

MINUTES OF REGULAR MEETING – JUNE 27, 2011

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 LaMar on June 27, 2011 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Withers, LaMar, Swan, and Reinhart

Directors Absent: Matheis

Also Present: General Manager Jones, Assistant General Manager Cook, Director of Engineering Burton, Secretary Bonkowski, Treasurer Jacobson, Legal Counsel Arneson, Director of Operations Pedersen, Director of Water Resources Heiertz, Director of Public Affairs Beeman, Mr. Malcolm Cortez, Ms. Shannon Reed, Director of Human Resources Wells, Mr. Christopher Smithson, Mr. Dan Miller, Ms. Kirsten McLaughlin, Mr. Paul Weghorst, Ms. Fiona Sanchez, Ms. Jane Shafer, Mr. Ken Erwin, Mr. Dean Kirk, Mr. Sat Tamaribuchi, Mr. Jim Reed, Mr. Bruce Newell, 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 and C-9 will operate in accordance with the District's annual pumping plan. Wells, 1, 2, 3, 4, 5, 6, 7, 10, 11, 12, 13, 14, 15, 16, 17 and 18 will be off. The District's currently planned pumping for June is 4,300 AF. 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 (MOU) 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 by the OCWD Board in July 2009. Staff has been coordinating with the City of Anaheim (Anaheim) and Yorba Linda Water District (YLWD) on their most recent annexation requests and has reinitiated the annexation process with OCWD. IRWD, YLWD and Anaheim have negotiated a joint MOU with OCWD to process and conduct environmental analysis of the

annexation requests. The MOU was approved by the OCWD Board on July 21, 2010. 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 Orange 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 RECEIVED TOO LATE TO BE AGENDIZED – None.

PRESENTATION – IRWD RIDESHARE PROGRAM RECOGNITION

Using a PowerPoint presentation, General Manager Jones reported that the District was presented the Rideshare Diamond Award from the Los Angeles Metro, Orange County Transportation Authority, and Ventura County Transportation Commission. Mr. Jones said that the District was commended for its contribution to the improvement of air quality and relief of traffic congestion. He thanked Mr. Ken Erwin and Jane Shafer for their efforts.

PUBLIC HEARING – PROPOSED CHANGES TO THE SCHEDULE OF RATES AND CHARGES EFFECTIVE JULY 1, 2011

Using a PowerPoint presentation, Director of Finance Cherney reviewed the Committee and Board review process for the Fiscal Year 2011-12 Rates and Charges. Using charts, Ms. Cherney compared rates for typical residential customers in the District's various services areas, including the Irvine, Orange Park Acres, and Los Alisos.

President LaMar declared this to be the time and place for a hearing on the proposed changes to the rates and charges. He asked the Secretary how the hearing was noticed.

Secretary Bonkowski said that the hearing was noticed by mail and she presented an Affidavit of Mailing.

On **MOTION** by Swan, seconded and unanimously carried, **THE AFFIDAVIT OF MAILING BY AN INDEPENDENT PROCESSING FIRM AS PRESENTED BY THE SECRETARY WAS RECEIVED AND FILED.**

President LaMar requested Legal Counsel to describe the nature of the proceedings.

Legal Counsel Arneson described the nature of the proceedings, saying that pursuant to Proposition 218 and Article XIID of the Constitution of the State of California, 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 objections or protests to the report.

President LaMar requested a staff report from the Director of Finance on the proposed rates and charges and inquired whether there have been any written communications.

Director of Finance Cherney said that that two additional protest letters had been placed before each Director. As of June 20, 2011, five protests were received by the District which represents 0.0059% of the total customers, substantially less than the 50% which would have been required to prevent the Board from adopting the current proposed rates and charges.

President LaMar inquired whether there is anyone present who wishes to address the Board regarding the proposed changes to the rates and charges.

There were two members of the public who wished to be heard. Mr. Ed Reed expressed concerns with the fixed charge and stated he believes there was very little incentive to be a low user. Mr. John Jaegar commented that it would be more logical to raise the water rates, not the fixed monthly charges. .

President LaMar inquired whether there are any comments or questions from members of the Board of Directors. Both Directors Swan and Reinhart responded to the two members of the public who spoke and explained the reasoning to pass on the District's fixed costs.

On MOTION by Reinhart, seconded and unanimously carried, THE HEARING WAS CLOSED AND THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2011- 25

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA
RESCINDING RESOLUTION NO. 2010-19 AND ADOPTING
CHANGES TO THE SCHEDULE OF RATES AND CHARGES AS
SET FORTH IN EXHIBIT "B" TO THE RULES AND
REGULATIONS OF IRVINE RANCH WATER DISTRICT
FOR WATER, SEWER AND RECLAIMED WATER SERVICE

WORKSHOP - INITIAL WORKSHOP ON SETTING CONNECTION FEES
AND PROPERTY TAXES FOR FY 2011-12

General Manager Jones reported that each year the Board considers connection fees and property tax rates, and makes adjustments as a result of changing assumptions and capital needs. Mr. Jones said that for FY 2010-11, the Board adopted a residential connection fee increase of 9.5%, without making any changes to commercial and industrial fees, and made no changes to the ad valorem property tax rates.

Mr. Jones said that assumptions and preliminary runs of the Model were reviewed with the Finance and Personnel Committee on June 5, 2011. At that time, the Committee and a representative of the Irvine Company identified four additional scenarios they will have modeled at tonight's workshop.

Using a PowerPoint presentation, Mr. Smithson reviewed the annual objectives for connection fees and property taxes including: 1) minimizing any sudden and large changes in rates and fees; 2) maintaining a targeted 75% debt service coverage ratio; 3) equitably allocating new capital costs; 4) maintaining the 50/50 split between connection fees and property taxes; and 5)

maintaining IRWD's replacement and enhancement funds for their intended use. Mr. Smithson reviewed the rate setting decisions made for FY 2010-11. He said that the assumption changes include: 1) no change to the allocation of the 1% property tax revenue amount of various capital funds; 2) capital escalation rate would begin at 3/5% and step down to 3.0 % over two years; 3) the cost of debt increased to 3.5% based on a mix of variable and fixed rate debt; and 4) the rate of return will remain low in the near term and increase in time. Using charts, he reviewed various scenarios for connection fees and property taxes. Mr. Smithson said that an additional workshop is scheduled for July 11 and July 25 along with Board adoption. General Manager Jones said that a meeting is also scheduled for July 7 with the stakeholders, including representatives from the Building Industry Association, Lennar, NAOIP, SC apartments, and OC Realtors.

Following discussion, staff was asked to submit an item to the Finance and Personnel Committee comparing connection fees with other agencies.

CONSENT CALENDAR

Director Swan asked that items 7 and 12 be moved to the Action Calendar. There being no objections, these items were moved accordingly. On MOTION by Withers, seconded and unanimously carried, CONSENT CALENDAR ITEMS 6, 8 THROUGH 11 AND 13 THROUGH 17 WERE APPROVED AS FOLLOWS:

6. MINUTES OF REGULAR BOARD MEETINGS

Recommendation: That the Board approve the Minutes of the June 13, 2011 Regular Board Meeting and the June 17, 2011 Adjourned Regular Meeting as presented.

8. MAY 2011 FINANCIAL REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for May 2011; approve the May 2011 Summary of Wire Transfers and ACH payments in the total amount of \$3,245,306; and approve the May 2011 Warrants Nos. 319956 through 320541, Workers' Compensation distributions and voided checks in the total amount of \$11,359,068.82.

9. DISTRICT STRATEGIC MEASURES DASHBOARDS

Recommendation: That the Board receive and file the Strategic Measures Dashboards and Information items.

CONSENT CALENDAR (CONTINUED)

10. APPROVAL OF IRWD'S SHARE OF SOCWA'S FISCAL YEAR 2011-12 BUDGET

Recommendation: That the Board approve IRWD's share of SOCWA's Fiscal Year 2011-12 Budget in the amount of \$288,740.

11. QUITCLAIM OF REAL PROPERTY

Recommendation: That the Board adopt the following resolution by title approving execution of the Quitclaim Deed to Business Properties Partnership No. 17.

RESOLUTION NO. 2010 - 26

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT
APPROVING EXECUTION OF THE QUITCLAIM DEED TO
BUSINESS PROPERTIES PARTNERSHIP NO. 17

13. WATER OPERATIONS FISCAL YEAR 2011-12 EXPENDITURE AUTHORIZATIONS

Recommendation: That the Board authorize the General Manager to approve Expenditure Authorizations for Project 1184 for \$387,300; Project 1478 for \$138,600; Project 1488 for \$650,100; Project 1207 for \$206,800; Project 1451 for \$203,500; Project 1470 for \$170,500; Project 1201 for \$170,500; Project 1440 for \$93,500 and Project 1458 for \$135,300.

14. WEATHER BASED IRRIGATION TIMER (SMARTIMER) REBATE PROGRAM AGREEMENT

Recommendation: That the Board authorize the General Manager to execute the agreement between Irvine Ranch Water District and the Municipal Water District of Orange County for participation in the Weather Based Irrigation Timer (SmarTimer) Rebate program for residential and commercial properties subject to non-substantive changes.

15. NINTH AMENDMENT TO AGREEMENT BETWEEN IRWD AND MWDOC FOR PARTICIPATION IN SPECIFIED MWDOC REBATE PROGRAMS

Recommendation: That the Board authorize the General Manager to execute the Ninth amendment to the agreement for participation and co-funding by Irvine Ranch Water District in specified Municipal Water District of Orange County Rebate programs in the amount of \$350,000 for cost-effective tactical incentive water use efficiency measures.

CONSENT CALENDAR (CONTINUED)

16. FISCAL YEAR 2011-12 EXPENDITURE AUTHORIZATIONS

Recommendation: That the Board approve Expenditure Authorizations for Fiscal Year 2011-12 for \$143,000 for Project 10566, Engineering Planning Study Reserve; \$6,545,000 for Project 20112, OCSD CORF; \$8,013,000 for Project 20586, OCSD Equity; \$1,045,000 for Project 20808, OCSD Solids Handling; \$116,600 for Project 30360, Recycled Conversions On-Site; and \$145,800 for Project 30362, Recycled Conversions Off-Site.

17. ON-CALL CEQA/NEPA AND PERMITTING SERVICES CONSULTANT SELECTIONS

Recommendation: That the Board authorize the General Manager to execute Professional Service Agreements with ESA, Dudek and LSA to provide On-Call CEQA/NEPA Services not to exceed \$120,000 each, Harmsworth Associates to provide On-Call Permitting Services not to exceed \$100,000 and ICF International to perform On-Call Permitting Services not to exceed \$50,000.

ACTION CALENDAR

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

Following adjustments to the event/meetings document, on MOTION by Swan, seconded and unanimously carried, THE BOARD RATIFIED/APPROVED THE MEETINGS AND EVENTS FOR STEVE LAMAR, DOUG REINHART, AND PEER SWAN AS DELINEATED ABOVE.

SYPHON RESERVOIR DAM SLIDE REPAIR BUDGET ADDITION AND EXPENDITURE AUTHORIZATION

Director Swan relayed his concerns about expending funding for repairing the reservoir at this point in time when the reservoir may be enlarged in the future. He suggested to instead draw-down the reservoir. Director Reinhart said that drawing down the reservoir for an extended period of time could cause environmental concerns, and also, the enlargement of the reservoir may not occur for another 10 years and during that time the value of the recycled water storage would justify the repair cost. On MOTION by Withers, seconded and unanimously carried, THE BOARD AUTHORIZED THE ADDITION OF PROJECT 30371 IN THE AMOUNT OF \$162,300 TO THE FISCAL YEAR 2011-12 CAPITAL BUDGET AND APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$162,300 FOR THE SYPHON RESERVOIR DAM SLIDE REPAIR, PROJECT 30371.

PROJECT GREENFILL COOPERATIVE AGREEMENT

General Manager Jones reported that in an effort to promote sustainability, reduce trash and plastics in the waste stream and promote water quality, staff collaborated with Orange County Parks (County) to develop Project GreenFill, a plan to install water bottle filling stations in appropriate community locations throughout the IRWD service area.

Using a PowerPoint presentation, Director of Operations Pedersen reported that water bottle filling stations are based on a successful water bottle filling station project in Zion National Park that received the 2009 United States Department of the Interior Environmental Achievement Award. Mr. Pedersen said that it is estimated that IRWD costs associated with this initial partnership for the two water bottle filling stations at Mason Park will be approximately \$15,000 and will be funded with undesignated over-allocation funding. Mr. Pedersen reviewed the location map of the two filling stations. He said that staff contacted representatives of the California Department of Public Health and Orange County Health Care Agency to identify any water quality concerns that may be associated with the proposed water bottle filling stations and that both agency representatives responded that the filling stations would not present any special water quality concerns and should be treated as drinking fountains. The filling stations were sited at locations that would receive water usage on a daily basis, which minimizes concerns with the potential for stagnant water.

Director Reinhart reported that this item was reviewed by the Engineering and Operations Committee on June 21, 2011 and that they concur with the staff recommendation. Following discussion relative to insurance liability, on MOTION by Reinhart, seconded and carried (3-1 Swan voting no), **THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE A COOPERATIVE AGREEMENT WITH THE COUNTY OF ORANGE FOR MUTUALLY AGREED-UPON LOCATIONS FOR PROJECT GREENFILL, A PLAN TO INSTALL WATER BOTTLE FILLING STATIONS THROUGHOUT IRWD'S SERVICE AREA.**

ORANGE PARK ACRES TRANSMISSION PIPELINE PROJECT CONTRACT CHANGE ORDER NO. 11

General Manager Jones reported that construction of the Orange Park Acres Transmission Pipeline Project (Project) was awarded to Leatherwood Construction, Inc. (Leatherwood) in October 2010 in the amount of \$6,786,397. Mr. Jones said that his project will replace the existing riveted steel pipeline installed in 1929 that has experienced repeated failures, and will improve fire flow water system pressure to the Orange Park Acres area. Contract Change Order No. 11, in the amount of \$204,350, includes the following Change Requests (CR): 1) constructing a 20-inch CML&C steel transmission pipeline in Chapman Avenue (CR-16-1), at greater depths over a significant portion of the reach; and with many more existing utility crossings (found during pot-holing operations); and requiring more grade-breaks and fittings; and, 2) backfilling the utility trench for the 20-inch transmission pipeline with crushed-miscellaneous base (longitudinally along Chapman) and with sand-cement slurry in all (seven) intersections and other transverse trench crossings (CR-16-2). This was done in response to a new City of Orange permit requirement negotiated with IRWD and the contractor in-lieu of replacing excessively thick street pavement sections.

Director Reinhart reported that this item was reviewed by the Engineering and Operations Committee on June 21, 2011 and that they concur with the staff recommendation. On MOTION by Reinhart, seconded and unanimously carried, **THE BOARD APPROVED CONTRACT CHANGE ORDER NO. 11 WITH LEATHERWOOD CONSTRUCTION, INC. IN THE AMOUNT OF \$204,350 FOR THE ORANGE PARK ACRES TRANSMISSION PIPELINE PROJECT, PROJECT 11408.**

WELLS 21 AND 22 DESALTER CONTRACT CHANGE ORDER NO. 3

Director of Engineering Burton reported that design/build of the Wells 21 and 22 Desalter was awarded to P&L in June 2010 in the amount of \$14,253,587. Mr. Burton said that Contract Change Order No. 3, in the amount of \$367,230, covers the following three items:

1) Emergency Generator - the original bidding documents did not provide an emergency power supply when the main power shuts down unexpectedly, the emergency power will provide for flushing water, motorized valves, shutdown programming, alarming, SCADA, and lights long enough for the facilities to be properly shutdown; 2) the addition of a surge tank to protect the distribution system and plant facilities from surges in water pressure; and 3) the addition of a hydraulic lift for operations and maintenance of the reverse osmosis membranes, and piping and valves adjacent to the membrane racks. It will provide a safe platform for removing and loading membranes, and for working on the membrane racks and adjacent appurtenances.

Director Reinhart reported that this item was approved by the Engineering and Operations Committee on June 21, 2011. In response to Director Swan's inquiry relative to the need for an emergency generator, Mr. Burton said that when the main power shuts down unexpectedly, emergency power will provide for flushing water, motorized valves, shutdown programming, alarming, SCADA, and lights long enough for the facilities to be properly shutdown. On MOTION by Reinhart, seconded and carried (3-1 Swan voting no), **THE BOARD APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$385,600 FOR PROJECT 10286, AND APPROVED CONTRACT CHANGE ORDER NO. 3 IN THE AMOUNT OF \$367,230 TO PASCAL & LUDWIG CONSTRUCTORS FOR THE WELLS 21 AND 22 DESALTER, PROJECT 10286.**

SELECTION OF FIRM TO CONDUCT SEARCH FOR GENERAL MANAGER

General Manager Jones reported that staff was directed to solicit proposals from executive recruitment firms to conduct a search for a General Manager. Mr. Jones said that staff received proposals from four of the five firms solicited and met at a special meeting of the Finance and Personnel Committee to review and discuss the proposals. He said that staff recommended and the Finance and Personnel Committee concurred to retain the services of Roberts Consulting Group, Inc. at a fixed fee rate of \$27,000.

Director Swan reported that this item was reviewed at a special meeting of the Finance and Personnel Committee on June 23, 2011. On MOTION by Swan, seconded and unanimously carried, **THE BOARD AUTHORIZED A PROFESSIONAL SERVICES AGREEMENT IN THE AMOUNT OF \$27,000 TO ROBERTS CONSULTING GROUP FOR THE RECRUITMENT OF A GENERAL MANAGER.**

The Board requested that following the conclusion of business at tonight's meeting, the meeting be adjourned and this item be continued to meet and discuss the recruitment with the selected consultant.

GENERAL MANAGER'S REPORT

General Manager Jones reported that AB 741 received passage from the Senate Floor today.

Mr. Jones said that a meeting is scheduled this Wednesday with the Irvine Company relative to IRWD's proposed biosolids facilities and the Michelson Water Recycling Plant.

Mr. Jones said that on June 20, 2011 a meeting was held with Orange Park Acres' Homeowner's Association with 75 residents in attendance relative to the potential conversion of septic to sewer service. He said that the tone was fairly negative with the general concern that \$1,300 to \$1,400 will be applied on property tax bills for infrastructure improvements. Mr. Jones recommended having a consultant provide polling along with an analysis by residents prior to an item being placed on the ballot at the next election.

Mr. Jones reported that MNWD, ETWD, and SCWD's agreement relative to their participation in the MWRP Biosolids project is contingent upon full participation by all agencies. He said that it was his understanding that several of these managers are planning to meet with SMWD to request a reconsideration as SOCWA wants to proceed with the agreement with IRWD. He said in the meantime, he is preparing a letter to SOCWA requesting a response within seven to 10 days if they plan to go forward as the dryer size for the project needs to be resolved quickly.

DIRECTORS' COMMENTS

Director Reinhart reported on his attendance at MWDOC and a meeting with El Toro Water District.

Director Swan reported on his attendance at the IRWD Historical Committee, a Southern California Dialogue meeting, an OCWD/MWDOC Joint meeting along with President LaMar, a WACO meeting, a meeting a representative from the Latino Water Coalition, a HDR meeting on water shortage with Director Withers, and a Crystal Cove event. He said that he is planning to attend the OC Taxpayers' event next week along with a WACO meeting.

Director LaMar reported on his attendance at the MWDOC Board meeting, a MWDOC/OCWD Joint Committee meeting, and a Tustin Chamber of Commerce Installation of Officers meeting.

Director Reinhart congratulated Mr. Paul Cook on becoming Interim General Manager of IRWD effective July 15, 2011.

ADJOURNMENT

President LaMar adjourned the meeting to Thursday, June 30 at 9:00 a.m. in the second Floor Committee room to hold a workshop relative to discussions with Roberts Consulting Group to conduct the search for a General Manager.

APPROVED and SIGNED this 11th day of July, 2011.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone