

## MINUTES OF REGULAR MEETING – MAY 9, 2005

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order by President Miller at 6:00 p.m., May 9, 2005 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None

Also Present: General Manager Jones, Director of Engineering Heiertz, Treasurer Loomis, Assistant General Manager Cook, Secretary Bonkowski, Legal Counsel Arneson, Mr. Jim Reed, Mr. Tom Bishop, and other members of the public and staff.

WRITTEN COMMUNICATIONS: None

ORAL COMMUNICATIONS:

Mrs. Joan Irvine Smith addressed the Board of Directors with respect to the Dyer Road Wellfield. She said that she understood that currently Wells, 1, 2, 4, 5, 7, 10, 11, 12, 13, 14, 15, 16, 17, 18 and C-8 and C-9 are operational and are being used as demands dictate. It is anticipated that Wells 3 and 6 will be brought on-line after July 1. This was confirmed by Mr. Jones, General Manager of the District.

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

ITEMS TOO LATE TO BE AGENDIZED: None

PRESENTATIONS

ALTERNATIVE SCADA BACKUP METHODS FOR RESERVOIR MONITORING - HARVEY MUDD 200/05 ENGINEERING CLINIC

General Manager Jones reported that the District has supported the HMUDD Engineering Clinic annually for 13 years by giving juniors, seniors and graduate students real world projects that have a direct benefit to us. He said that Engineers Carl Spangenberg and Dave Mazzarella provided technical support and guidance to the students.

The Harvey Mudd students made a presentation on alternative Supervisory control and data acquisition backup methods for reservoir monitoring.

#### SHADETREE PARTNERSHIP, INC.

Shadetree Partnership's General Manager Tom Bonkowski presented an update on the recent activities of this organization.

#### WORKSHOP

#### INTEREST RATE SWAP REVIEW

Treasurer Loomis provided a presentation to review the rationale for entering into swap transactions, the current value of the transactions versus what was anticipated when they were executed, and some economic forecasts going forward.

Mr. Loomis said that tomorrow staff would be discussing the fixed-income portfolio, interest rate swaps, debt, and market conditions with the Finance and Personnel Committee. Additionally, he said that staff will be scheduling two special Finance and Personnel Committee meetings, one each with Merrill Lynch and Citibank. Each bank will give a presentation with their recommendations on potential swap transactions based on the current swaps and market conditions. Based on these presentations and discussions with the Committee, any proposed swap transactions will be submitted to the Board for authorization.

#### CONSENT CALENDAR

On MOTION by Swan, seconded and unanimously carried, CONSENT CALENDAR ITEM NO. 6 WAS APPROVED AS FOLLOWS.

#### 6. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the April 25, 2005 Board of Directors' meeting be approved as presented.

#### ACTION CALENDAR

#### DYER ROAD WELL REPAIR/REHABILITATION PROJECT

General Manager Jones reported that the purpose of this item was to request reallocation of the remaining funds from the Dyer Road Well Field Well 7 Rehabilitation (Project 10350) to the proposed Project 10948 in order to fund the replacement of Dyer Road Well 2 and Well 18 deep well turbines.

Director of Engineering Heiertz reported that the Dyer Road Well 7 rehabilitation was completed in June 2004. The submersible motor and pump were replaced and a minor well redevelopment was performed. Mr. Heiertz said that the actual cost for the Dyer Road Well 7 rehabilitation

work was \$49,223. The lower cost was due to a change in the well redevelopment method and cost savings associated with rebuilding the deep well submersible pump.

Mr. Heiertz said that the Dyer Road Well 18 ceased pumping on July 27, 2004 due to a bowl assembly discharge case casting defect. The defect broke away a large portion of the turbine case that caused the pump to recirculate water inside the well. The cost for the Well 18 repair is \$80,000.

Mr. Heiertz said that the Dyer Road Well 2 experienced extreme sanding conditions that reduced its pumping capacity and reliability. The cost to repair this condition is \$60,000.

Director Reinhart reported that this item was reviewed and approved by the Engineering and Operations Committee meeting on April 19, 2005. On MOTION by Reinhart, seconded and unanimously carried, A REDUCTION IN THE FY 2004/2005 CAPITAL BUDGET FOR PROJECT 10350 BY <\$170,200>, FROM \$219,500 TO \$49,223 WAS APPROVED; THE ADDITION OF PROJECT 10948 TO THE FY 2004/05 CAPITAL BUDGET FOR \$170,200 WAS APPROVED, AND AN EXPENDITURE AUTHORIZATION WAS APPROVED FOR THE DEDUCTIVE AMOUNT OF <\$170,200> FOR PROJECT 10350 AND AN EXPENDITURE AUTHORIZATION WAS APPROVED FOR \$170,200 FOR PROJECT 10948 FOR WELL NOS. 2 AND 8 REHABILITATION.

#### SAN JOAQUIN MARSH DUCK CLUB ADDITION

General Manager Jones reported that the purpose of this item was to recommend approval of a budget for the expansion of the Duck Club building by approximately 50%. Mr. Jones said that staff is proposing that the porch of the Duck Club be extended 30 feet to accommodate larger groups for meetings and events. He said that the heating and air conditioning system will also be upsized to accommodate the new addition. Energy efficient windows will be installed to lower the heating and air conditioning costs.

Mr. Jones said that the concept drawings were prepared by DeRevere & Associates and that staff has received a proposal for \$20,300 for bid documents that include site planning, schematics, construction documents, and structural drawings. The preliminary cost estimate for this construction project is \$170,000. He said that staff is also recommending procuring the services of Newport Real Estate Services, Inc. (NRES) for Project Management Services for \$2,000 per month for an estimated three month period.

Director Swan reported that this item was reviewed and approved by the San Joaquin Marsh Ad Hoc Committee on April 26, 2005. In response to Director Swan's inquiry relative to funding allocation, Mr. Jones said that funding was from various improvement districts as the facility provides a benefit to the District's customers. In response to Director Reinhart's inquiry relative to NRES' scope of services, Director of Operations Ballard reported that their fee is based on an hourly rate. In response to Director Withers inquiry, Mr. Jones said that one of the ponds has been reconfigured to accommodate additional parking needs. Following discussion, staff was asked to review the roof line for sun exposure. On MOTION by Swan, seconded and unanimously carried, THE ADDITION OF PROJECTS 10883, 10961, 20883 AND 30883 TO

FY 2004/05 CAPITAL BUDGET IN THE AMOUNTS OF \$86,400, \$21,700, \$86,400, AND \$21,700 WAS AUTHORIZED; AND EXPENDITURE AUTHORIZATIONS FOR SAME AMOUNTS WERE APPROVED FOR THE SAN JOAQUIN MARSH DUCK CLUB ADDITION.

#### JEFFREY HAUL ROAD OVERCROSSING QUITCLAIM AGREEMENT

Director of Engineering Heiertz reported that under the terms of a settlement agreement with the County of Orange, the Santiago Canyon Road overcrossing was constructed to carry Irvine Lake Desilting project truck traffic and was to be demolished upon completion of the desilting project. Mr. Heiertz said that instead of demolishing the overcrossing, the County wishes to take ownership of the overcrossing. He said that staff is requesting approval of a quitclaim agreement transferring ownership rights in the Santiago Canyon Road overcrossing from Irvine Ranch Water District, Serrano Water District, The Irvine Company, and Vulcan Materials to the County of Orange and to release the transferring parties from liability associated with construction of the overcrossing.

On MOTION by Swan, seconded and unanimously carried, THE QUITCLAIM AGREEMENT TRANSFERRING OWNERSHIP RIGHTS IN THE SANTIAGO CANYON ROAD OVERCROSSING FROM IRVINE RANCH WATER DISTRICT, SERRANO WATER DISTRICT, THE IRVINE COMPANY, AND VULCAN MATERIALS TO THE COUNTY OF ORANGE WAS APPROVED AND EXECUTION AUTHORIZED, AND THE TRANSFERRING PARTIES WERE RELEASED FROM LIABILITY ASSOCIATED WITH CONSTRUCTION OF THE OVERCROSSING.

#### APPROVAL OF LETTER OF CREDIT EXTENSIONS AND FEES

Treasurer Loomis reported that currently staff was recommending the extension of nine Letters of Credit (LOC) with two of the District's current banks to take advantage of enhanced credit ratings and fee reductions. Mr. Loomis said that the German State of Hesse and State of Baden-Wurttemberg guarantee certain obligations of Helaba and LBBW thus providing a higher rating for the banks and their Letter of Credits (LOC). He said that these state guarantees will no longer apply to LOCs issued after July 19, 2005; however, LOCs that are in place prior to this date will continue to receive the state guarantees until 2015. Both banks have offered to extend the District's current LOCs which are due to expire in 2006 and 2007 to the lesser of the maturity of the bond issues or 2015 to take advantage of these grandfathered guarantees.

Mr. Loomis said that in addition to the time extension, staff requested the banks to submit revised annual LOC fees. The District currently pays a weighted average of 25 basis points for LOCs from both banks. He said that staff recommends accepting the five-year option on five of the issues, the seven-year option on three of the issues, and the three-year option on one issue, which would average a four basis point decrease in the annual fees. This structure will cover the final maturities on three of the bond issues. The pricing levels assume the maintenance of the District's current AA/AA+ ratings. If the District's rating should be downgraded by any rating agency, the banks have proposed incremental increases of between two and five basis points per rating category. The District may terminate these agreements after one year without penalty.

Legal counsel has prepared two resolutions providing for the LOC extensions. The LOC extensions will result in average annual savings to the District of \$49,000 and cumulative savings of \$241,000 over five years. The one-time expense for the extensions is estimated to be a maximum of \$25,000 (\$17,000 for legal fees, and \$8,000 for rating agency fees).

Director Swan reported that the Finance and Personnel Committee approved this item on April 5, 2005 and complimented staff of their efforts. On MOTION by Swan, seconded and unanimously carried, THE FOLLOWING RESOLUTIONS WERE ADOPTED BY TITLE:

RESOLUTION NO. 2005-10

RESOLUTION OF THE BOARD OF DIRECTORS OF THE IRVINE RANCH WATER DISTRICT AUTHORIZING EXTENSIONS OF LETTERS OF CREDIT AND CHANGES TO REIMBURSEMENT AGREEMENTS AND APPROVING DOCUMENTS (CONSOLIDATED SERIES 1989, CONSOLIDATED SERIES 1991 AND CONSOLIDATED REFUNDING SERIES 1993B BONDS; CERTIFICATES OF PARTICIPATION (1986 CAPITAL IMPROVEMENT PROJECT))

RESOLUTION NO. 2005-11

RESOLUTION OF THE BOARD OF DIRECTORS OF THE IRVINE RANCH WATER DISTRICT AUTHORIZING EXTENSIONS OF LETTERS OF CREDIT AND CHANGES TO REIMBURSEMENT AGREEMENTS AND APPROVING DOCUMENTS (CONSOLIDATED SERIES 1985, CONSOLIDATED SERIES 1985B; 1988 WATERWORKS BONDS, IMPROVEMENT DISTRICT NO. 182; 1988 SEWER BONDS, IMPROVEMENT DISTRICT NO. 282 AND 1988 SEWER BONDS, IMPROVEMENT DISTRICT NO. 284)

SYCAMORE CANYON APARTMENT RENOVATION – CONTRACT REPLACEMENT

General Manager Jones reported that staff was recently notified by the District's construction manager, Newport Real Estate Services (NRES), that Dolan Construction (Dolan) was unable to provide the necessary bonding for the Sycamore Canyon Renovation Project and therefore is not qualified to provide general contractor services to the District. Mr. Jones said that staff is recommending that the Board rescind the authorization for Bardeen Partners to execute the contract with Dolan Construction; authorize Bardeen Partners to execute a contract with Philco Construction (Philco) for the addition of a clubhouse, fitness center and construction of a maintenance shop; and approve an increase to the budget and Expenditure Authorization for Project #10869 of \$76,600 to provide for the cost of bonding (not included in original bid specifications) plan check modifications and the difference between the proposals of Dolan and Philco.

Treasurer Loomis reported that in November 2004, the Board approved the addition of the Sycamore Canyon Apartments Renovation Project to the 2004/05 Capital Budget. The project includes interior upgrades to the property's 450 units, and the addition of a clubhouse, fitness center and maintenance shop. Mr. Loomis said that NRES submitted a bid package for the

addition of the clubhouse, fitness center and maintenance shop construction to three general contractors. Proposals were received from Friess Construction, Philco and Dolan. Dolan was the low bidder with a proposal of \$1,363,491. Philco and Friess Construction's proposals were approximately \$130,000 and \$427,000 higher than the Dolan proposal. In March 2005, the Board authorized Bardeen Partners to execute a contract with Dolan.

Mr. Loomis said that after being notified by Dolan that the project requirements would exceed their bonding capacity, NRES contacted Philco, the next lowest bidder from the original bid request. NRES worked with Philco in an effort to bring their bid closer to the Dolan proposal, and to confirm their bonding capability. The revised Philco proposal is for \$1,440,083. The increase of \$76,592 above the Dolan proposal represents a bonding premium of \$35,124 (not included in previous bids), an increase of \$9,100 due to recent plan check modifications and a net difference of \$32,368 between the two bids.

Director Swan reported that this item was reviewed and approved by the Asset Management Committee on several occasions, and most recently on April 27, 2005. On MOTION by Swan, seconded and unanimously carried, THE AUTHORIZATION TO EXECUTE A CONTRACT WITH DOLAN CONSTRUCTION TO PROVIDE GENERAL CONTRACTOR SERVICES AT THE SYCAMORE CANYON APARTMENTS (PROJECT #10869) WAS RESCINDED; BARDEEN PARTNERS WAS AUTHORIZED TO EXECUTE A CONTRACT WITH PHILCO CONSTRUCTION TO PROVIDE GENERAL CONTRACTOR SERVICES AT THE SYCAMORE CANYON APARTMENTS (PROJECT #10869) FOR \$1,440,083; AN INCREASE TO THE BUDGET FOR PROJECT #10869 FOR \$76,600 WAS AUTHORIZED; AND AN EXPENDITURE AUTHORIZATION FOR PROJECT #10869 FOR \$76,600 WAS APPROVED.

#### GENERAL MANAGER'S COMMENTS

General Manager Jones reported on the invitation received from the Irvine Regional Land Reserves for a dedication on May 26 at Irvine Park. Mr. Jones reported that MWDOC would be holding a dinner meeting on June 2 with Mr. Dennis Underwood speaking on California's Water Future.

#### DIRECTORS' COMMENTS

Director Swan reported on his attendance at the CASA and ACWA conferences. He also said he visited Semitropic Water District's new solar electrical generation facility.

Director Reinhart reported that there were new regulations whereby certified plant operators are required at private water treatment systems. He said it was predicted that there will be a huge shortage of these operators in the future.

Vice President Matheis reported on her attendance at the ACWA conference which she found quite interesting. She also noted her attendance at a breakfast hosted by Mr. Ed Royce.

ADJOURNMENT

There being no further business, President Miller adjourned the meeting at 7:55 p.m.

APPROVED AND SIGNED this 23rd day of May 2005.

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President, IRVINE RANCH WATER DISTRICT

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Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

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Legal Counsel – Bowie, Arneson, Wiles and Giannone