

MINUTES OF REGULAR MEETING – OCTOBER 13, 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 October 13, 2008 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Miller, Matheis, Reinhart, Withers (arrived at 6:09 a.m.), 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, Mr. Christopher Smithson, Ms. Shannon Reed, Mr. Paul Weghorst, Mr. Jim Carter, Mr. Bruce Newell, 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 2, 4, C-8, C-9, 10, 13, 14, 15 and 17 are in operation in accordance with the District's annual pumping plan. Wells 1, 5, 12, 16 and 18 will operate part of the week. Wells 3, 6, 7 and 11 are inactive. The District's planned pumping for October is 3,045 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:

Director Matheis said that she realized that she would be unable to attend the upcoming Independent Special Districts of Orange County election on October 30, 2008 for the election of a New Executive Committee, and asked that an action be taken in order for a District representative to be able to vote in her absence. On MOTION by Swan, seconded and unanimously carried, IT WAS DETERMINED THAT THERE WAS A NEED TO TAKE IMMEDIATE ACTION IN ORDER FOR A REPRESENTATIVE TO VOTE AT THE UPCOMING INDEPENDENT SPECIAL DISTRICTS OF ORANGE COUNTY ELECTION FOR A NEW EXECUTIVE COMMITTEE, AND THIS MATTER WAS ADDED TO THE ACTION CALENDAR AS AGENDA ITEM 14A (see page 7).

PUBLIC HEARING

CONSOLIDATION OF COTERMINOUS IMPROVEMENT DISTRICTS AND THE ADOPTION OF PLANS OF WORKS AND ANNEXATION OF PLANNING AREA 39 INTO CONSOLIDATED IMPROVEMENT DISTRICTS 130 AND 230

General Manager Jones reported that by adoption of Resolution No. 2008-53 on September 22, 2008, the Board of Directors declared its intention to order the consolidation of coterminous water Improvement Districts (IDs) 103 and 109 and Sewer IDs 3 (203) and 290 and to adopt Plans of Works for the Consolidated IDs. By adoption of Resolution No. 2008-54 on September 22, 2008, the Board of Directors declared its intention to order the annexation of Planning Area (PA) 39 (the former Lion Country Safari area) into the newly formed IDs 130 and 230.

Mr. Jones said that the Board is required to find that the consolidation is in the best interest of the present and future taxpayers and property owners. The consolidation provides benefits to both the District as a whole and present and future taxpayers, as was presented in the detailed staff report dated August 11, 2008. The purpose of these hearings is to allow members of the public and the Board to consider any matters concerning the consolidation of the identified coterminous IDs and the annexation of the specified territory identified as PA 39. The District Secretary has noticed the hearings pursuant to the requirements of Section 6066 of the California Government Code.

President Miller declared this to be the time and place for hearings on: 1) consolidation of coterminous water IDs 103 and 109 and Sewer IDs 3 (203) and 290 and the adoption of Plans of Works for the Consolidated IDs, and 2) annexation of PA 39 into the newly formed water and Sewer IDs 130/230. He declared the hearings open and asked the Secretary how the hearings were noticed.

Secretary Bonkowski said that the notice of the time and place of these hearings was published in the Orange County Register on September 29, 2008 and October 6, 2008. She said that a notice was also posted in the District office on September 24, 2008, and on September 26, 2008, notices were posted in three public places within the territory proposed to be consolidated and 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 to describe the nature of the proceedings. Legal Counsel Arneson said that the hearing would provide all interested persons, including any person owning land included within the Improvement District to be consolidated, an opportunity to be heard concerning any matters set forth in the resolution.

President Miller inquired of the Secretary whether there have been any written communications. Secretary Bonkowski said that there had been no communications.

President Miller inquired whether there is anyone present who wished to address the Board concerning the consolidations of the listed IDs or the annexations. There was no one who wished to be heard.

President Miller inquired whether there are any comments or questions from members of the Board of Directors. There were none.

President Miller said that that the hearings will be closed. On MOTION by Swan, seconded and unanimously carried, THE HEARINGS WERE CLOSED AND THE FOLLOWING RESOLUTIONS WERE ADOPTED BY TITLE:

RESOLUTION NO. 2008- 56

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE IRVINE RANCH WATER DISTRICT ORDERING
THE CONSOLIDATION OF COTERMINOUS IMPROVEMENT
DISTRICTS AND ADOPTION OF PLANS OF WORKS FOR
CONSOLIDATED IMPROVEMENT DISTRICTS 130 AND 230

RESOLUTION NO. 2008- 57

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE IRVINE RANCH WATER DISTRICT ORDERING THE
ANNEXATION OF THE SPECIFIED TERRITORIES
TO IMPROVEMENT DISTRICT NOS. 130 AND 230

CONSENT CALENDAR

On MOTION by Swan, seconded and unanimously carried, CONSENT CALENDAR ITEMS 4 THROUGH 11 WERE APPROVED AS FOLLOWS:

4. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the September 22, 2008 and September 29, 2008 Regular Board Meetings be approved as presented.

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

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

6. ORCHARD HILLS ZONE 3 TO 5 BOOSTER PUMP STATION AND PORTOLA SPRINGS ZONE A TO C BOOSTER PUMP STATION FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Orchard Hills Zone 3 to 5 Booster Pump Station and Portola Springs Zone A to C Booster Pump Station, projects 13511 and 30237; authorize the General Manager to file a Notice of Completion, and authorize release of retention 35 days after the filing of the Notice of Completion.

7. MICHELSON WATER RECLAMATION PLANT PRIMARY CLARIFIERS SKIMMER REPLACEMENT – FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Michelson Water Reclamation Plant Primary Clarifiers Skimmer Replacement, project 20433; authorize the General Manager to file a Notice of Completion; and authorize the payment of the retention 35 days after the date of recording the Notice of Completion.

8. PLANNING AREA 6 ZONES 6 AND ZONE D RESERVOIRS – REDUCTION OF RETENTION

Recommendation: That the Board find that satisfactory progress is being made on the construction contract with Pascal and Ludwig Constructors; 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 PA 6 Zones 6 and Zone D reservoirs, projects 10426 and 30180.

9. CERTIFICATION OF ELECTION RESULTS: BOND AUTHORIZATION FOR IMPROVEMENT DISTRICTS 112 AND 212

Recommendation: That the Board adopt the following resolutions by title: 1) a Resolution Declaring Result of Canvass of Election Returns for Bond Election, Improvement District No. 112, and 2) a Resolution Declaring Result of Canvass of Election Returns, Improvement District No. 212.

RESOLUTION NO. 2008-58

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE IRVINE RANCH WATER DISTRICT
DECLARING RESULT OF CANVASS OF ELECTION
RETURNS FOR BOND ELECTION, IMPROVEMENT DISTRICT NO. 112

RESOLUTION NO. 2008- 59

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE IRVINE RANCH WATER DISTRICT
DECLARING RESULT OF CANVASS OF ELECTION
RETURNS FOR BOND ELECTION, IMPROVEMENT DISTRICT NO. 212

10. ADMINISTRATIVE CLAIM FOR DAMAGES – LONEROCK, INC.

Recommendation: That the Board receive and file the claim for damages from Lonerock, Inc. without action.

11. IDENTITY THEFT PREVENTION PROGRAM

Recommendation: That the Board approve the District's implementation of the Identity Theft Prevention Program that complies with the Federal Trade Commission regulations and delegate future administration and monitoring of such program to designated staff.

ACTION CALENDAR

ROBERTSON'S READY MIX RECYCLED WATER CONVERSION – BUDGET INCREASE, EXPENDITURE AUTHORIZATION, AND CONSTRUCTION AWARD

Director of Engineering Heiertz reported that the Construction Circle area located in the City of Irvine includes several concrete mixing companies. Mr. Heiertz said that converting these facilities to recycled water use will reduce demands on potable water supplies. He said that Robertson's Ready Mix was identified as IRWD's first concrete mixing plant conversion since Robertson's already uses recycled water at several other facilities. Robertson's signed a "letter of commitment" to use recycled water and has

initiated modifications to its on-site systems. The project consists of 700 feet of new 6-inch recycled water line to be constructed in Warner Avenue and Construction Circle.

Mr. Heiertz said that the bid opening was held on September 18, 2008 with ten contractors submitting bids with Leatherwood Construction, Inc. as the apparent low bidder. The engineer's estimate was \$200,000. He recognized Erin Cabanero, IRWD's student intern, for working on this project. Following discussion, on MOTION by Reinhart, seconded and unanimously carried, **THE BOARD APPROVED A BUDGET INCREASE OF \$109,400 FOR PROJECT 30313, FROM \$259,400 TO \$368,800; AUTHORIZED AN EXPENDITURE AUTHORIZATION OF \$318,700 FOR PROJECT 30313; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH LEATHERWOOD CONSTRUCTION, INC. FOR \$173,745 FOR THE CONSTRUCTION OF THE ROBERTSON'S READY MIX RECYCLED WATER PIPELINE, PROJECT 30313.**

REVISIONS TO CONFLICT OF INTEREST CODE

General Manager Jones reported that the regulations of the FPPC contained in the California Administrative Code Title 2, Section 18730, require that the Board of Directors adopt and amend from time to time its Conflict of Interest Code, Appendix "A-1", containing the list of designated persons who must disclose certain categories of economic interest under the Code, and Appendix "A-2" to the Conflict of Interest Code, containing the economic interest that must be reported in the various reporting categories specified for designated persons under the Code. At the direction of the County of Orange, the District's appendices are being amended to conform to the new format required by the State and County to provide ease of retrieval of information by the general public. These appendices are also included in the District's Personnel Policy No. 45 – Conflict of Interest, and must also be updated. In addition, staff is recommending that the District's voluntary requirement for quarterly reporting of economic interests by employees be removed, and to continue with the annual reporting of economic interests as required by state laws and regulations.

Director Swan said that this item was reviewed and approved by the Finance and Personnel Committee on October 7, 2008.

On MOTION by Swan, seconded and unanimously carried, **THE BOARD ADOPTED THE FOLLOWING RESOLUTIONS BY TITLE:**

RESOLUTION NO. 2008 – 60

**RESOLUTION OF THE BOARD OF DIRECTORS OF
THE IRVINE RANCH WATER DISTRICT RESCINDING
RESOLUTION NO. 2006-31, ADOPTING REVISED APPENDIX
"A-1" TO ITS CONFLICT OF INTEREST CODE AND READOPTING
CONFLICT OF INTEREST CODE AND APPENDIX "A-2"**

RESOLUTION NO. 2008 – 61

RESOLUTION OF THE BOARD OF DIRECTORS OF
THE IRVINE RANCH WATER DISTRICT, RESCINDING
RESOLUTION NO. 2008-24 AND ESTABLISHING REVISED
PERSONNEL POLICIES (FOR POLICY NO. 45)

CONSULTANT SELECTION FOR FINANCIAL MANAGEMENT SYSTEM NEEDS
ASSESSMENT

Director of Finance Cherney reported that the District currently uses a custom-developed accounting, billing, project management, and payroll system (“legacy system”) first developed nearly 30 years ago. Ms. Cherney said that staff recommends that the District retain a consultant to perform an assessment focused on whether to continue with the existing system or replace the current system, possible alternatives and costs, including integration with existing non-accounting systems used by the District, and a potential phasing approach.

Ms. Cherney said that staff received and reviewed proposals from Grant Thornton, the Government Finance Officers Association (GFOA), and PTI, and met with the three firms before reaching their final recommendation. All of the proposals are from firms unbiased towards any particular vendor or solution, with experience in evaluating legacy systems. She said that based on the proposals and interviews with each firm, staff recommends that PTI be selected to prepare and facilitate the Needs Assessment.

Director Swan said that this item was reviewed and approved by the Finance and Personnel Committee on October 7, 2008. On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED THE FINANCIAL MANAGEMENT SYSTEM NEEDS ASSESSMENT, AUTHORIZED THE ADDITION OF PROJECT 11240 AND 21240 TO THE FY 2008-09 CAPITAL BUDGET IN THE AMOUNT OF \$57,750 AND \$57,750, AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH PACIFIC TECHNOLOGIES, INC. FOR \$53,874 PLUS THE REIMBURSEMENT OF OUT-OF-POCKET COSTS.

INDEPENDENT SPECIAL DISTRICTS OF ORANGE COUNTY ELECTION
OF EXECUTIVE COMMITTEE

On MOTION by Matheis, seconded and unanimously carried, STAFF WAS DIRECTED TO PREPARE COMMUNICATIONS TO THE INDEPENDENT SPECIAL DISTRICTS OF ORANGE COUNTY DELEGATING AN ADDITIONAL REPRESENTATIVE TO VOTE AT THE UPCOMING INDEPENDENT SPECIAL DISTRICTS OF ORANGE COUNTY ELECTION ON OCTOBER 30, 2008 FOR A NEW EXECUTIVE COMMITTEE AS BOTH THE DISTRICT REPRESENTATIVE (DIRECTOR MATHEIS) AND THE ALTERNATE (DIRECTOR WITHERS) WERE UNABLE TO ATTEND THIS MEETING.

GENERAL MANAGER'S REPORT

General Manager Jones reported that there was a fire this afternoon at the San Joaquin Reservoir. He said that the City of Newport Beach sent a helicopter which was able to put the fire out. He said that all reservoirs were being filled today around the Santiago Canyon area in the event that they would be needed with the potential threat of fires.

Mr. Jones said that he and Ms. Fiona Sanchez met with the UCI staff in regard to the interpretation of the 1964 joint agreement on rates. He said that staff will work with them as they add additional facilities to the campus. He recognized Ms. Sanchez for her efforts on this matter.

DIRECTORS' COMMENTS

Director Swan reported on his attendance at an ACWA Board meeting; the successful ACWA Region 8 – 10 meeting held in Irvine; a Newport Watershed and SAWPA joint meeting; a resident tour; and a Delta Task Force meeting. He said he would be attending an OCBC meeting tomorrow.

Director Reinhart said positive feedback was received for the ACWA Region 8 – 10 tour.

Vice President Matheis reported on attendance at Tom Harmon's and Keith Curry's reception.

President Miller reported on his attendance at the New Water Supply Coalition along with his speaking engagement at the Texas Water Conservation Association's fall conference in Texas. He said that staff would need to provide a list of projects for funding possibilities to the New Water Supply Coalition.

Director Withers reported on his participation at an OCBC event, and thanked General Manager Jones for assisting him with talking points on infrastructure and renewable energy for a delegation from Spain.

CLOSED SESSION

Director Miller said that a Closed Session would be held with legal counsel relative to 1) existing litigation - Government Code Section 54956.9(a) - Thanh Van Luyen vs. IRWD, and 2) anticipated litigation- Government Code Section 54956.9(b) - significant exposure to litigation – one potential case concerning claim filed by Lonerock, Inc., against IRWD under the Government Tort Claims Act (Natural Treatment System In-Line Basins, Project 10834), on file with the District.

OPEN SESSION

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

ADJOURNMENT

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

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

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone