

## MINUTES OF REGULAR MEETING – SEPTEMBER 22, 2008

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 6:00 p.m. by President Miller on September 22, 2008 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None

Also Present: General Manager Jones, Assistant General Manager Cook, Director of Engineering Heiertz, Ms. Debby Cherney, Secretary Bonkowski, Legal Counsel Arneson, Mr. Jim Reed, Ms. Beth Beeman, Mr. Christopher Smithson, Ms. Kirsten McLaughlin, Mr. Wayne Posey, Mr. Terry Loomis, Mr. Rob Jacobson, Ms. Cheryl Woolard, and other members of the public and staff.

### COMMUNICATIONS TO THE BOARD

Written Communications: None.

Oral Communications: 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 C-8, C-9, 10, 15 and 17 are in operation in accordance with the District's annual pumping plan. Wells 1, 2, 4, 5, 12, 13, 14, 16 and 18 will operate part of the week. Wells 3, 6, 7 and 11 are inactive. The District's planned pumping for September is 3,390 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), a Notice of Completion was approved by the OCWD Board of Directors on March 19, 2008. Metropolitan Water District has given notice to OCWD that it will begin extracting a portion (i.e. 22,000 acre-feet) of its 48,500 acre-feet in storage beginning in fiscal year 2008-09. It is expected that an additional 22,000 acre-feet will be extracted in FY 2009-10. The extraction is being performed by agencies that constructed conjunctive use wells under this program. IRWD is not a participant. This was confirmed by Mr. Jones.

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

With respect to the Groundwater Emergency Service Plan, IRWD has an agreement in place with various south Orange County water agencies, MWDOC and OCWD to produce additional groundwater for use within IRWD and transfer imported water from IRWD to South County in case of emergencies. IRWD 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 TOO LATE TO BE AGENDIZED: None.

## PRESENTATION

### POSTER CONTEST WINNER

Ms. Cheryl Woolard presented Mr. Kris Kong with his framed poster which was selected for honors in 2007 by the Metropolitan Water District of Southern California.

## PUBLIC HEARING

### ORDER AND ADOPT A RESOLUTION FOR THE ANNEXATION OF SPECIFIED TERRITORIES FOR THE CONSOLIDATED IMPROVEMENT DISTRICT NOS. 103, 109, 3(230) and 290

General Manager Jones said that the purpose of this hearing is to allow members of the public and the Board to consider any matters concerning the annexations of the specified territories. The District Secretary has noticed the hearing pursuant to the requirements of Section 6066 of the California Government Code.

President Miller declared this to be the time and place for a hearing on the annexation of Water ID 103 into Water ID 109; Water ID 109 into Water ID 103; Sewer ID 3 (203) into Sewer ID 290; and Sewer ID 290 into Sewer ID 3 (203). He declared the hearing open and asked the Secretary how the hearing was noticed.

Secretary Bonkowski said that the notice of the time and place of this hearing was published in the Orange County Register on September 5, 2008 and September 12, 2008. She said that a notice was also posted in the District office on September 2, 2008, and on September 2, 2008, notices were posted in three public places within the territory proposed to be annexed.

On MOTION by Swan, seconded and unanimously carried, THE AFFIDAVIT OF POSTING AND THE PROOF OF PUBLICATION PRESENTED BY THE SECRETARY WAS RECEIVED AND FILED.

President Miller requested Legal Counsel Arneson to describe the nature of the proceedings.

Legal Counsel Arneson described the nature of the proceedings, saying that the purpose of the hearing was to provide an opportunity for all persons interested or the owner of any

parcel within the area to present comments or objections concerning the annexations or the matters stated in the resolution declaring intent to annex.

President Miller inquired of the Secretary whether there have been any written communications, and she stated that there had not.

President Miller inquired whether there was anyone present who wished to address the Board concerning the annexations of the listed Improvement Districts. There was no one present who wished to be heard. President Miller inquired if there were any comments or questions from members of the Board of Directors. There were none.

On MOTION by Swan, seconded and unanimously carried, THE HEARING WAS CLOSED AND RESOLUTION NO. 2008-52 WAS ADOPTED BY TITLE AS FOLLOWS:

RESOLUTION NO. 2008-52

RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE IRVINE RANCH WATER DISTRICT ORDERING  
THE ANNEXATION OF SPECIFIED TERRITORIES  
TO IMPROVEMENT DISTRICT NOS. 103, 109, 3(203) AND 290

WORKSHOP

INTEREST RATE SWAPS – OVERVIEW AND UPDATE

Assistant Treasurer Jacobson said that he and Mr. Brian Rockwell from Merrill Lynch provided the Board with an update and status report on the District's interest rate swap program. Using a PowerPoint presentation, they provided an overview of interest rate swap fundamentals, including fixed payer and fixed receiver swap mechanics; background on the District's interest rate swap portfolio including considerations and market conditions at the time the swaps were executed; a report on the performance of the swap portfolio to date; and considerations for the District given its existing interest rate swap portfolio, balance sheet and the current interest rate environment.

CONSENT CALENDAR

On MOTION by Withers, seconded and unanimously carried, CONSENT CALENDAR ITEMS 6 THROUGH 21 WERE APPROVED AS FOLLOWS:

6. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the September 8, 2008 Regular Board Meeting be approved as presented.

CONSENT CALENDAR (Continued)

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

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

8. STRATEGIC MEASURES' DASHBOARD

Recommendation: Receive and file.

9. 2008 STATE LEGISLATIVE UPDATE

Recommendation: Receive and file.

10. STATE WATER RESOURCES CONTROL BOARD RECYCLED WATER POLICY

Recommendation: Receive and file.

11. REIMBURSEMENT OF BOARD MEMBER FOR BUSINESS EXPENSES

Recommendation: That the Board approve the June and July 2008 expense reports submitted for reimbursement of Board of Director conference, travel and business expenses incurred by Director Peer Swan.

12. AUGUST 2008 FINANCIAL REPORTS

Recommendation: Receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for August 2008; approve the August 2008 Summary of Wire Transfers and ACH payments in the total amount of \$7,316,954.16; and approve the August 2008 Warrants Nos. 293375 through 294152, Workers' Compensation distributions and voided checks in the total amount of \$12,344,298.28.

13. SERRANO CREEK SLOPE REPAIR CONSTRUCTION AWARD

Recommendation: That the Board authorize a budget reduction for project 20404 by \$77,000, from \$218,900 to \$141,900, and approve an Expenditure Authorization in the amount of \$101,900 for the Serrano Creek Slope Repair, project 20404.

CONSENT CALENDAR (Continued)

14. ORANGE COUNTY SANITATION DISTRICT FISCAL YEAR 2007/08  
CORF EXPENDITURE AUTHORIZATION

Recommendation: That the Board authorize an increase to the Fiscal Year 2007-08 Capital Budget for project 20108 by \$2,249,400, from \$13,318,000 to \$15,567,400, and approve an Expenditure Authorization for project 20108 for \$2,249,400.

15. MEMORANDUM OF UNDERSTANDING WITH CALTRANS  
REGARDING COOPERATIVE IMPLEMENTATION OF PUBLIC SECTOR  
INCENTIVE PROGRAM

Recommendation: That the Board approve the Memorandum of Understanding between Irvine Ranch Water District and the California Department of Transportation regarding Cooperative Implementation of Accelerated Public Sector Incentive program.

16. 2007/08 SEDIMENT REMOVAL FROM SAN DIEGO CREEK IN-  
CHANNEL BASINS NOS. 2 AND 3 FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the 2007/08 sediment removal from San Diego Creek In-Channel Basins Nos. 2 and 3, project 20735; authorize the General Manager to file a Notice of Completion; and authorize release of retention 35 days after filing of the Notice of Completion.

17. WELLS 52, 53 AND TL-1 VARIANCE NO. 1 FOR GEOHYDROLOGIC  
SERVICES

Recommendation: That the Board authorize the addition of project 11419 to the Fiscal Year 2008/09 Capital Budget in the amount of \$2,480,500; approve an Expenditure Authorization in the amount of \$135,300; and authorize the General Manager to execute Variance No. 1 with Geoscience Support Services, Inc. for geohydrologic services in the amount of \$112,005 for Wells 52, 53, and TL-1, project Nos. 15427, 15428, and 11419.

18. PLANNING AREA 6 ZONE 6 AND ZONE D RESERVOIRS CONTRACT  
CHANGE ORDER NO. 9 AND VARIANCE NOS. 3 AND 4

Recommendation: That the Board authorize the General Manager to execute Variance Nos. 3 and 4 to NMG Geotechnical, Inc. in the amounts of \$14,908 and \$2,722 respectively for Planning Area 6 Zone 6 and Zone D Reservoirs, project Nos. 10426 and 30180.

CONSENT CALENDAR (Continued)

19. SAN JOAQUIN MARSH CAMPUS IMPROVEMENTS PHASE III  
CONTRACT CHANGE ORDER NO. 8

Recommendation: That the Board authorize the General Manager to execute Contract Change Order No. 8 in the amount of \$97,953.57 for the San Joaquin Marsh Campus Improvements, Phase III, project 10957.

20. SAN JOAQUIN MARSH CAMPUS – REDUCTION OF RETENTION

Recommendation: That the Board find that satisfactory progress is being made on the contract; authorize 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 the San Joaquin Marsh Campus, project 10957.

21. DECLARATION OF INTENT TO CONSOLIDATE COTERMINOUS  
IMPROVEMENT DISTRICTS, ADOPT PLANS OF WORKS, AND ANNEX  
PLANNING AREA 39 INTO CONSOLIDATED IMPROVEMENT  
DISTRICTS 130/190 AND 230/290

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

RESOLUTION NO. 2008- 53

RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE IRVINE RANCH WATER DISTRICT DECLARING ITS  
INTENTION TO CONSOLIDATE COTERMINOUS IMPROVEMENT DISTRICTS  
AND TO ADOPT PLANS OF WORKS FOR PROPOSED CONSOLIDATED  
IMPROVEMENT DISTRICT NOS. 130 AND 230

RESOLUTION NO. 2008-54

RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE IRVINE RANCH WATER DISTRICT DECLARING ITS  
INTENTION TO ANNEX TERRITORY TO  
IMPROVEMENT DISTRICT NOS. 130 AND 230

## ACTION CALENDAR

### REMARKETING AGENT REMOVAL, REALLOCATION OF VARIABLE RATE BOND ISSUES, AND CONVERSION OF INTEREST RATE MODES

Assistant Treasurer Jacobson reported that Lehman Brothers currently remarkets approximately \$264.7 million of the District's \$386.3 million variable rate debt portfolio in the daily mode. Mr. Jacobson said that on September 15, 2008, Lehman Brothers Holdings, Inc., the parent company for the broker-dealer unit and other business units, filed for Chapter 11 bankruptcy after failed attempts to attract a viable buyer. He said that the result of the bankruptcy filing by the parent company was an increase of approximately 275-300 basis points on the portion of debt remarketed by Lehman, in comparison to other District remarketing agents. The increase was primarily due to the reluctance of many municipal money market fund managers to continue to invest with Lehman.

Mr. Jacobson said that in response to news of the pending bankruptcy, staff requested remarketing pricing proposals and indicative interest rates from six banks including Merrill Lynch, Citigroup, Depfa/First Albany, De La Rosa & Co., Goldman Sachs and Bank of America. He said that four of the banks, Merrill Lynch, Citigroup, Depfa/First Albany and De La Rosa & Co. will only accept new issues to remarket in the weekly mode, and are not accepting daily mode issues. Goldman Sachs and Bank of America have provided pricing for both daily and weekly modes. De La Rosa was excluded from staff's recommendation because its indicative rates for comparable issues were not competitive.

Mr. Jacobson said that staff recommended allocations and mode changes based on competitive fees and historical rates as well as further diversification of the District's remarketing agents and variable rate modes.

Director Swan reported that this item was reviewed and approved by the Special Finance and Personnel Committee on September 18, 2008. Following discussion, on MOTION by Swan, seconded and unanimously carried, THE BOARD ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

#### RESOLUTION NO. 2008-55

#### RESOLUTION OF THE BOARD OF DIRECTORS OF THE IRVINE RANCH WATER DISTRICT AUTHORIZING REPLACEMENT OF REMARKETING AGENT, CONVERSION OF INTEREST RATE MODES AND RELATED ACTIONS

#### ZONE 3 SAND CANYON AVENUE PIPE REPLACEMENT – BUDGET ADDITION, EXPENDITURE AUTHORIZATION, AND CONSTRUCTION AWARD

The 36-inch Zone 3 pipeline near Sand Canyon Avenue that passes under the I-405 has collapsed in two locations. Due to the extent of the pipe collapses, the pipeline segment

beneath the I-405 is to be abandoned and a parallel pipeline constructed. The pipe replacement was designed, and staff has received construction bids for this work. The bid received from C.M. Peich, Inc. did not contain its proposed construction schedule. C.M. Peich, Inc. subsequently submitted its proposed construction schedule and noted no change in the bid price. Staff conferred with legal counsel, and it has been determined that the irregularity in the bid of C.M. Peich, Inc. did not affect the amount of the bid or give the bidder a competitive advantage over other bidders and that the Board should waive the irregularity. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD AUTHORIZED THE BUDGET ADDITION OF \$178,500 FOR PROJECT 11158, FROM \$1,976,200 TO \$2,154,700; APPROVE AN EXPENDITURE AUTHORIZATION OF \$1,829,100 FOR PROJECT 11158; FIND THAT THE IRREGULARITY IN THE BID FROM C.M. PEICH, INC. DID NOT GIVE THE BIDDER A COMPETITIVE ADVANTAGE OVER THE OTHER BIDDERS AND WAIVE THE IRREGULARITY; AUTHORIZE THE GENERAL MANAGER TO EXECUTE A CONTRACT WITH C.M. PEICH, INC. FOR \$1,442,338 FOR THE CONSTRUCTION OF THE SAND CANYON ZONE 3 PIPE REPLACEMENT, PROJECT 11158.

ORANGE COUNTY SANITATION DISTRICT AND IRVINE RANCH WATER DISTRICT – SOLIDS BILLING COST STUDY CONSULTANT SELECTION

Irvine Ranch Water District (IRWD) and the Orange County Sanitation District (OCSD) propose entering into a Memorandum of Understanding (MOU) to conduct a joint solids billing cost study. The joint study will calculate IRWD's share of OCSD's capital and O&M costs for solids treatment and disposal, and develop an equitable billing formula or methodology that captures OCSD's full costs. Key provisions of the MOU include 1) IRWD and OCSD will develop a joint proposal and jointly select the consultant; 2) IRWD will award the contract to the selected consultant; 3) the methodology for OCSD solids billing to IRWD will be effective July 1, 2008, upon the approval of the final recommended methodology by each of the respective agencies' Board of Directors; and 4) OCSD will reimburse IRWD for 50% of the costs of the Consultant Agreement. Each agency will bear its own staff costs.

The consultant's scope of work stipulated in the Request for Proposal include 1) reviewing operational and water quality data, existing studies and engineering reports on solids charges; 2) preparing a simplified mass-balance spreadsheet model; 3) developing a primary methodology for quantifying MWRP solids and alternative methods in the event that the data for the primary method is not available; 4) developing a clear and equitable cost formula based on actual flows and constituent values that considers the raw wastewater and sludge streams; and 5) providing a technical report and presentation.

On MOTION by Reinhart, seconded and unanimously carried, THE BOARD APPROVED A MEMORANDUM OF UNDERSTANDING BETWEEN ORANGE COUNTY SANITATION DISTRICT AND IRVINE RANCH WATER DISTRICT TO CONDUCT A JOINT SOLIDS BILLING COST STUDY; AUTHORIZED THE ADDITION OF PROJECT 20761 FOR \$238,800 TO THE FY 2008-09 CAPITAL BUDGET; APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT



OF \$238,800 FOR PROJECT 20761; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE AN ENGINEERING SERVICES AGREEMENT WITH CAROLLO ENGINEERS IN THE AMOUNT OF \$125,819 FOR THE SOLIDS BILLING COST STUDY, PROJECT NO. 20761.

WELLS 21, 22 AND 51R REHABILITATION VARIANCE NO. 3

Additional coordination efforts between various agencies, revisions in the Well 22 rehabilitation procedure, and the addition of Well 51R rehabilitation to RBF Consulting's design agreement is necessary to complete the rehabilitation of Wells 21, 22 and 51R. Variance No. 3 for a total of \$285,176 to RBF's design agreement contains three items: 1) rehabilitation of Well 51R utilizing its sub-consultant, Geoscience, to develop the rehabilitation specifications and its subcontractor, Bakersfield Well and Pump, to complete the well rehabilitation in the amount of \$228,396; 2) furnishing and injection of a dispersant solution to Well 22 in the amount of \$24,311; and 3) the addition of 11 meetings by RBF to complete the preliminary design report in the amount of \$32,470.

On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED THE ADDITION OF PROJECT 11418, WELL 51R REHABILITATION, TO THE FY 2008-09 CAPITAL BUDGET IN THE AMOUNT OF \$291,500; APPROVED AN EXPENDITURE AUTHORIZATION FOR PROJECT 11418 IN THE AMOUNT OF \$291,500; AND APPROVED VARIANCE NO. 3 WITH RBF CONSULTING FOR PROJECT 10285 FOR WELLS 21 AND 22 REHABILITATION IN THE AMOUNT OF \$285,176.

WELL 106 BUDGET, EXPENDITURE AUTHORIZATION AND CONSULTANT SELECTION

IRWD is continuing with its development of local groundwater supplies. Well 106 is currently producing approximately 1,450 acre-feet per year based on a flow of 1,000 gallons per minute and a 90% duty factor. Well 106 has had high color levels in excess of 15 color units and TDS levels slightly greater than 500 milligrams per liter. At these levels, this water cannot be put directly into the potable water distribution system. By treating or blending this water with another source, groundwater from Well 106 could be introduced into the potable water system. After analyzing potential alternatives, staff is recommending that an engineering consultant be retained to develop a more comprehensive analysis of how best to introduce the water from Well 106 into the potable water system. Staff is recommending award of the consultant contract for these services to Tetra Tech, Inc. on a sole-source basis, as Tetra Tech engineers already have extensive knowledge of the IDP PTP source water wells and knowledge of the pumping and conveyance pipelines.

On MOTION by Reinhart, seconded and unanimously carried, THE BOARD AUTHORIZED THE ADDITION OF PROJECT 11325, WELL 106 WELLHEAD FACILITIES, TO THE FY 2008-09 CAPITAL BUDGET IN THE AMOUNT OF \$1,974,100; APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$73,500; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A

PROFESSIONAL SERVICES AGREEMENT WITH TETRA TECH, INC. IN THE AMOUNT OF \$58,200 TO PERFORM ENGINEERING ANALYSIS FOR PLACING WELL 106 INTO THE POTABLE WATER SYSTEM, PROJECT 11325, WELL 106 WELLHEAD FACILITIES.

GENERAL MANAGER'S REPORT

General Manager Jones reported that Treasurer Loomis will be retiring in mid-December. He thanked Mr. Loomis for all of his efforts to serve the District.

Mr. Jones said that he received word that the Governor will be signing the budget tomorrow, and that it does not include any property tax shifts.

DIRECTORS' COMMENTS

Director Swan reported that he and Vice President Matheis attended ACWA's Region 5 tour.

President Miller reported that Mr. Sat Tamaribuchi of The Irvine Company is retiring, and asked staff to prepare a resolution for Board adoption. He said that Mr. Tamaribuchi had worked for the Irvine Ranch Water District in the late 70s in the Engineering and Planning Department.

Mr. Miller also said that he and General Manager Jones attended a recent Waste Reuse Board meeting, and thanked him for his work towards reorganizing the organization.

ADJOURNMENT

There being no further business, President Miller adjourned the meeting.

APPROVED and SIGNED this 13th day of October, 2008.

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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 & Giannone

September 22, 2008