

MINUTES OF REGULAR MEETING – JANUARY 26, 2009

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 5:00 p.m. by President Reinhart on January 26, 2009 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: 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, Assistant Secretary Savedra, Legal Counsel Arneson, Mr. Jim Reed, Ms. Beth Beeman, Mr. Paul Weghorst, Mr. Jim Carter, Mr. Bruce Newell, Ms. Mary Ann Brown, Ms. Janet Wells, Mr. Rob Jacobson, Mr. Kevin Burton, Mr. Darryl Miller, Ms. Marian Grady, Ms. Carol McDermott, Mr. Wayne Clark, Mr. Lee Pearl, Mr. Shawn Dewane, Mr. Mark Tettermer, Mr. John Hills, Mr. Steve Malloy, Ms. Miriam Bertrum, and other members of the public and staff.

COMMUNICATIONS TO THE BOARD

Written Communications: None.

Oral Communications: 1) 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, 4, 6, 13, 14 and 18 will operate a portion of the week. Well 2, 3, 5, 7, 11, 12 and 16 are inactive. The District's planned pumping for January is 3,240 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 has approved the operating 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 also both approved the operating agreement. This was confirmed by Mr. Jones.

2) Mr. Wayne Clark, President of Municipal Water District of Orange County (MWDOC), said that the Metropolitan Water District (MWD) has increased its rates by 14% this month and is projected to increase them by at least 21% in 2010 and 12% in 2011. He said should allocations be imposed as expected, rates are expected to go up even higher. He said he wanted to point out that MWDOC will sponsor a facilitated group of several Orange County water industry leaders from retail water districts and cities, and appropriate consultants to brainstorm ideas for cost containment and revenue enhancement at MWD. He said that the first session will be held on February 3, 2009 and invited two IRWD delegates to participate in the session and potential further sessions to recommend possible rate modifications or enhancements to the MWD leadership.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED – None.

PRESENTATIONS

RESOLUTION COMMENDING DARRYL MILLER, BOARD OF DIRECTOR OF THE IRVINE RANCH WATER DISTRICT

On MOTION by Swan, seconded and unanimously carried. THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2009-3

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA COMMENDING DARRYL MILLER, MEMBER OF THE BOARD OF DIRECTORS OF THE IRVINE RANCH WATER DISTRICT

General Manager Jones presented Mr. Miller with the resolution and plaque. A separate resolution was presented by Acting President Dewane of Mesa Consolidated Water District.

RECESS AND RECONVENE

President Reinhart declared a recess at 6:30 p.m. for personal farewells to Mr. Miller. The meeting was reconvened at 6:40 p.m. with all Directors present.

PRESENTATIONS (CONTINUED)

FEDERAL LEGISLATIVE ISSUES OVERVIEW

The District's federal legislative consultant, Mr. Hal Furman of The Furman Group, presented an update on federal issues. He said that he is looking for an additional \$5 million in IRWD funding for Irvine basin groundwater and surface water improvement projects through the stimulus package.

CONSENT CALENDAR

On MOTION by Withers, seconded and unanimously carried, CONSENT CALENDAR ITEMS 5 THROUGH 13 WERE APPROVED AS FOLLOWS:

5. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the January 12, 2009 Regular Board Meeting be approved.

6. RATIFY/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.

7. STRATEGIC MEASURES DASHBOARD

Recommendation: Receive and file.

8. DECEMBER 2008 FINANCIAL REPORTS

Recommendation: Receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for December 2008; approve the December 2008 Summary of Wire Transfers and ACH payments in the total amount of \$5,303,763.60; and approve the December 2008 Warrants Nos. 296713 through 297460 Workers' Compensation distributions and voided checks in the total amount of \$11,436,114.14.

9. MICHELSON WATER RECLAMATION PLAN (MWRP) FLOOD PROTECTION IMPROVEMENTS VARIANCE

Recommendation: That the Board authorize the General Manager to execute Variance No. 4 with VA Consulting, Inc. in the amount of \$67,200 for additional engineering services for the MWRP floodwall improvements, projects 20542 and 30542.

CONSENT CALENDAR (CONTINUED)

10. MICHELSON WATER RECLAMATION PLANT PHASE 2 EXPANSION – VARIANCE NO. 5

Recommendation: That the Board approve Variance No. 5 in the amount of \$87,791 with HDR Engineering, Inc. for additional engineering design services for the Michelson Water Reclamation Plant Phase 2 Expansion, projects 20214 and 30214.

11. PRESSURE REDUCING VALVES (PRV) MODIFICATIONS, CONSTRUCTION SERVICES VARIANCE AND EXPENDITURE AUTHORIZATION

Recommendation: That the Board approve an Expenditure Authorization in the amount of \$31,900, and that the Board authorize the General Manager to execute Variance No. 3 with Psomas in the amount of \$28,499 for project 11345.

12. ALTON PARKWAY EXTENSION EXPENDITURE AUTHORIZATIONS AND VARIANCE NO. 1

Recommendation: That the Board authorize the addition of project 24175 in the amount of \$1,926,100 to the Fiscal Year 2008/09 Capital budget; approve Expenditure Authorizations for projects 11374 for \$128,000 and 30222 for \$77,000; and authorize the General Manager to execute Variance No. 1 with RBF Consulting in the amount of \$81,490 for the Alton Parkway Extension, projects 10799, 11374, 24175, and 30222.

13. GENERAL SYSTEM MODIFICATIONS FOR FISCAL YEAR 2008/09

Recommendation: That the Board approve an Expenditure Authorization for project 10887 in the amount of \$75,300 for general system modifications.

ACTION CALENDAR

2009 SELECTION OF FEDERAL LOBBYIST

General Manager Jones reported that The Furman Group proposes to continue its work to secure federal cost sharing for the Irvine Basin Groundwater and Surface Water Improvement Projects which includes The San Diego Creek Natural Treatment System, The Irvine Desalter Project, and the Orange County Regional Brine Line as authorized by Public Law 108-233. Specifically, the work is as follows: 1) authorizes the Bureau of Reclamation (USBR) to contribute a total of \$20 million toward the combined cost of the three projects per Public Law 108-233; 2) federal funding can be utilized to reimburse the District for the Federal share of all expenditures made after May 28, 2004; 3) the projects received \$490,000 in new start funding through the Bureau of Reclamation in the FY 2008 Omnibus Appropriations Act; 4) the projects are currently programmed to receive \$1 million in both the House and Senate Fiscal Year 2009 Energy and Water Appropriations bills; and 5) The Furman Group's goal for the next 12 months will be to secure additional funding for the projects in the Fiscal Year 2010 Energy and Water Development Appropriations bill.

In the coming months, The Furman Group will be working closely with Senator Feinstein and her staff to ensure that the Irvine project is one of her top appropriations priorities. Additionally, The Furman Group will work with key members of Congress to include the IRWD authorized USBR funding or funding for other IRWD “ready to go” projects in forthcoming economic stimulus funding legislation. In addition to working with Congress, The Furman Group will be working with the Bureau of Reclamation at the Area, Regional and Headquarters levels to facilitate the transfer of additional funds to the project later this year.

Director Matheis said that this item was reviewed and approved by the Water Resources Policy and Communications Committee on January 8, 2009. On MOTION by Matheis, seconded and unanimously carried, THE BOARD APPROVED A 24-MONTH CONTRACT WITH THE FURMAN GROUP FOR \$10,000 PER MONTH PLUS REIMBURSABLE DIRECT EXPENSES NOT TO EXCEED \$276,000.

WELL 53 SITE ACQUISITION EXPENDITURE AUTHORIZATION

Director of Engineering Heiertz reported that in the District’s continuing progress of expanding the use of local groundwater, staff has identified a parcel for drilling Well 53. Mr. Heiertz said that Well 53 is located in the City of Tustin at the end of Bell Avenue near the 55 Freeway. The 5,200 square foot parcel is a portion of a 21.88 acre site owned by Bedrosian Tustin LLC. The property is the former site of Steelcase Industries and is an area zoned for commercial/industrial uses.

Mr. Heiertz said that a letter of intent to purchase the site was delivered to the owner of the property. The offer for the site and required maintenance easement was \$223,900 based upon an appraisal prepared by a local appraiser. He said that staff met with the property owner on site to discuss the project and listen to his concerns. As a follow-up to that meeting, a letter of understanding dated November 3, 2008 acknowledging and agreeing to the offer for the site and items discussed at the field meeting was executed with the owner and the District. The total expenditure authorization for land acquisition will be \$250,000 and will also cover related escrow/title company fees.

Mr. Heiertz said that a Phase 1 Environmental Site Assessment was prepared for the site in 2002. Prior to completing the purchase, a Phase 2 Environmental Site Assessment, including soils testing, will need to be performed. The acquisition of the land, construction, and operation of a well on the site is subject to requirements of the California Environmental Quality Act (CEQA). Concurrent with the Phase 2 Assessment and prior to completing the purchase, a Negative Declaration will be prepared and circulated for review covering the purchase of the identified parcel. Construction and operations of a well on the site will not occur prior to additional CEQA compliance actions.

Director Withers reported that this item was reviewed and approved by the Engineering and Operations Committee on January 26, 2009. In response to Vice President Swan’s concerns about a site assessment, General Manager Jones said that staff will perform a thorough search of

the previous cleanup and abatement orders from the Regional Water Quality Control Board before moving forward with the acquisition.

On MOTION by Withers, seconded and unanimously carried, THE OFFER OF \$223,900 FOR PURCHASING THE SITE AND A MAINTENANCE EASEMENT FOR WELL 53 WAS APPROVED, AN EXPENDITURE AUTHORIZATION FOR PROJECT 15428 IN THE AMOUNT OF \$86,100 WAS APPROVED, AND THE GENERAL MANAGER WAS AUTHORIZED TO ENTER INTO A PURCHASE AGREEMENT WITH THE OWNER OF THE PROPERTY, BEDROSIAN TUSTIN LLC, WITHIN ASSESSOR'S PARCEL 430-241-12 SUBSEQUENT TO STAFF PERFORMING A SEARCH OF CLEANUP AND ABATEMENT ORDERS ON THE SITE.

ORANGE PARK ACRES SEWER IMPROVEMENTS AT SPEAR RESIDENCE – PROJECT ADDITION, EXPENDITURE AUTHORIZATION AND REIMBURSEMENT AGREEMENT

Director of Engineering Heiertz reported that bids for the construction of sewer improvements within Orange Park Boulevard and Saddleback Drive was held on December 30, 2008. The project will serve Joel Spear (Spear) and two adjacent homeowners along Orange Park Boulevard. Mr. Heiertz said that a condition of approval for Spear's building permit from the County of Orange precluded installation of a septic tank, requiring the installation of a gravity piped sewer system. He said that Mr. Spear came to IRWD relaying the County's requirement and proposed a sewer system within Orange Park Boulevard (which fronts his property) that would connect to the City of Orange's existing gravity sewer system within Saddleback Drive. The improvements include approximately 660 lineal feet of 8-inch PVC sewer main, four sewer manholes, three sewer laterals, and three sewer stub outs. The three laterals will serve Spear's lot (11391 Orange Park Boulevard) as well as the two adjacent properties. The three stub outs for future sewer main extensions would ultimately serve additional properties along Daniel Lane and Orange Park Boulevard.

Staff reviewed and approved the improvement plan on October 30, 2008 with the intention that all sewer improvements would be constructed with the exception of the connection to the City of Orange's sewer manhole in Saddleback Drive. IRWD and the City of Orange have agreed in principle to a "flow-through" agreement. Final negotiations with the City of Orange are currently in progress.

Mr. Heiertz said that IRWD will enter into a reimbursement agreement with Spear for the sewer improvements. General Manager Jones noted a correction on the Expenditure Authorization's source of funding saying that it should be from an advance from future funds versus capital funds.

Mr. Heiertz said that the bid package for this project was sent to three contractors. IRWD staff attended the bid opening held on December 30, 2008 with two contractors submitting bids. Southern California Pipeline was the apparent low bidder at \$131,633. The engineer's estimate was \$122,000.

Director Withers said that this item was reviewed and approved by the Engineering and Operations Committee on January 22, 2009. On MOTION by Withers, seconded and unanimously carried, THE BOARD AUTHORIZED THE ADDITION OF PROJECT 20785 TO

THE FY 2008-09 CAPITAL BUDGET; APPROVED AN EXPENDITURE AUTHORIZATION OF \$193,600 FOR PROJECT 20785; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A REIMBURSEMENT AGREEMENT WITH JOEL SPEAR FOR THE CONSTRUCTION OF THE OPA SEWER IMPROVEMENT, SPEAR RESIDENCE, PROJECT 20785.

GENERAL MANAGER'S REPORT

General Manager Jones reported that at Metropolitan Water Districts' (MWD) last Board meeting, they adopted requirements for a water conservation ordinance whereby Special Districts need to adopt an ordinance or modify certain criteria in its Rules and Regulations to comply. He said that MWD clarified that if Special Districts have compliance, the cities and counties are not required to adopt a separate ordinance. He said that the ordinance is to be in place by July 1, 2009.

Mr. Jones said that relative to the MWDOC workshop on February 4, 2009 which Mr. Wayne Clark discussed during oral communications to the Board, Vice President Swan and a staff member will be attending.

Mr. Jones further said that the District has received 11 applications for the Board of Director position. and that the deadline for applications is February 4 at 5:00 p.m.

DIRECTORS' COMMENTS

Director Withers reported that he attended an NWRI Board meeting and planning session along with Mr. John Hills, and that the organization is facing some challenges. He said that he will be attending a LAFCO meeting on February 11 and this will be his last meeting as Chairman.

Director Matheis said that she was invited to participate on an ACWA Advisory Committee.

Vice President Swan said that he attended an OCBC Infrastructure meeting, and an OCWD Board meeting and dinner. He said that he attended a CASA conference last week.

President Reinhart reported that he attended an Orange County Forum luncheon.

CLOSED SESSION

President Reinhart said that a Closed Session would be held with legal counsel as follows:1) ANTICIPATED LITIGATION (Government Code Section 54956.9(b)) – significant exposure to litigation (one potential case) - BKK Working Group notification to IRWD of potential liability, claim and/or litigation, on file with the District; and 2) ANTICIPATED LITIGATION (Government Code Section 54956.9(b)) – significant exposure to litigation (one or more potential cases) – publicly stated threat of litigation related to injuries alleged to have been caused by contaminants from former MCAS El Toro, on file with the District.

OPEN SESSION

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

ADJOURNMENT

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

APPROVED and SIGNED this 9th day of February, 2009.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone