1,255,778)

Director Swan reported that this item was reviewed as the part of the proposed Fiscal Year 2011-12 Operating Budget at the Finance and Personnel Committee meeting on April 5, 2011. He said he would make a motion for this item recognizing that additional modifications to the structure may be deemed necessary as a result of findings by the consultant currently researching options on both the District's pension and medical plans. On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED THE PROPOSED CHANGES IN THE DISTRICT'S BUDGETED POSITIONS IN THE PROPOSED OPERATING BUDGET; APPROVED THE SALARY GRADE SCHEDULE CHANGES EFFECTIVE WITH THE

APPROVED FISCAL YEAR 2011-12 OPERATING BUDGET ON JULY 1, 2011;
APPROVED CHANGES TO THE DISTRICT'S DEFERRED COMPENSATION
CONTRIBUTION AND CALPERS CONTRIBUTIONS, AND ADOPTED THE FOLLOWING
FOUR RESOLUTIONS BY TITLE:

RESOLUTION NO. 2011 – 14

RESOLUTION OF THE BOARD OF DIRECTORS OF THE IRVINE RANCH WATER
DISTRICT RESCINDING RESOLUTION NO. 2010-15 AND ESTABLISHING
REVISED SCHEDULE OF POSITIONS AND SALARY RATE RANGES

RESOLUTION NO. 2011 – 15

RESOLUTION OF THE BOARD OF DIRECTORS OF THE IRVINE
RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA
COMMENCING EMPLOYER PAID MEMBER CONTRIBUTIONS
(EXECUTIVE MANAGEMENT)

RESOLUTION NO. 2011 – 16

RESOLUTION OF THE BOARD OF DIRECTORS OF THE IRVINE
RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA
COMMENCING EMPLOYER PAID MEMBER CONTRIBUTIONS
(SENIOR MANAGEMENT)

RESOLUTION NO. 2011 – 17

RESOLUTION OF THE BOARD OF DIRECTORS OF THE IRVINE
RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA
COMMENCING EMPLOYER PAID MEMBER CONTRIBUTIONS
(FULL-TIME REGULAR EMPLOYEES)

OTHER BUSINESS

GENERAL MANAGER'S COMMENTS

General Manager Jones reported that at MWDOC's April 20 Board meeting, they approved by a 6-1 vote the agreement relative to budget, activities, charges and other issues. He also said 21 out of the 27 agencies have approved the agreement to date.

General Manager Jones also reported that an item came to staff's attention after the Board agenda was posted relative to the Orange County Water District's (OCWD) Ad Hoc Governance Committee requesting staff to prepare options for consolidation of OCWD/MWDOC which will be discussed at its next Board meeting on May 4, 2011. On MOTION by Reinhart, seconded and unanimously carried, IT WAS DETERMINED THAT THERE IS A NEED TO TAKE IMMEDIATE ACTION ON THE MATTER RELATIVE TO OCWD'S INTEREST IN CONSOLIDATING WITH MWDOC WHICH CAME TO THE ATTENTION OF THE

DISTRICT SUBSEQUENT TO THE AGENDA BEING POSTED, AND THIS MATTER WAS ADDED TO THE AGENDA FOR DISCUSSION. Mr. Jones suggested that IRWD consider the formation of an Ad Hoc Committee and that IRWD policy principles also be established. Mr. Jones noted that the OCWD's Ad Hoc Committee was working from the 1994 analysis on various consolidations of agencies and that he will provide a copy of this analysis to the Board. Following discussion, President LaMar created an MWDOC/OCWD Ad Hoc Committee and said that he will be making a decision on the two Board members on this Committee. Mr. Jones said that he will begin establishing policy principles.

Mr. Jones said he received an email from Mr. Bob Gumerman, General Manager of MNWD, noting that its Board approved an allocation rate structure, and that they also established a special conservation fund. He said that Mr. Gumerman thanked staff for its assistance.

DIRECTORS' COMMENTS

Director Swan said he attended an OCWD Board meeting and noted that the Basin Production Percentage was increased to 65% and a small Replenishment Assessment increase were adopted. He said he attended a UCI collaborative meeting with General Manager Jones, a Newport Chamber of Commerce meeting, a Central and West Basin Meeting, a Southern California Water Committee meeting, and a CASA conference.

Director Matheis reported that she attended an Urban Water Institute conference along with Directors Withers and Reinhart. She said the attendance was disappointing, but the speakers were excellent, including the panel where Mr. Paul Jones was the moderator. She also said she will be attending a SAWPA meeting on Wednesday for an OWOW conference next week.

Director Reinhart reported on his attendance at the Urban Water Institute conference. Director Swan said that the Board should revisit the District's involvement with outside Board and staff representation at the next Strategic Planning Workshop.

Director LaMar reported on his attendance at a meeting with Mr. Steve Sheldon of OCWD along with Mr. Jones, a Chamber of Commerce anniversary breakfast, and a Southern California Water Committee Quarterly meeting.

CLOSED SESSION

President LaMar said that the following Closed Sessions would be held with legal counsel relative to: 1) Existing litigation - Government Code Section 54956.9(a) – SEMA Construction vs. the City of Tustin and City of Tustin vs. IRWD; and 2) Initiation of litigation – Government Code Section 54956.9(c) – involving one potential case.

OPEN SESSION

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

ADJOURNMENT

There being no further business, Director LaMar adjourned the Board meeting.

APPROVED and SIGNED this 9th day of May, 2011.




President, IRVINE RANCH WATER DISTRICT



Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:



Legal Counsel - Bowie, Arneson, Wiles & Giannone