

MINUTES OF REGULAR MEETING –FEBRUARY 27, 2012

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 Matheis on February 27, 2012 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Reinhart, LaMar, Withers (arrived at 5:15 p.m.), and Matheis

Directors Absent: Swan

Also Present: General Manager Cook, Executive Director of Operations Pedersen, Executive Director of Engineering and Planning Burton, Executive Director of Finance Cherney, Executive Director of Water Policy Heiertz, Secretary Bonkowski, Legal Counsel Arneson, Director of Water Resources Weghorst, and other members of the public and staff.

WRITTEN COMMUNICATION: None.

ORAL COMMUNICATION:

Mrs. Joan Irvine Smith's assistant addressed the Board of Directors with respect to the Dyer Road wellfield. She said it was her understanding that currently wells 2, 4, C-8, C-9, 10, 13, 14, 15 and 17 will operate in accordance with the District's annual pumping plan. Wells, 1, 3, 5, 6, 7, 8, 11, 12, 16 and 18 will be off. This was confirmed by Mr. Cook, 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. Cook.

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. Cook.

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. Cook.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED: None.

CONSENT CALENDAR

On MOTION by Reinhart, seconded and carried (4-0) (Matheis, Swan, Reinhart, and Swan voting aye and Withers absent), CONSENT CALENDAR ITEMS 3 THROUGH 13 WERE APPROVED AS FOLLOWS:

3. MINUTES OF REGULAR BOARD MEETINGS

Recommendation: That the minutes of the February 13, 2012 Regular Board Meeting, the February 21, 2012 Adjourned Regular Board Meeting, and the February 22, 2012 Regular Board Meeting be approved as presented.

4. 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 and John Withers.

5. JANUARY 2012 FINANCIAL REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for January 2012; approve the January 2012 Summary of Payroll ACH payments in the total amount of \$1,386,762.97, and approve the January 2012 accounts payable Disbursement Summary of Warrants Nos. 326347 through 327178, Workers' Compensation distributions, wire transfers, payroll withholding distributions and voided checks in the total amount of \$15,655,484.60.

6. DISTRICT STRATEGIC MEASURES DASHBOARD

Recommendation: Receive and file the Strategic Measures Dashboard and information items.

7. UPCOMING PROJECTS STATUS UPDATE

Recommendation: Receive and file.

CONSENT CALENDAR (CONTINUED)

8. QUITCLAIM OF REAL PROPERTY TO VON KARMAN PLAZA, LLC

Recommendation: That the Board adopt the following resolution by title approving execution of the Quitclaim Deed to Von Karman Plaza, LLC.

RESOLUTION NO. 2012-12

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT
APPROVING EXECUTION OF THE QUITCLAIM DEED TO
VON KARMAN PLAZA, LLC

9. QUITCLAIM OF REAL PROPERTY TO WAL-MART REAL ESTATE
BUSINESS TRUST

Recommendation: That the Board adopt the following resolution by title approving execution of the Quitclaim Deed to Wal-Mart Real Estate Business Trust.

RESOLUTION NO. 2012-13

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT
APPROVING EXECUTION OF THE QUITCLAIM DEED TO
WAL-MART REAL ESTATE BUSINESS TRUST

10. ADDENDUM NO. 1 TO THE BAKER WATER TREATMENT PLANT
ENVIRONMENTAL IMPACT REPORT

Recommendation: That the Board approve the proposed Addendum No. 1 to the Baker Water Treatment Plant Project Environmental Impact Report, including the determination set forth in the addendum, and approve the modifications to the project consisting of changes to the Mechanical Design and Planned Operation to the product water pump station and alignment of the treated water pipeline.

11. DOMESTIC AND RECYCLED VAULT LIDS REHABILITATION -
EXPENDITURE AUTHORIZATIONS AND CONSULTANT SELECTION

Recommendation: That the Board approve an Expenditure Authorization in the amount of \$154,600 for the Domestic Vault Lid Rehabilitation, project 11358 (1800), and approve an Expenditure Authorization in the amount of \$115,500 for the Recycled Vault Lid Rehabilitation, project 31358 (1065).

12. PLANNING AREA 9B JEFFREY ROAD PIPELINES EXPENDITURE AUTHORIZATIONS AND POTENTIAL CHANGE OF WORK WITH IRVINE COMMUNITY DEVELOPMENT COMPANY

Recommendation: That the Board approve Expenditure Authorizations for project 10423 (1519) in the amount of \$38,100 and project 30422 (1024) in the amount of \$47,400; and approve a potential change of work in the amount of \$83,146 to the Reimbursement Agreement with the Irvine Community Development Company for Planning Area 9B to construct Planning Area 9B Jeffrey Road IRWD Capital Facilities, projects 10423 (1519) and 30422 (1024).

13. EMERGENCY DOMESTIC WATER INTERCONNECTION AGREEMENT WITH SANTA MARGARITA WATER DISTRICT

Recommendation: That the Board authorize the General Manager to execute an agreement with Santa Margarita Water District that terminates the 1979 Capacity Agreement and provides for an emergency domestic water interconnect; authorize the District officers to execute a Quitclaim Deed to transfer IRWD's capacity ownership in various pipelines and the Alicia Reservoir A to Santa Margarita Water District; and adopt the following resolution by title approving execution of the Quitclaim Deed to Santa Margarita Water District.

RESOLUTION NO. 2012 -14

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA,
APPROVING EXECUTION OF THE QUITCLAIM DEED TO
SANTA MARGARITA WATER DISTRICT

ACTION CALENDAR

BAKER WATER TREATMENT PLANT DESIGN VARIANCE NO. 6

General Manager Cook reported that at the onset of the project, the Baker Water Treatment Plant (WTP) residuals were planned to be delivered to the Los Alisos Water Recycling Plant (LAWRP) for processing if available sewer capacity between Baker WTP and LAWRP could be confirmed. Director Withers arrived at 5:15 p.m.

Mr. Cook said that the District's consultant, RBF/Carollo, defined residuals production estimates, and following review, staff became concerned about LAWRP's ability to process the residuals, especially when Irvine Lake Water (ILW) is used as the source of supply to the Baker WTP, while continuously meeting plant effluent discharge requirements. More significantly though, staff realized that the current method of sludge disposal at LAWRP will be modified in 2015 when the solids will no longer be trucked to Arizona, but rather to MWRP, where they will be processed through the solids processing facilities currently in design. As such, staff coordinated with the MWRP biosolids engineering design consultant, Black & Veatch, to identify potential impacts associated with introducing the Baker WTP residuals into the proposed

solids processing facilities. Black & Veatch has expressed concerns regarding the potential impacts to the proposed facilities including: 1) lower quality pellet produced from the dryer due to the high concentration of inorganics present in the Baker WTP residuals; 2) concerns associated with pellet formation and pellet stabilization during transport; 3) increased digested sludge production; 4) increased drying and disposal costs; 5) increased complexities associated with operation of the acid phase digestion process; and 6) extensive operational impacts associated with variable incoming solids loading to the primary sludge thickening processes. Mr. Cook said that all of these issues pose significant risks to the overall success of the proposed MWRP biosolids project and to avoid these risks, staff is evaluating the construction of onsite residuals handling facilities at the Baker WTP.

Mr. Cook said that staff requested RBF/Carollo to perform a high-level analysis to identify a conceptual treatment process that would be capable of processing and dewatering the Baker WTP residuals onsite. RBF/Carollo developed initial estimates for the capital and operations and maintenance (O&M) costs associated with the conceptual facilities estimates which range from \$5.5 to \$9 million and the O&M cost estimates which range from \$500,000 to \$600,000 per year. As part of Variance No. 6, RBF/Carollo will refine the design criteria for the residuals handling facilities in an effort to further reduce the size and cost of the facilities.

Executive Director Burton said that staff proposes to proceed with the incorporation of onsite residuals handling facilities in a two-phased approach. The first phase, which is addressed by Variance No. 6, will identify the recommended residuals handling facilities, define the design criteria, site the facilities, identify the impacts of those facilities on the current design, and update the overall capital and O&M costs for the project. The second phase, which will be addressed by a future design variance, will be the development of the final design and the incorporation of the residuals handling facilities into the overall project. RBF/Carollo submitted Variance No. 6 in the amount of \$73,000 to complete the first phase of the work described above.

Mr. Burton said that throughout this entire process, staff has closely coordinated with the Baker Project Committee stakeholders. He said that an initial meeting with the stakeholders was held on December 21, 2011 to present the issues and to obtain concurrence on proceeding with the evaluation of onsite residuals handling facilities with a second meeting held on January 26, 2012 to present the approach to completing the evaluation and RBF/Carollo's preliminary scope of work and fee to complete the work. He further said that the stakeholders concur with the two-phased approach defined above and are planning to take the variance to their respective Boards in February and March.

Director Reinhart reported that this item was reviewed and approved by the Engineering and Operations Committee on February 23, 2012. Following discussion, on MOTION by Reinhart, seconded and unanimously carried, **THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE VARIANCE NO. 6, IN THE AMOUNT OF \$73,000, WITH RBF CONSULTING FOR THE BAKER WATER TREATMENT PLANT, PROJECT 11218 (1417).**

WELL 115 REPLACEMENT – CAPITAL BUDGET ADDITION, EXPENDITURE AUTHORIZATION, AND VARIANCE NO. 1

General Manager Cook reported that the District pursued replacement of Wells 106 and 107 in an effort to promptly augment flow to the Irvine Desalter Project Potable Treatment Plant (IDP-

PTP). Mr. Cook said that Tetra Tech was retained to provide design and construction phase services for both wells. Well 107 is currently under construction. He said that Well 106 replacement was evaluated and deemed extremely difficult due to site constraints and extensive coordination required with the stakeholders. He said that staff recommends that Well 115 be substituted for the Well 106 replacement.

Tetra Tech is providing preliminary design, design, bid, and construction phase services for both Well 107 and Well 106. Additionally, Tetra Tech is providing modifications to the vessels and cartridge filters, modifications to pretreatment and post treatment chemicals, and modifications to the hypochlorite and de-chlorination facilities at IDP-PTP. Variance No. 1 with Tetra Tech includes: 1) an additional \$15,000 for additional preliminary design work for Well 106; 2) deletion of the Well 106 pipeline portion of the project; 3) deletion of Well 106 replacement design and construction services component; and 4) the addition of Well 115 replacement project. Variance No. 1 does not change Tetra's Tech existing scope to provide modifications to IDP-PTP.

Director Reinhart reported that this item was reviewed and approved by the Engineering and Operations Committee on February 23, 2012. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD AUTHORIZED THE ADDITION OF PROJECT 11627 (3717) IN THE AMOUNT OF \$3,685,600 TO THE FY 2011-12 CAPITAL BUDGET FOR WELL 115 REPLACEMENT; APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$551,300 FOR PROJECT 11627 (3717); AND APPROVED A NO-COST VARIANCE NO. 1 WITH TETRA TECH FOR THE WELL 115 REPLACEMENT, PROJECT 11627 (3717).

MICHELSON WATER RECYCLING PLANT PHASE 2 EXPANSION AND FLOOD PROTECTION IMPROVEMENTS – CHANGE ORDERS, VARIANCE, AND REDUCTION OF RETENTION

Executive Director of Engineering Burton reported that construction of the Michelson Water Recycling Plant (MWRP) Phase 2 Expansion and Flood Protection Improvements project was awarded to J. R. Filanc Construction Company in July 2009 in the amount of \$87,479,450. Mr. Burton said that the Phase 2 expansion contract documents show that Filanc was to install a two-ton bridge crane over the membrane bioreactors (MBR) to allow lifting of the membrane modules and moving them to the south side of the MBR for membrane module cleaning. The District's design engineer, HDR, later discovered after review of the GE/Zenon submittal that a five-ton bridge crane would be required. He said that Construction Contract Change Order (CCO) No. 57 is for the incremental cost for material and labor to construct and install the 5-ton bridge crane. IRWD would have had to pay these costs had the Contract Documents shown a five-ton crane. Additionally, the bridge crane was modified to extend an additional nine feet to the north side of the MBR to allow the membrane modules to be lifted to and from trucks. This change order also includes \$14,817 of unusable material and re-engineering by the crane manufacturer since the manufacturer had started manufacturing the two-ton crane before the discovery was made. Staff has negotiated with the HDR to credit IRWD an equivalent amount on its construction services invoices to reimburse IRWD for this portion of the CCO.

Mr. Burton said that CCO No. 58 is for the final quantity adjustment for Bid Item No. A.06 – Precast Pre-stressed Concrete Drive Piles – Structure Piles. The adjustment was due to differing

site conditions. This CCO credit amount represents a 23% decrease from the original \$2,916,000 amount for the bid item. The total amount of all change orders for this construction project is \$2,327,807.14 (2.7% of the original bid).

Mr. Burton said that Ninyo and Moore has been providing construction phase services associated with pile installation since the start of the project. Variance No. 2 is to provide supplemental construction phase services for pile installation for the remaining 237 piles. Specifically, these services include monitoring of pile driving operations, geotechnical engineering, data complication and analysis, consultations, and a final report. Filanc has installed between three and 26 piles per day. Ninyo and Moore has assumed about 12 piles per day for Variance No. 2. Should the remaining piles take longer than this installation rate, another variance may be required.

Mr. Burton said that construction of project is 72.5% completed and that Filanc has formally requested that the retention be reduced pursuant to the project manual. Staff has reviewed Filanc's request and verified that they are currently working at a pace to complete the contract work prior to the contract completion date, and concur with the request.

Director Reinhart reported that this item was reviewed and approved by the Engineering and Operations Committee on February 23, 2012. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD APPROVED CONTRACT CHANGE ORDER NO. 57 IN THE AMOUNT OF \$116,206.53 WITH J. R. FILANC CONSTRUCTION CO. TO INSTALL A FIVE-TON CRANE FOR MICHELSON WATER RECYCLING PLANT PHASE 2 EXPANSION, PROJECTS 20214 (1599) AND 30214 (1706); APPROVED CONTRACT CHANGE ORDER NO. 58 IN THE CREDIT AMOUNT OF \$669,030.20 WITH J. R. FILANC CONSTRUCTION CO. DUE TO FINAL QUANTITY ADJUSTMENT OF THE STRUCTURE PILES WITHIN MICHELSON WATER RECYCLING PLANT PHASE 2 EXPANSION, PROJECTS 20214 (1599) AND 30214 (1706); AUTHORIZED THE GENERAL MANAGER TO EXECUTE VARIANCE NO. 2 IN THE AMOUNT OF \$24,700 WITH NINYO AND MOORE FOR SUPPLEMENTAL CONSTRUCTION PHASE SERVICES FOR PILE INSTALLATION FOR THE MICHELSON WATER RECYCLING PLANT PHASE 2 EXPANSION, PROJECTS 20214 (1599) AND 30214 (1706) AND FLOOD PROTECTION IMPROVEMENT, PROJECTS 20542 (1150) AND 30542 (1118); FOUND THAT SATISFACTORY PROGRESS IS BEING MADE ON THE MICHELSON WATER RECYCLING PLANT PHASE 2 EXPANSION AND FLOOD PROTECTION IMPROVEMENTS CONTRACT; AUTHORIZED THE REDUCTION OF RETENTION FROM 10% TO 5% OF THE CONTRACT AMOUNT; AND RELEASE FUNDS IN EXCESS OF 5% OF THE CONTRACT AMOUNT FROM RETENTION CURRENTLY HELD FOR MWRP PHASE 2 EXPANSION AND FLOOD PROTECTION IMPROVEMENTS, PROJECTS 20214 (1599), 20542 (1150), 30214 (1706), AND 30542 (1118).

GENERAL MANAGER'S REPORT

General Manager Cook reported that the Lake Forest City Council approved an action to form a Community Facilities District (CFD) for the District's Serrano Summit project. He said that this is a two-step process with the final approval for the zoning process of the CFD to occur in April.

Mr. Cook noted the Exchange Club of Irvine's event on March 1 which Directors Withers and Matheis plan to attend. Director Reinhart said he may also be in attendance, and will confirm with staff.

Mr. Cook reported on a recent trip to Sacramento with Directors Matheis and LaMar with various key legislators and staff.

DIRECTORS' COMMENTS

Director LaMar reported on the trip to Sacramento, an NROC Executive Committee meeting, and a MWDOC meeting.

Director Reinhart said he attended several standing meetings for the District.

Director Withers apologized for being absent at the last Board meeting on February 22 due to a commitment in Palmdale. He further reported on his attendance at a public policy group meeting on pension reform last Friday at Concordia University along with a recent lunch meeting with Mr. Paul Hernandez from the Irvine Company. He said he will be attending a WACO meeting this Friday. In response to his inquiry relative to a retrofit program with UCI, staff provided an update on the project noting that staff will have data soon on the water study.

Director Matheis reported that she will be traveling to Washington, DC to attend ACWA's Legislative conference including a luncheon on Wednesday with Orange County legislators. She further noted that she was unable to attend ACWA's Regional Forum.

Director LaMar reported that he attended a lunch meeting with the Army Corps of Engineers' Colonel Toy, Mr. Jack Foley, and staff from Congressman Ken Calvert's office. He said that District staff will be meeting this week with Colonel Toy's staff relative to potential Federal funding for the Syphon Reservoir.

Following Consultant Bruce Newell's comments relative to the low levels in the creeks in Santiago Canyon, staff asked that he provide a review of the District's pump stations for potential fire hazards.

ADJOURNMENT

President Matheis adjourned the meeting at 5:37 p.m.

APPROVED and SIGNED this 26th day of March, 2012.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles and Giannone