

MINUTES OF REGULAR MEETING – NOVEMBER 24, 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 November 24, 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, Director of Finance Cherney, Secretary Bonkowski, Legal Counsel Arneson, Mr. Jim Reed, Mr. Jim Carter, Mr. Bruce Newell, Mr. Mike Hoolihan, Mr. Rob Jacobson, Mr. Carl Ballard, Mr. Jeff Smyth, Ms. Beth Beeman, Ms. Kirsten McLaughlin, Mr. Wayne Posey, Ms. Tanya Fournier, 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 4, 5, C-8, C-9, 10, 15, 16, and 17 are in operation in accordance with the District's annual pumping plan. Wells 2, 7, 11, 12, and 18 will operate a portion of the week. Well 1, 3, 6, 13 and 14 are inactive. The District's planned pumping for November is 3,045 acre-feet. 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. MWDOC and OCWD have both approved the operating agreement. This was confirmed by Mr. Jones.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED – see pages 7 and 8 for Closed Session item added as Item No. 22 C to the agenda under OTHER BUSINESS.

PRESENTATION

STATE AND FEDERAL LEGISLATIVE LOBBYISTS' UPDATE

Mr. Curt Pringle of Pringle and Associates presented an update on California issues. Using a PowerPoint presentation, Mr. Phil Isenberg of Isenberg/O'Haren, as member of the Blue Ribbon Task Force, presented the Committee's Delta Vision Strategic Plan Summary.

CONSENT CALENDAR

On MOTION by Withers, seconded and unanimously carried, CONSENT CALENDAR ITEMS 4 THROUGH 18 WERE APPROVED AS FOLLOWS:

4. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the November 10, 2008 Regular Board Meeting be approved.

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, Darryl Miller, Doug Reinhart, Peer Swan, and John Withers.

6. STRATEGIC MEASURES' DASHBOARD

Recommendation: Receive and file.

7. UPCOMING PROJECTS STATUS REPORT

Recommendation: Receive and file.

8. OCTOBER 2008 FINANCIAL REPORTS

Recommendation: Receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for October 2008; approve the October 2008 Summary of Wire Transfers and ACH payments in the total amount of \$17,812,031.06; and approve the October 2008 Warrants Nos. 294951 through 295906 Workers' Compensation distributions and voided checks in the total amount of \$8,821,648.15.

CONSENT CALENDAR (Continued)

9. APPOINTMENT OF TREASURER AND ASSISTANT TREASURERS

Recommendation: That the Board appoint Robert Jacobson as Treasurer and terminate the appointment of Terrell Loomis as Treasurer, and that the Board appoint Deborah S. Cherney and Tanja Fournier as Assistant Treasurers, and that the Board terminate the appointment of Robert Jacobson as Assistant Treasurer, all of which shall be effective December 1, 2008.

10. CIENEGA FIELD DEMONSTRATION PROJECT – FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Cienega Field Demonstration Project; 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; contingent upon Board approval of the corresponding Expenditure Authorization for the Cienega Field Demonstration Project 10866.

11. IRVINE LAKE PIPELINE VAULT IMPROVEMENTS – FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Irvine Lake Pipeline Vault Improvements; authorize the General Manager to file a Notice of Completion; and authorize the payment of retention 35 days after the date of recording the Notice of Completion.

12. VAULT FACILITIES LID REPLACEMENT – RETENTION REDUCTION

Recommendation: That the Board authorize the reduction of retention from 10% to 5% of the contract amount and release of funds in excess of 5% of the contract amount from retention currently held for the Vault Facilities Lid Replacement, project 20981, Walnut Avenue Bridge Manhole Modifications, project 10981, and the Mitchell Avenue Wells 21 and 22 Ground Water Discharge Laterals to the Orange County Sanitation District Sewer System, project 10285.

13. EXPANSION OF THE FOOTHILL RANCH ZONE 6A BOOSTER PUMP STATION AND THE LAKE FOREST ZONE B PUMP STATION RENOVATION PROJECTS – FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the expansion of the Foothill Ranch Zone 6A Booster Pump Station and the Lake Forest Zone B Pump Station Renovation Projects 10239 and 30047; authorize the General Manager to file a Notice of Completion; and authorize the release of retention 35 days after filing of the Notice of Completion.

CONSENT CALENDAR (Continued)

14. CALIFORNIA URBAN WATER CONSERVATION COUNCIL'S PROPOSED BEST MANAGEMENT PRACTICES REVISIONS

Recommendation: That the Board vote in favor of IRWD adopting the proposed California Urban Water Conservation Council's Best Management Practices Revisions.

15. SAN JOAQUIN MARSH CAMPUS BUILDINGS RELOCATION EXPENDITURE AUTHORIZATION, CONTRACT CHANGE ORDER AND FINAL ACCEPTANCE

Recommendation: That the Board approve an Expenditure Authorization in the amount of \$270,900; authorize the General Manager to execute Contract Change Order No. 9 in the amount of \$93,514.85; accept construction of the San Joaquin Marsh Campus Buildings Relocation, project 10957; 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.

16. MANNING WATER TREATMENT PLANT UPGRADES EXPENDITURE AUTHORIZATION AND VARIANCE

Recommendation: That the Board approve an Expenditure Authorization for \$147,000 for project 11161 and authorize the General Manager to approve Variance No. 2 with Water 3 Engineering for \$84,850 for Manning Plant Upgrades, project 11161.

17. NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY STUDY ON ADVANCED MONITORING AND INSPECTION OF WATER SYSTEMS

Recommendation: That the Board direct the General Manager to execute a Letter of Intent committing IRWD to participate in the Advanced Monitoring and Inspection of Water Systems for disaster prevention and mitigation study subject to approval by the National Institute of Standards and Technology and negotiation of an acceptable Joint Venture Agreement with UCI.

18. RESOLUTION RECOGNIZING BETH KROM FOR HER TWO TERMS AS MAYOR FOR THE CITY OF IRVINE

Recommendation: That the Board adopt the following resolution by title recognizing Beth Krom for her two terms as Mayor for the City of Irvine from 2004 to 2008.

RESOLUTION NO. 2008-66

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT
RECOGNIZING BETH KROM FOR SERVING
TWO CONSECUTIVE TERMS AS MAYOR
OF THE CITY OF IRVINE

ACTION CALENDAR

MICHELSON OPERATIONS CENTER EXPANSION DESIGN PROJECT – PROJECT ADDITION, EXPENDITURE AUTHORIZATIONS AND DESIGN AWARD

Mr. Jeff Smyth reported that the Michelson Operations Center (Operations Center) was completed in 1994, and that that time, the facility was designed for an ultimate staff build-out of 179 employees. Mr. Smyth said that since 1994, a number of unforeseen staffing changes have occurred which were not part of the original design. These changes included staff additions as a result of the consolidations of Los Alisos Water District and Santiago County Water District, and the creation of a Water Resources and Environmental Quality Department, an Operations Engineering Support group, and Information Services Department.

Mr. Symth said that in 2007, the Board authorized a contract with RRM Design Group (RRM) to create a Preliminary Planning Report (PPR) to evaluate the present and future Operations Center space needs and plan for expansion. RRM created three Alternative Site Master Plans with cost estimates to meet the current and future space needs. The recommended Site Master Plan (Plan) provides administrative offices, shops and storage space for projected growth through the year 2025, yet minimizes construction costs by making the most effective use of existing facilities and utilizing a phased approach. In Phase 1, a new warehouse and materials yard will be constructed. The estimated Phase 1 probable construction cost presented in the PPR is \$8,323,003. The completed PPR was presented to the Engineering and Operations Committee and distributed to the Board on September 16, 2008. The Engineering and Operations Committee approved issuing a Request for Proposal (RFP) for the design of the facilities in Phase 1.

Mr. Smyth said that a Request for Proposal was provided to a select group of nine architectural consultants with experience on similar projects. Staff received written proposals on November 3, 2008 from GPRA, Jacobs Carter Burgess, Design Worx and RRM. He said that staff recommends awarding a contract for engineering services to RRM based on the strength and experience of its project team, project approach and comprehensive understanding of the scope of work from its completion of the PPR.

On **MOTION** by Reinhart, seconded and unanimously carried, **THE BOARD AUTHORIZED THE ADDITION OF PROJECTS 11422, 24122 AND 31422 FOR \$227,300 EACH TO THE FISCAL YEAR 2008-09 CAPITAL BUDGET; APPROVED EXPENDITURE AUTHORIZATIONS IN THE SAME AMOUNTS; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONTRACT WITH RRM DESIGN GROUP FOR \$574,161 FOR THE OPERATIONS CENTER EXPANSION DESIGN.**

MICHELSON WATER RECLAMATION PLANT (MWRP) PHASE 2 EXPANSION – VARIANCE NO. 4 AND CONSTRUCTION MANAGEMENT SELECTION

Director of Engineering Heiertz reported that during the 90% review of design documents prepared by HDR, 19 additional design tasks were identified to improve plant reliability, enhance the competitive bid process, and implement construction cost saving measures. One

cost savings measure identified by staff is to add more ultraviolet (UV) lamps for disinfection to allow the MWRP to operate at full recycled water production while the existing chlorine contact tank is taken off-line for repair. The savings realized by implementing this task alone has potential for reducing the operational cost by several million dollars. He said that for the additional work, staff is requesting that the Board approve Variance No. 4 to HDR's agreement in the amount of \$717,034.

Mr. Heiertz said that staff will perform the primary construction management roles for the MWRP Phase 2 Expansion Project; however, they will be supported by an external construction management consultant forming a team that will ensure the contractor's work is in compliance with the project plans and specifications. He said that in May of 2008, a Request for Proposal (RFP) for construction management services for the MWRP Phase 2 Expansion Project was sent to R.W. Beck, Butier, CH2M Hill, HDR/Tetra Tech, and Malcolm Pirnie. Interviews were held with each firm that submitted a bid to further evaluate each firm's personnel and technical approach. A second interview with two firms was conducted and the Malcolm Pirnie team impressed staff with its approach to construction management, extensive construction management knowledge, and its document control system. Upon completion of the selection process, staff reconsidered the needs of the project and determined that having IRWD staff serve in the key positions of the construction management team would be more appropriate. Due to the magnitude of the project, staff recommends supplementing the staff-lead construction management team with consultant services to augment staff's efforts on this project. Malcolm Pirnie was requested to provide an alternative scope of work, and the proposed construction management support fee was set at \$1,684,108.

Mr. Heiertz said that staff recommends that the design engineer, HDR Engineering, be retained to provide engineering services during construction. Staff has negotiated the scope of services associated with this work with HDR to include submittal review, response to contractor requests for information, meeting attendance, site visits by technical design personnel, structural observations, technical support for change order analysis, claims avoidance and dispute resolution assistance, engineering field support, corrosion protection inspection, and record drawing preparation. HDR will also provide commissioning and startup services including process training for MWRP Operations staff, coordination with the SCADA Integrator, general startup coordination, and UV validation testing. The negotiated fee is \$5,672,465.

Director Reinhart said that this item was reviewed and approved by the Engineering and Operations Committee on November 18, 2008. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD APPROVED EXPENDITURE AUTHORIZATIONS IN THE AMOUNTS OF \$5,055,700 FOR PROJECT 20214 AND \$3,420,900 FOR PROJECT 30214; APPROVED VARIANCE NO. 4 FOR \$717,034 WITH HDR ENGINEERING, INC. FOR ADDITIONAL DESIGN SERVICES; AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH MALCOLM PIRNIE IN THE AMOUNT OF \$1,684,108 TO PERFORM CONSTRUCTION MANAGEMENT SERVICES AND TO HDR ENGINEERING IN THE AMOUNT OF \$5,672,465 TO PROVIDE ENGINEERING SERVICES DURING CONSTRUCTION FOR THE MICHELSON WATER RECLAMATION PLANT PHASE 2 EXPANSION, PROJECTS 20214 AND 30214.

STRAND RANCH RECHARGE FACILITIES CONSTRUCTION BID REJECTION

General Manager Jones reported that IRWD and Rosedale are partners in the Strand Ranch Integrated Banking Project (Project) to provide water supply reliability to IRWD and its customers as well as to augment the recharge and recovery capacity of Rosedale's Conjunctive Use Program. Mr. Jones said that the Project recharge facilities will consist of 20 recharge basins on approximately 502 acres (or 82 percent) of the Strand Ranch property. Completion of these facilities will allow the potential diversion of Kern River flood flows into the recharge basins in the spring of 2009. Selection of a contractor for the construction of the recharge facilities is an important step in being prepared to divert such high flows.

Mr. Jones said that in September 2008, AECOM (Boyle Engineering) completed design of the recharge facilities for the Project. On October 10, 2008, IRWD and Rosedale solicited bids for the construction of these facilities. Bids were solicited through open advertising consistent with bidding requirements of a U.S. Bureau of Reclamation Grant received for the project. On November 6, 2008, the bid opening was held and five contractors submitted bids. The apparent low bidder was Wood Bros., Inc. with the low bid of \$2,818,334. The engineer's estimate was \$3,430,500. Mr. Jones said that several bid irregularities were observed in the bids submitted by the contractors and that two protests were received against the bid submitted by Wood Bros. Inc. He further said that staff and legal counsel are recommending that all bids be rejected and that the project be re-bid.

President Miller said that Ms. Robin Hall, attorney for Jerry Ghiglia of Wood Bros. Inc., asked to address the Board relative to this item. Ms. Hall asked that the Board award the project to Wood Bros. Inc. as case law supported awarding the project to them. A motion was made by Withers, and seconded by Matheis to reject all bids for the construction of the recharge facilities and direct staff to solicit new bids. Following an inquiry by Director Swan relative to the nature of the irregularities, on MOTION by Swan, seconded and unanimously carried, IT WAS DETERMINED THAT THERE WAS A NEED TO TAKE IMMEDIATE ACTION TO HOLD A CLOSED SESSION WITH LEGAL COUNSEL RELATIVE TO THE BID IRREGULARITIES FROM THE CONTRACTORS, AND A CLOSED SESSION ITEM WAS ADDED TO THE AGENDA AS ITEM NO. 22C (UNDER OTHER BUSINESS) RELATIVE TO ANTICIPATED LITIGATION, GOVERNMENT SECTION 54956.9 (b), SIGNIFICANT EXPOSURE TO LITIGATION (ONE POTENTIAL CASE). See page 8 under Open Session for action taken on this item.

GENERAL MANAGER'S REPORT

General Manager Jones reported on his attendance at the Metropolitan Water District Member Agency meeting last Friday. He provided an update on agenda items relative to drought ordinances and a potential allocation plan.

DIRECTORS' COMMENTS

Director Withers said: 1) he was proud of staff for their efforts during the recent fires; 2) that the Santa Ana Regional Water Quality Control Board recently passed the application of green waste onto burn areas; and 3) he recommends that staff send letters to newly-elected officials in the cities IRWD serves and inviting them to tour IRWD's facilities.

Director Reinhart asked staff to inquire if IRWD could work with WEROC relative to holding a simulated fire exercise.

Director Swan reported on his attendance at: 1) MWDOC; 2) open house at Waterworks Way Research and Development buildings; 3) San Joaquin Wildlife Sanctuary Board meeting; 4) Newport Bay Executive Committee; and 5) ACWA Board of Directors' meeting. He said that he would be attending ACWA's fall conference next week in Long Beach. He reported on the State Board's draft proposal on recycled water policy on incidental runoff.

Director Matheis said that the Irvine Chamber of Commerce is holding a Thanksgiving breakfast tomorrow morning that staff will be attending. She said she will attend the ACWA conference in Long Beach next week and that she attended a Climate Change Summit in Long Beach on November 13 and 14, and a California Water Law conference on November 20 and 21.

Following President Miller's request to change the time of the December Board meeting, the Secretary was asked to adjourn the December 8 meeting at 6:00 p.m. to December 15 at 8:00 a.m.

CLOSED SESSION

Director Miller said that a Closed Session would be held with legal counsel relative to anticipated litigation, Government Section 54956.9 (b), significant exposure to litigation (one case).

OPEN SESSION

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

President Miller stated that a MOTION had been made by Withers and seconded by Matheis respectively TO REJECT ALL BIDS FOR THE CONSTRUCTION OF THE RECHARGE FACILITIES AND DIRECT STAFF TO SOLICIT NEW BIDS ON THE STRAND RANCH RECHARGE FACILITIES (on item No. 21 on the Action Calendar). He then called for a vote by the Board. The Motion was carried unanimously.

ADJOURNMENT

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

APPROVED and SIGNED this 15th day of December, 2008.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone