

## MINUTES OF REGULAR MEETING – OCTOBER 12, 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 October 12, 2009 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: LaMar, Reinhart, Matheis, Withes, and Swan.

Directors Absent: None.

Also Present: General Manager Jones, Assistant General Manager Cook, Director of Engineering and Construction Burton, Director of Planning and Water Resources Heiertz, Director of Finance Cherney, Secretary Bonkowski, Legal Counsel Arneson, Mr. Jim Reed, Mr. Bruce Newell, Ms. Fiona Sanchez, Ms. Beth Beeman, Mr. Dean Kirk, Mr. Mike Hoolihan, Mr. A. T. Kilani, Ms. Kirsten McLaughlin, Mr. Paul Weghorst, Mr. Mark Tettermer, and other members of the public and staff.

WRITTEN COMMUNICATION: None.

ORAL COMMUNICATION:

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, 14, 15, 16 and 17 are in operation in accordance with the District's annual pumping plan. Wells 1, 2, 4, 5, 7, 11, 12, and 18 will operate a portion of the week. Wells 3, 6 and 13 are inactive. The District's planned pumping for September 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, 2009. Metropolitan Water District has given notice to OCWD to extract 22,000 acre feet in fiscal year 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, on June 5, 2009, IRWD received a letter from OCWD noting that OCWD has completed the formal responses to comments they previously received on the draft program Environmental Impact Report. The letter further noted that with this task completed, OCWD has exercised its right to terminate the 2004 Memorandum of Understanding regarding annexation. OCWD also indicated that due to the lack of progress on the annexation issue, the draft program Environmental Impact Report will not be completed. On June 8, 2009, OCWD completed the Long-Term Facilities Plan which was received and filed in July 2009. OCWD will continue to work with IRWD on the annexation issue to determine if a satisfactory arrangement can be developed with both parties. 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.

ITEMS TOO LATE TO BE AGENDIZED – None.

CONSENT CALENDAR

On MOTION by Matheis, seconded and unanimously carried, CONSENT CALENDAR ITEMS 3 THROUGH 8 WERE APPROVED AS FOLLOWS:

3. MINUTES OF REGULAR BOARD MEETINGS

Recommendation: That the minutes of the September 28, 2009 Regular Board Meeting be approved as presented.

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

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

5. QUITCLAIM OF REAL PROPERTY – IRVINE COMMUNITY DEVELOPMENT COMPANY LLC

Recommendation: That the Board adopt the following resolution by title approving execution of the quitclaim deed to Irvine Community Development Company LLC.

RESOLUTION NO. 2009-28

RESOLUTION OF THE BOARD OF DIRECTORS OF  
IRVINE RANCH WATER DISTRICT  
APPROVING EXECUTION OF THE QUITCLAIM DEED TO  
IRVINE COMMUNITY DEVELOPMENT COMPANY LLC

6. QUITCLAIM OF REAL PROPERTY – THE COUNTY OF ORANGE AND IRVINE LAND COMPANY LLC

Recommendation: That the Board adopt the following resolution by title approving execution of the quitclaim deed to the County of Orange and Irvine Land Company LLC.

RESOLUTION NO. 2009 – 29

RESOLUTION OF THE BOARD OF DIRECTORS OF  
IRVINE RANCH WATER DISTRICT  
APPROVING EXECUTION OF THE QUITCLAIM DEED TO  
THE COUNTY OF ORANGE AND  
IRVINE LAND COMPANY LLC

7. 2009 STATE LEGISLATIVE UPDATE

Recommendation: Receive and file.

8. PROPOSED AMENDMENTS TO THE IRVINE RANCH WATER DISTRICT IRS  
SECTION 401 (A) EXECUTIVES' DEFERRED COMPENSATION PLAN

Recommendation: That the Board approve the 2005 Mandatory Distribution Amendment and 2009 Final 415 Regulations Amendment for the Executives' Profit Sharing Plan and adopt a resolution adopting required amendments with respect to the Executives' Profit Sharing Plan and Trust.

RESOLUTION NO. 2009-30

RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
IRVINE RANCH WATER DISTRICT ADOPTING  
REQUIRED AMENDMENTS WITH  
RESPECT TO THE EXECUTIVES' PROFIT  
SHARING PLAN AND TRUST

ACTION CALENDAR

WATER RESOURCE BOND AND WATER CONSERVATION POLICY PRINCIPLES

General Manager Jones said that as a part of IRWD's interest in developing a balanced solution to the challenges posed by the competing interests within the Delta, staff has reviewed IRWD's existing Policy Principles on Water Resource Bonds and Water Conservation. Mr. Jones said that the IRWD Water Conservation Policy Principles adopted in February 2009 have been reviewed by staff and no revisions are recommended at this time.

Using a PowerPoint presentation, General Manager Jones reviewed the proposed Water Resources Bond Policy Principles. In regard to Delta funding and the infrastructure package, Mr. Jones said the proposed policy included the following points: 1) to be consistent with the concept of achieving the co-equal goals of the Delta restoration and water supply reliability; 2) have a balanced approach which provides funding for water supply reliability infrastructure of state-wide benefit (excludes conveyance), water supply projects of regional significance, and eco-system restoration of the Delta; 3) supports dual conveyance, completion and implementation of BDCP; 4) provides adequate funding for Delta programs and state-wide water

infrastructure, including Delta environment restoration and enhancement, water quality and aquatic species management improvements, south of Delta surface and groundwater storage, major levee stability improvements, and in-Delta environmental flow modifications not part of the conveyance infrastructure; and 5) continuous appropriation, including surface and groundwater storage of significant state-wide benefit.

Relative to regional project funding, the principles included: 1) to offset export demands in the Delta and award on a competitive basis with priority to greatest public benefit, local and/or regional matching funds, and demonstrate cost-effectiveness, timely implementation, and measureable net supply benefits, and 2) cost effectiveness to the extent practicable to minimize administrative costs, utilize public-private partnerships, and obtain matching funds. President Reinhart asked staff to also include language for levees to protect the water supply.

Mr. Jones reviewed the potential fee structure and overall legislative approach noting any concept for a water-related fee structure as part of a bond repayment mechanism should only be established if a clearly defined “beneficiary pays” nexus is established that ensures water users are not financially responsible for mitigation of environmental impacts caused by other numerous non-water related stressors on the Delta.

On MOTION by Matheis, seconded and unanimously carried, THE BOARD ADOPTED THE UPDATED WATER RESOURCES BOND POLICY PRINCIPLES AS AMENDED.

#### ENGINEERING EVALUATION AND TESTING OF CIENEGA PROJECT – BUDGET ADDITION, CONTRACT VARIANCE, AWARD AND EXPENDITURE AUTHORIZATION

Director of Water Resources Heiertz said that the Cienega Full-Scale Selenium Removal Project (Project) was selected to receive American Recovery and Reinvestment Act (ARRA) funding. Mr. Heiertz said that construction of the project must be substantially complete by September 2011 to meet the ARRA requirements. The Bureau of Reclamation (Bureau) has approved funding to IRWD in the amount of up to \$5,511,296 for the project. Environmental compliance work has been completed and the Bureau is expected to issue a formal finding of no significance impact which will complete the NEPA process.

Mr. Heiertz said that to meet ARRA construction schedule constraints, there are urgent tasks that must be taken before a recommendation can be made to proceed with the design and construction of a full-scale project. These tasks include additional testing and design data collection from the Cienega Demonstration Project and an engineering evaluation of the Cienega subsurface selenium removal technology in comparison to other alternative treatment technologies. Alternative technologies may need to be considered for a full-scale project if the Cienega technology is determined to carry too much risk and/or determined to not be cost effective. Staff recommendations for accomplishing these tasks are as follows: 1) Geosyntec to provide technical support for a proposed work plan that would provide for additional system testing and design data collection. The work plan would be jointly executed by District staff and Geosyntec. Information collected would be used to size and design a full-scale system. The implementation of the work plan will include continued operations of the demonstration through December 2009 with a summary report completed in January 2010, 2) In conjunction with the Geosyntec testing

work plan, staff recommends a separate engineering evaluation of the Cienega technology in comparison to other treatment technologies. The engineering evaluation would include: verification of hydraulic and water quality loading conditions; review of the existing Cienega demonstration project performance and design; recommendations for improving the Cienega design; review of results from a pilot project of a competing technology; development of conceptual designs and cost opinions for a full-scale project based on the Cienega and two other technologies; evaluation and conceptual design of intake and residual disposal facilities; development of criteria for selecting a preferred alternative; evaluation of risks and uncertainties; and selection of a preferred alternative. Mr. Heiertz said that at staff's request, HDR has provided a proposal to complete the engineering evaluation as well as for providing a 10% design, preparation of a Design-Build (DB) Bid Package, and assisting in the DB process. He said that that staff is recommending awarding a Sole Source Professional Services Agreement with HDR for tasks 1 through 7. Based on the results of the engineering evaluation, staff with HDR's support, will return to the Committee and Board with a recommendation for moving forward with the recommended technology. At such time, staff will recommend that HDR update its scope of work and cost estimate for the 10% design and preparation of bid documents. Staff will then review the revisions with the Committee and Board for approval.

Director Matheis said that this item was reviewed and approved by the Water Resources Policy and Communications Committee on October 1, 2009. Following discussion, staff was asked to submit a master schedule to the Engineering and Operations Committee for review. On MOTION by Matheis, seconded and unanimously carried, THE BOARD AUTHORIZED THE ADDITION OF PROJECT 10867 TO THE FY 2009-10 CAPITAL BUDGET FOR \$482,300; APPROVED AN EXPENDITURE AUTHORIZATION FOR PROJECT 10867 FOR \$482,300; AUTHORIZED THE GENERAL MANAGER TO EXECUTE VARIANCE NO. 2 WITH GEOSYNTEC IN THE AMOUNT NOT TO EXCEED \$161,651 TO PROVIDE TECHNICAL SUPPORT IN THE TESTING AND DESIGN DATA COLLECTION FROM THE CIENEGA DEMONSTRATION PROJECT; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A SOLE SOURCE PROFESSIONAL SERVICES AGREEMENT WITH HDR IN THE AMOUNT NOT TO EXCEED \$252,413 FOR THE SELENIUM TREATMENT AND PERTINENT FACILITY ALTERNATIVES EVALUATIONS.

#### COMMERCIAL, INDUSTRIAL, AND INSTITUTIONAL WATER USE EFFICIENCY INCENTIVE PROGRAM

Staff is proposing a pilot program that would provide tactical incentives to commercial, industrial and institutional (CII) customers to upgrade equipment and improve their water processes to provide greater water use efficiency. As with IRWD's existing Tactical Incentive program, all payments would be based on the water and wastewater systems avoided costs for the volume of water saved, and is therefore cost effective for IRWD. General Manager Jones noted a typographical error in the proposed budget amount which is \$260,000, not \$220,000.

On MOTION BY Withers, seconded and unanimously carried, THE BOARD DIRECTED STAFF TO DEVELOP AND IMPLEMENT THE CII WATER USE EFFICIENCY INCENTIVE PROGRAM, AND AUTHORIZED AN INCREASE OF \$260,000 IN THE FISCAL YEAR 2009-10 OPERATING BUDGET TO FUND COST-EFFECTIVE COMMERCIAL, INDUSTRIAL AND INSTITUTIONAL INCENTIVES.

## IRVINE LAKE PIPELINE CONVERSION TO RECYCLED WATER

General Manager Jones reported that staff has been working toward converting a number of agricultural customers served by the Irvine Lake Pipeline (ILP) to using recycled water. Mr. Jones said that following a review of the customers' on-site systems through interviews and field investigation, staff has obtained estimates from contractors to complete the major on-site modifications.

Using a PowerPoint presentation, Mr. Mark Tetterer provided an overview of the customers who would be impacted with the proposed conversion. He said of the 25 customer accounts served by the ILP, 19 of them currently receive ILP water from below Rattlesnake Reservoir and would be impacted by the conversion of this part of the ILP to recycled water. Because all of the impacted customers must be properly retrofitted before the conversion of the ILP line to recycled water, staff must address the issues at all of the sites simultaneously. He then reviewed the assessment made of the customers, challenges of the conversion, an overview of key on-site modifications, new off-site improvements, estimated costs and approach.

Director Matheis reported that this item was reviewed and approved by the Water Resources Policy and Communications Committee on October 1, 2009. Following discussion, staff was asked to examine the discharge and the SAC line service options for El Modena Gardens. On **MOTION** by Matheis, seconded and unanimously carried, **THE BOARD AUTHORIZED THE GENERAL MANAGER TO APPROVE EXPENDITURES FOR AN AMOUNT NOT TO EXCEED \$887,520 FOR THE DESIGN AND CONSTRUCTION OF ON-SITE AND OFF-SITE IMPROVEMENTS REQUIRED TO ALLOW RECYCLED WATER TO BE UTILIZED BY CERTAIN IDENTIFIED IRWD AGRICULTURAL WATER CUSTOMERS CURRENTLY SERVED BY THE IRVINE LAKE PIPELINE; AND AUTHORIZED STAFF TO PURSUE AGREEMENTS WITH THESE CUSTOMERS (WITH THE EXCEPTION OF EL MODENA GARDENS IN ORDER TO EXAMINE ITS DISCHARGE AND A SAC LINE SERVICE OPTION) THROUGH WHICH CAPITAL COSTS FOR ON-SITE IMPROVEMENTS CONSTRUCTED TO ALLOW THE USE OF RECYCLED WATER AT EACH CUSTOMER'S FACILITY WILL BE RECOUPED THROUGH A WATER RATE DIFFERENTIAL.**

## ORANGE PARK ACRES 16-INCH WELL TRANSMISSION MAIN REPLACEMENT

General Manager Jones reported that IRWD has had two major leaks in the past six months from a particularly difficult section of the Orange Park Acres (OPA) well transmission line that runs through residential backyards, up a slope and under a number of mature trees. The main transmission line is a 16-inch riveted steel pipeline originally constructed in 1927, and due to its advanced age, this pipeline is highly deteriorated in many areas.

Mr. Jones said that staff requested bids from Paulus Engineering, Leatherwood Construction, and Kennedy Pipeline. The bids included tree removal, installation of a bypass system and the installation of approximately 920 lineal feet of 12-inch C900, class 200 PVC pipe to replace the steel pipe. Paulus Engineering confirmed with staff that they are comfortable with their bid price and they are ready to proceed with this work immediately.

On MOTION by Withers, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONTRACT WITH PAULUS ENGINEERING TO CONSTRUCT THE REPLACEMENT OF 920 FEET OF 16-INCH RIVETED STEEL PIPE WITH A NEW 12-INCH C900 CLASS 200 PVC PIPE FOR AN AMOUNT OF \$285,197.

#### GENERAL MANAGER'S REPORT

General Manager Jones reported that AB 283 and AB 1366 had been signed by the Governor, and thanked staff for their efforts on these bills.

Mr. Jones said that with the rain expected this winter, staff contracted to have the flood wall recovered and new sand bags put in place. In response to a question raised by a Board member, staff was asked to determine who would be liable if the IRWD contractor had their equipment damaged during a flood event at the MWRP.

#### DIRECTORS' COMMENTS

Director LaMar reported on his attendance at WACO, MWDOC's Planning meeting, and a water conference last week. He provided an update on his efforts with the Delta water bills noting that the key policies are still in place.

Director Withers reported that LAFCO will be meeting this Wednesday. He said he met with two OCSD Directors relative to long-term Orange County Sanitation District issues.

Director Matheis reported that she and Mr. Mike Hoolihan hosted the October 3<sup>rd</sup> resident tour which was very successful. She also thanked Public Affairs' staff for their efforts with the tour.

Director Swan reported on his attendance at OCBC, an event held at Crystal Cove, a luncheon meeting with the newly-appointed MWDOC Director Jeff Thomas, a Newport Chamber of Commerce Legislative meeting, a Central and West Basin MWD meeting, and an ACWA Region 8 through 10 meeting.

Director Reinhart reported on his attendance at a SOCWA Board meeting and said that a legal opinion will be forthcoming on Friday relative to a sewer discharge from the South Coast plant. He reported on the recent MWDOC and South County Agencies meeting relative to governance, and said that General Manager Hunt is in the process of drafting a proposal for review by the agencies.

#### RECESS AND RECONVENE

President Reinhart recessed the Board meeting to hold the Special Meeting of the IRWD JPA. The meeting was reconvened at 6:20 p.m. with all Directors present. President Reinhart recessed to the following Closed Session.

CLOSED SESSION

Conference with Real Property Negotiator (Government Code Section 54956.8).  
Property: Various parcels - Portions of Sections 25, 26, 34, and 35 of T23S R19E MDB&M.  
Negotiating Parties: Ernest Conant, Legal Counsel Representing Parties  
Agency Negotiator: Paul Jones, General Manager  
Purpose of Negotiations: Price and Term of Payment

OPEN SESSION

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

ADJOURNMENT

There being no further business, President Reinhart adjourned the meeting to October 14, 2009 at 11:30 a.m. to hold a workshop on Bay-Delta Issues at IRWD's Learning Center on Riparian View, Irvine.

APPROVED and SIGNED this 26th day of October, 2009.

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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