

MINUTES OF REGULAR MEETING – MAY 12, 2008

The following presentations were made by Director Swan and Ms. Cheryl Woolard while awaiting the presence of a quorum.

PRESENTATION

SCIENCE FAIR WINNERS

Ms. Cheryl Woolard said that on March 5, 2008, the Irvine Unified School District Science Fair was held, and that out of 700 science projects, 24 related to water. Ms. Woolard along with Director Swan then presented awards to local students for their water-related projects entered in the fair. Ms. Woolard said that IRWD would be donating \$100 to each of the winning students' schools for the purchase of science equipment or books.

Ms. Beth Zemke, 8th grade teacher representing Lakeside Middle School addressed the Board members and took the opportunity to thank IRWD for all the things it has done over the years for the students in Irvine Unified School District.

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 6:14 p.m. by President Miller on May 12, 2008 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Swan, Withers and President Miller

Directors Absent: Matheis and Reinhart

Also Present: General Manager Jones, Assistant General Manager Cook, Director of Engineering Heiertz, Assistant Board Secretary Savedra, Legal Counsel Arneson, Ms. Beth Beeman, Mr. Terry Loomis, Mr. Rob Jacobson, Mr. Paul Weghorst, Mr. Mike Hoolihan, Ms. Marilyn Smith, Ms. Cheryl Woolard, Mr. Jim Reed, Mr. Bruce Newell, Mr. Joe Stucker (of Lewis Operating Corporation), and members of the public and staff.

COMMUNICATIONS TO THE BOARD

Written Communications: None

Oral Communications: Currently, wells 1, 2, 4, 7, C-8, C-9, 10, 11, 12, 13, 14, 15, 16, 17 and 18 are in operation in accordance with the District's annual pumping plan. The District's planned pumping for May is 4,700 AF per month. 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 Golden State Water Company. Contracts were awarded by OCWD to Layne Christensen Company and Bakersfield Well & Pump, Inc. to construct a total of eight wells. OCWD has reported that the project has been finalized, and that issuance of 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. 20,000 acre feet) of its 50,000 acre-feet in storage beginning in fiscal year 2008-09. This was confirmed by Mr. Jones.

Relative 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. On Friday, March 14, 2008, Paul Jones met with Orange County Water District General Manager Mike Markus to further discuss the annexation process and the status of the EIR. At OCWD's request, IRWD staff has provided additional future groundwater production scenarios with annexation. This was confirmed by Mr. Jones.

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 the south county in case of emergencies. IRWD is finalizing negotiations of an agreement with certain south Orange County water agencies to fund the interconnection facilities needed to affect the emergency transfer of water. This was confirmed by Mr. Jones.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED: None

CONSENT CALENDAR

On MOTION by Miller, seconded and unanimously carried, CONSENT CALENDAR ITEMS 4 THROUGH 7 WERE APPROVED AS FOLLOWS:

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

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

5. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the April 28, 2008 Adjourned Regular and April 28, 2008 Regular Board Meeting be approved as presented.

6. STRAND RANCH INTEGRATED WATER BANKING PROJECT GRANT APPLICATION – WATER 2025: PREVENTING CRISES AND CONFLICT IN THE WEST

Recommendation: That the Board adopt the following resolution by title:

RESOLUTION NO. 2008-22

AUTHORIZING APPLICATION FOR A GRANT AND COMMITTING
THE DISTRICT TO THE FINANCIAL AND LEGAL OBLIGATIONS
ASSOCIATED WITH THE RECEIPT OF FINANCIAL
ASSISTANCE UNDER THE WATER 2025 PROGRAM

7. RESOLUTION OF INTENTION TO AMEND CALPERS CONTRACT

Recommendation: That the Board adopt the following resolution by title:

RESOLUTION NO. 2008-23

APPROVING AN AMENDMENT TO CONTRACT
BETWEEN THE BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND
THE BOARD OF DIRECTORS OF THE IRVINE RANCH WATER DISTRICT

ACTION CALENDAR

PROPOSED 2008 WATER, SEWER AND RECLAIMED WATER CAPITAL COST
ALLOCATION

General Manager Jones reported that as requested by the Finance Committee, staff met with The Irvine Company to review the Improvement District (ID) splits. The Irvine Company agreed to move forward with these ID splits but requested the District look at the possible trends in water use brought on by water conservation measures, especially in high density residential units in the future.

Director of Engineering Heiertz reported that staff continually updates water demand and sewer generation projections as new information becomes available. The splits represent the most recent demand projections with some modification since the April 1, 2008 Finance and Personnel Committee meeting. The modifications represent comments received by various staff members following Committee meeting and include:

- Adding billing demand information for five of the largest potable water users in the District: University of California, Irvine, Jazz Semiconductor, B. Braun Medical, Royalty Carpet, and Maruchan.
- A change in the assumption of future use of recycled water in portions of the Irvine Industrial Complex East and Woodbridge area.
- A change in the water demand factor for low and medium density residential use in the Lake Forest area.
- Improvement District 253 was added to the "sewer tributary to MWRP" allocations.

Mr. Heiertz said that these projections include changes in development projections over the past five years, predominately in the northern part of the District (the former El Toro Marine Corps Air Station (ETMCAS), PA-6, PA-9, PA-1, and East Orange). The water demands used to calculate the regional cost allocations were developed from General Plan land use information, developer projections, and Sub-Area Master Plans when available. As expected, the major changes in development projections and regional cost allocations are in ID 150/250 and in ID 112/212 (Great Park/Heritage Fields), and the inclusion of Irvine Business Center (IBC) redevelopment.

Mr. Heiertz said that in 2002, four additional cost allocations were added to include the Los Alisos area (IDs 135 and 235). Thus the District currently maintains eight regional ID splits to allocate capital cost. The regional cost allocations for water, sewer, reclaimed water and sewer tributary to Michelson Water Reclamation Plant (MWRP) were previously updated in 2005 as part of its update. Since the 2005 ID split update, the following are the major changes that have occurred with IRWD affecting these splits:

- IRWD has completed the consolidation with Santiago County Water District and has formed ID 153/253 for the East Lake Village development and ID 154 for the Silverado-Modjeska General Plan.
- PA-40 has been re-zoned for residential development.
- Demand Factors and demand projections have been reanalyzed by staff. The analysis has resulted in slight reduction in water use for potable water uses, mostly in high density residential units and a reduction in irrigation demands mostly due a reduction in irrigation use throughout IRWD.

Mr. Heiertz said that the proposed splits assume four specific future actions with regard to the current ID configurations and development will occur:

1. The southern portion of the ETMCAS property which is currently located in ID 130/230 will remain in ID 130/230;
2. The Heritage Field development on the former ETMCAS property will be built out to 9,500 dwelling units consistent with the Amended Overlay Plan.
3. The portion of Planning Area 39 which is currently in ID 110/210, the area bounded by Irvine Center Drive, the 405 and 133 freeways, will be detached and annexed into ID 130/230.
4. A separated ID or Planning Area will be created to accommodate redevelopment projects in the IBC area.

Mr. Heiertz said that the ID splits assume an ultimate build out of 20,000 residential units in the IBC area, consistent with the City of Irvine's IBC Vision Plan. These splits represent an update to the demand projections and do not include policy changes to how costs are allocated.

Director Swan said that this item was reviewed and approved by the Finance and Personnel Committee on May 5, 2008. On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED THE COST ALLOCATION TABLES FOR 2008 AND THEIR APPLICATION TO CAPITAL PROJECTS ON A PROSPECTIVE BASIS.

REVISED PERSONNEL POLICIES AND PROCEDURES

The Board approved the Personnel Policies and Procedures to consistently address personnel-related issues at the Irvine Ranch Water District. Revisions to any of these policies must be made from time-to-time to keep current with state and federal law, to adopt best practices in administering Human Resource policy, and to correctly reflect practices adopted in conducting District business. Staff reviewed the policies and identified a need for revisions to the following policies: Policy No. 9 – Overtime Pay; Policy No. 13 – Long-Term Disability; Policy No. 15 – Public Employees Retirement System (PERS); Policy No. 16 – Sick Leave; Policy No. 18 –

Vacation; Policy No. 21 – Jury/Witness Duty; Policy No. 22 – Holidays; Policy No. 23 – Education and Training; Policy No. 32 – Safety Incentive/Service Award Program; Policy No. 33 – Injury and Illness Prevention Program; Policy No. 39 – Deferred Compensation Plan; Policy No. 41 – Flexible Advantage Plan; and Policy No. 45 – Conflict of Interest. All policy revisions have been reviewed and approved by appropriate legal counsel as to form and content.

Director Swan said that this item was reviewed and approved by the Finance and Personnel Committee on May 5, 2008. On MOTION by Swan, seconded and unanimously carried, **THE REVISIONS TO POLICIES WERE APPROVED AND THE BOARD ADOPTED THE FOLLOWING RESOLUTION BY TITLE:**

RESOLUTION NO. 2008-24

RESCINDING RESOLUTION NO. 2007-13 AND ESTABLISH
REVISED PERSONNEL POLICIES FOR POLICIES
NOS. 9, 13, 15, 16, 18, 21, 22, 23, 32, 33, 38, 39, 41 AND 45.

LAKE FOREST OPPORTUNITIES STUDY SCHOOL FACILITIES FUNDING AND
MITIGATION AGREEMENT

General Manager Jones reported that as part of the Opportunities Study project with the City of Lake Forest and to proceed with an approximate \$29.8 million funding agreement with Saddleback Valley Unified School District (SVUSD), which includes IRWD's share at approximately \$3.4 million, it is required to have a funding and mitigation agreement with SVUSD.

Treasurer Loomis reported that under the Phase 3 Memorandum of Understanding with the City of Lake Forest (City), each landowner in the Opportunities Study Area (OSA) is required to have a funding and mitigation agreement with SVUSD in place prior to the City Council considering approval of a Development Agreement with the landowner.

Mr. Loomis said that recently, the three major OSA landowners (Shea/Baker, Portola Center and IRWD) have met individually with the superintendent of SVUSD to discuss a revised funding and mitigation agreement due to the reduction in planned residential units in the overall project. In addressing the key element of the agreement, the superintendent has agreed to a lower total funding amount of approximately \$29.8 million to be paid by the five property owners in the OSA based on a projected 3,547 total units. The total dollar amount of the agreement will be adjusted as the number of units change when site plans are finalized. The overall mitigation agreement remains similar to one previously submitted to SVUSD staff.

Mr. Loomis said that the OSA landowners have reached an agreement on how the total dollars will be equitably allocated among them. The allocation proposal is as follows:

Landowner	Units	Per Unit Fee	Total Fee (\$MM)
Shea/Baker	1,957	\$8,540	\$16.713
Portola Center	930	8,410	7.821
IRWD	500	6,860	3.430
Whistler	75	11,500	0.862
Pacific Heritage	85	11,500	0.977
Total	3,547		\$29.803

Mr. Loomis said that as discussed at the Committee meeting, staff and Lewis Operating Corp. (Lewis) have worked closely with Portola Center and Shea/Baker in developing the current proposal, as all parties are anxious to proceed with an agreement with SVUSD, and to complete the Development Agreement and land entitlement process with the City of Lake Forest. The above fees represent approximately 150% of statutory fees that each landowner would be required to pay. While staff and Lewis have consistently advocated statutory fees for the District's project, staff believes the proposal is equitable for all OSA landowners. The SVUSD is scheduled to present this Agreement to its Board on Tuesday, May 13, 2008.

Director Swan said that this item was reviewed and approved by the Asset Management Committee on May 1, 2008. On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED THE SCHOOL FACILITIES FUNDING AND MITIGATION AGREEMENT BETWEEN SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT AND IRWD AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE THE AGREEMENT IN SUBSTANTIALLY THE FORM PRESENTED TO THIS MEETING WITH SUCH CHANGES AS ARE APPROVED BY THE GENERAL MANAGER AND LEGAL COUNSEL.

ASSET OPTIMIZATION – SAND CANYON OFFICE PROJECT CIVIL ENGINEER

General Manager Jones reported that Phase I of the planned Sand Canyon Office Project will include master planning the Sand Canyon property adjacent to the headquarters facility, construction of a 17,000 square foot medical office building and the reconfiguration of the majority of the existing employee parking area. Based on proposals received, staff recommends retaining the SP Consulting Group to provide civil engineering services for Phase I of the project.

Investment Manager Jacobson reported that the master plan assumes the eventual construction of two or three buildings on the site - one building for medical offices and the remaining building(s) for general office use and a potential new public meeting facility. The medical/general office combination was recommended in an earlier land use study, and has been further supported by other local real estate professionals.

Mr. Jacobson said that the Sand Canyon Office Project is consistent with zoning for the property, and the maximum building intensity available based on the number of trips allocated to the site would allow for the proposed 87,000 square feet of medical and general office space. It is anticipated that the newly constructed office space will be leased to third-party tenants. He said that based on the proposals received, staff is recommending SP Consulting Group to provide civil engineering services related to Phase I of the Sand Canyon Office Project. SP Consulting is recommended primarily due to its experience with similar Spectrum office projects (most recently with the Waterworks Way Business Park), its project approval experience with the Irvine Company (David Baab) and the City of Irvine and for its competitive fee proposal.

Mr. Jacobson said that the total construction and related costs for the proposed Phase 1 are estimated at \$6.3 million (excludes land cost of \$1.3 million). The initial capital expenditure budget of \$412,500 for preliminary staff and design costs for the Sand Canyon Office Project (Project No. 11118) was approved and added to the District's 2006/07 Capital Budget in October 2006. The 2007/08 Capital Budget included increases to the project budget of \$5,865,100 for a total of \$6,277,600 for design and construction costs. He said that the Stabilized Net Operating Income for the medical office property in Year-3 is estimated at \$630,000/year, or a return on costs (including land) of approximately 8.62% based on an assumed lease rate of \$3.25/square foot. He further stated that the proposed fee to retain SP Consulting Group to provide civil engineering services for Phase I of the project is \$123,050. The fee is based on SP Consulting's proposal and includes a 6% contingency for reimbursable expenses.

Director Swan said that this item was reviewed and approved by the Asset Management Committee on May 1, 2008. On MOTION by Swan, seconded and unanimously carried, **THE BOARD AUTHORIZED THE RETENTION OF SP CONSULTING GROUP TO PROVIDE CIVIL ENGINEERING SERVICES FOR PHASE I OF THE SAND CANYON OFFICE PROJECT AT AN AMOUNT NOT TO EXCEED \$123,050.**

GENERAL MANAGER'S REPORT

General Manager Jones reported that the dissenting shareholders protest period for the Orange Park Acres Mutual Water Company acquisition expired May 12th. LAFCO has also filed the Certificate of Completion with the County Recorder's Office, so the effective date of the merger will be June 1st. The District has taken step to prorate the last billing cycle and the last OPAMWC Board of Directors' meeting is Wednesday, May 14th.

DIRECTORS' COMMENTS

Director Swan reported on his attendance at the Southern California Dialogue meeting, CASA Conference, ACWA Spring Conference, and the OC Water Summit.

ADJOURNMENT

There being no further business, President Miller adjourned the meeting to Friday, May 16 at 7: 30 a.m. in the IRWD Multi-Purpose Room to hold a Strategic Planning Workshop.

APPROVED and SIGNED this 27th day of May, 2008.

President, IRVINE RANCH WATER DISTRICT

Assistant Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel – Bowie, Anson, Wiles & Giannone