

MINUTES OF REGULAR MEETING – JULY 11, 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 July 11, 2011 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Withers, LaMar, Matheis, Swan, and Reinhart

Directors Absent: None

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, Ms. Shannon Reed, Director of Human Resources Wells, Mr. Christopher Smithson, Ms. Kirsten McLaughlin, Ms. Fiona Sanchez, Ms. Cheryl Kelly, Mr. Mike Hoolihan, 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's assistant addressed the Board of Directors with respect to the Dyer Road Wellfield. She 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 July is 2,560 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

General Manager Jones reported that an item came to staff's attention after the agenda was posted in regard to a conference with legal counsel relative to existing litigation - Government Code Section 54956.9(a) – SEMA Construction vs. the City of Tustin and City of Tustin vs. IRWD. On MOTION by Matheis, seconded and unanimously carried, IT WAS DETERMINED THAT THERE IS A NEED TO TAKE IMMEDIATE ACTION ON THIS ITEM, AND IT WAS ADDED TO THE AGENDA AS A CLOSED SESSION ITEM UNDER OTHER BUSINESS (see page 8).

PRESENTATION

RESOLUTION OF COMMENDATION FOR PAUL D. JONES II

President LaMar presented Paul Jones a Resolution of Commendation for his dedicated and exemplary service to the District over the past 12 years as General Manager. On MOTION by Matheis, seconded and unanimously carried, THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2011-27

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT COMMENDING PAUL D. JONES II FOR HIS DEDICATED AND EXEMPLARY SERVICE TO THE DISTRICT

Mr. Jones was presented a resolution signed by Senator Tom Harmon from the California State Legislature.

Director Matheis provided a farewell to Mr. Jones as follows:

I pondered some to find the perfect word to say good bye. Good luck, god speed to our dear friend Paul. It is difficult to see someone you truly like and admire move out of your sphere of influence and almost daily contact. Then I struck upon a theme that I thought might work.

As the mother of seven, I have had occasions to consider these same thoughts, not only to find the right words, but to settle the anxiety in my heart. I have refused to let my colleagues on the Board refer to me in any way as Mother (unless they would add the appellation “Mother Superior”, which those of you who have attended Convent Schools know has a totally different connotation). So I use this analogy very carefully.

As Paul moves on to bigger areas and increased duties, it is very similar to how one feels as a child goes into the world and leaves the family home. When a child arrives in your home, you know from the very beginning he or she is only there for a space of time. At times it may seem like forever, but in truth the days and weeks and years fly by so swiftly. Suddenly, he or she is no longer a little one – who you watched and nurtured and prayed over, no more excitement as projects get accomplished, no more concerns about if he or she is trying too hard or working too hard, getting too exhausted studying, playing and of course partying. Every day and every year the individual becomes more and more competent. More experienced and more effective in everything he or she does.

So it has been with Paul. He arrived here eager, excited, I think, and ready to do all we asked him to do and more than we asked. He implemented our visions, he conceived and developed his own visions for IRWD and convinced us of the value in each new venture. He developed good relationships with our fellow agencies and smoothed out differences, and was persuasive in bringing IRWD projects forward with the cooperation of many throughout the state. He represented IRWD superbly in testimony at the State Legislature and convinced both staff and the elected representatives of the worth of our proposed legislation. His success in that arena is outstanding. His service on ACWA Committees as a leader, and WateReuse, both state-wide and nationally, has not only brought worthy recognition to himself, but to IRWD.

Paul’s ability to meet the Washington scene directly and indirectly has been demonstrated to the success we have enjoyed in receiving grants and project awards to fulfill our needs to advance water recycling and innovative conservation methods.

We are deeply indebted to his 12 plus years of service and dedication, and we now must say our goodbyes. However, I cannot say that word goodbye as we use it daily, God be with you, in its true meaning might be right; however, what I really want really to say is farewell.

Yes farewell Paul. We will miss you, but we know the time has come. Farewell Paul Jones, and remember we will always treasure your service.

Director Withers said that serving with Mr. Jones had been a great experience and appreciated his service to the District.

Mr. Jones was honored by the Board with a plaque marking the District’s 50 years of service to the community as a key partner for his 12 years of support, guidance and commitment to excellence in service.

WORKSHOP

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. For FY 2010-11, the Board adopted a connection fee increase of 9.5% without making any changes to commercial and industrial fees; there were no changes to the ad valorem property tax rates.

Using a PowerPoint presentation, Mr. Christopher Smithson reviewed the schedule where this item was reviewed at a Board workshop on June 27; a Finance and Personnel Committee meeting on July 5, and a Stakeholders meeting on July 7. He said that at the Committee meeting discussion was held regarding alternatives, including a 9.5% year-over-year increase (approximately \$319 per dwelling unit). He said the Committee requested specific information about impacts to developers and homeowners in various Improvement Districts. Additionally, he said that staff was asked to submit an item in the future relative to capital allocations, Los Alisos water rate parity, and additional modeling on the 50/50 split between connection fees and property taxes. Mr. Smithson said that at the July 7 Stakeholders meeting, the attendees: 1) identified concern about the pace of the economic recovery particularly in the commercial/industrial sector; 2) voiced general support for a 5% increase, although the commercial/industrial sector prefers no increase again; and 3) were interested in future modeling participation.

Mr. Smithson reviewed impacts by various Improvement Districts along with residential and commercial connection fees proposed for IRWD compared to June 30, 2010. Following discussion, Director Swan said that this item had been reviewed by the Finance and Personnel Committee on two occasions and he identified several questions for staff's follow-up.

Mr. Peter Herzog of the NAIOP (commercial real estate) said he attended the Stakeholders meeting and believes the current economic conditions could not support a 9.5 percent increase for commercial/industrial properties.

CONSENT CALENDAR

On MOTION by Matheis, seconded and unanimously carried, CONSENT CALENDAR ITEMS 5 THROUGH 10 WERE APPROVED AS FOLLOWS:

5. MINUTES OF REGULAR BOARD MEETINGS

Recommendation: That the minutes of the June 27, 2011 Regular Board Meeting and the June 30, 2011 Adjourned Regular Board meeting be approved as presented.

6. 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, Doug Reinhart, John Withers and Peer Swan.

CONSENT CALENDAR (Continued)

7. DISCOVERY SCIENCE CENTER ANNUAL REPORT

Recommendation: Receive and file.

8. SELF-INSURED WORKERS' COMPENSATION COVERAGE

Recommendation: That the Board authorize staff to renew the District's Self-insured Workers' Compensation coverage with the California State Association of Counties (CSAC) Excess Insurance Authority, bind coverage with CSAC at the \$125,000 self-insured retention level for a total anticipated annual premium of \$271,561, and renew the third-party administrator contract with York Insurance Services for an annual fee of \$28,314.

9. REVISED PERSONNEL POLICIES AND PROCEDURES

Recommendation: That the Board adopt the following resolution by title:

RESOLUTION NO. 2011-28

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH
WATER DISTRICT, RESCINDING RESOLUTION NO. 2011-8
AND ESTABLISHING REVISED PERSONNEL POLICIES
(FOR POLICY NOS. 2, 6, 8, 9, 11, 12, 13, 14, 16, 18, 19, 23,
32, 33, 34, 39, 44, 46, AND 50)

10. PORTOLA PIPELINES FINAL ACCEPTANCE

Recommendation: That the Board authorize a budget increase of \$45,000, from \$5,006,200 to \$5,052,000, for project 10782; approve Expenditure Authorizations in the amounts of \$173,600 for project 10782; \$121,000 for project 30276; and \$124,300 for project 30782; authorize filing of a Notice of Completion; and authorize the payment of the retention 35 days after the date of recording the Notice of Completion for the Portola Pipelines, projects 10782 (1854), 30276 (1752) and 30782 (1294).

ACTION CALENDAR

WELLS 21 AND 22 WELLHEAD FACILITIES - CONSTRUCTION AWARD

General Manager Jones reported that Wells 21 and 22 Wellhead Facilities Project will equip both wells with a submersible pump in a vault, provide on-site mechanical and electrical facilities, and perform site enhancements per City of Tustin coordination. The finished well sites will provide raw water for the Wells 21 and 22 Design-Build Desalter Plant currently being constructed by Pascal & Ludwig via the untreated water pipeline currently being constructed by Flatiron West.

Director of Engineering Burton reported that the Wellhead Facilities Project was advertised to a select list of nine contractors and that the bid opening was held with seven of the nine contractors submitting bids including F.T. Ziebarth Company, Gateway Pacific Contractors, Inc. (Gateway), Olsson Construction, Pacific Hydrotech, Paulus Engineering, Inc., Schuler Engineering Corp., and SS Mechanical Corp. Caliagua, Inc. and W.M. Lyles Co. did not submit. Mr. Burton said that the initial apparent low bidder was Gateway with a total bid of \$2,148,694. The engineer's estimate was \$2,888,000. He said after review of Gateway's bid documents, staff determined the bid had irregularities in the Statements by Bidder Section B, Items and Manufacturers. Gateway did not list manufacturers as required for specific items, providing only the names of the distributors and sub-contractors. Staff reviewed this information with legal counsel and determined that there was not a factual basis to support a finding that these irregularities cannot have affected the amount of the bid and did not afford Gateway a competitive advantage over the other bidders. Failing to list manufacturers for many of the components listed provides the contractor the ability to price equipment that is not reflective of the requirements in the specifications. He said that staff determined that the irregularities in Gateway's bid cannot be waived and, therefore, Gateway's bid was deemed non-responsive. The next lowest bid was provided by F.T. Ziebarth Company with a total bid of \$2,183,700. Staff reviewed F.T. Ziebarth Company's bid documents and found them to be in conformance with the bid proposal requirements.

On MOTION by Matheis, seconded and unanimously carried, THE BOARD APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$2,293,200 FOR PROJECT 10286; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH F.T. ZIEBARTH COMPANY IN THE AMOUNT OF \$2,183,700 FOR THE WELLS 21 AND 22 WELLHEAD FACILITIES, PROJECT 10286 (1081).

UNIVERSITY OF CALIFORNIA, IRVINE STUDENT HOUSING - WATER USE EFFICIENCY PILOT PROGRAM

General Manager Jones said that staff is proposing to conduct a pilot program to upgrade toilets, showerheads and faucets with the latest high-efficiency devices in cooperation with the University of California, Irvine (UCI) Student Housing. Mr. Jones said that UCI Student Housing is very interested in participating in the pilot, and subject to finalization of the scope, would need to proceed with the project beginning in July 2011 in order to complete the proposed work over the summer months. The proposed pilot program would yield an estimated water savings of up to 249 acre feet over the 10-year life of the project, and provide significant cost savings to IRWD. The pilot program is estimated to cost up to \$111,600 with an avoided cost to IRWD of \$318,995, based on combined water and wastewater savings.

Director Matheis reported that this item was reviewed and approved by the Water Resources Policy and Communications Committee on July 7, 2011. On MOTION by Matheis, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE THE AGREEMENT WITH UNIVERSITY OF CALIFORNIA, IRVINE AND NIAGARA TO PROVIDE UP TO \$111,600, FOR INSTALLATION OF HIGH EFFICIENCY TOILETS, SHOWERHEADS AND FAUCET AERATORS IN UP TO 558 HOUSING UNITS SUBJECT TO NON-SUBSTANTIVE CHANGES BY LEGAL COUNSEL, AND

AUTHORIZED THE INCREASE OF UP TO \$111,600 TO THE FY 2011-12 OPERATING BUDGET TO FUND THE WATER USE EFFICIENCY PILOT PROGRAM USING UNDESIGNATED OVER-ALLOCATION REVENUES.

NOTICE OF INTENT TO DETACH PARCELS AND ADOPT PLAN OF WORKS FOR IMPROVEMENT DISTRICT 256

General Manager Jones reported that Sewer Improvement District (ID) No. 256 was formed concurrently with the consolidation of the area of the former Orange Park Acres Mutual Water Company into the Irvine Ranch Water District. Mr. Jones said that there are many properties within this area that currently have sewer service and for which connection fees to Orange County Sanitation District have been paid.

Mr. Jones said that a plan for connecting the remaining properties into a community sewer system has been presented to the Orange Park Acres community. In order for the community to vote on the General Obligation bond authorization for the proposed sewer system, the properties already connected to a sewer system will require detachment from ID 256 and adoption of a Plan of Works. Adoption of the two resolutions will establish July 25, 2011 as the public hearing date for the detachment and POW adoption.

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

RESOLUTION NO. 2011-29

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE IRVINE RANCH WATER DISTRICT DECLARING ITS INTENTION TO DETACH
TERRITORY
FROM IMPROVEMENT DISTRICT NO. 256

RESOLUTION NO. 2011-30

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
IRVINE RANCH WATER DISTRICT DECLARING ITS
INTENTION TO ADOPT A PLAN OF WORKS
FOR IMPROVEMENT DISTRICT NO. 256

GENERAL MANAGER'S REPORT

Mr. Jones reported that he had been working with the Orange County Sanitation District (OCSD) staff relative to additional temporary wastewater flows where the high flows will be processed during the night with reduced flows during the day. He said that OCSD is supportive of this method, and staff will be preparing a Memorandum of Understanding with them.

DIRECTORS' COMMENTS

Director Swan said he enjoyed the time with Mr. Jones and wished him all of the best in his new position. Both Directors Withers and Reinhart agreed with Director Matheis' comments made earlier in the meeting.

CLOSED SESSION

Director LaMar said that the following Closed Sessions would be held this evening: 1) PUBLIC EMPLOYEE APPOINTMENT/EMPLOYMENT (Government Code §54957). Titles: General Manager, Director of Water Quality, Water Quality Manager, Chief Plant Operator, Operator III and Operations Manager; and 2) conference with legal counsel relative to existing litigation - Government Code Section 54956.9(a) – Government Code Section 54956.9(a) – SEMA Construction vs. the City of Tustin and City of Tustin vs. IRWD.

OPEN SESSION

Following the Closed Session, the meeting was reconvened with Directors Swan, Reinhart, Withers, Matheis and LaMar present. President LaMar said that there was no action to report.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

General Manager Jones reported that an item came to staff's attention after the agenda was posted in regard to the resolution establishing revised schedule of positions and salary rate ranges. On MOTION by Matheis, seconded and unanimously carried, IT WAS DETERMINED THAT THERE IS A NEED TO TAKE IMMEDIATE ACTION ON THIS ITEM AND IT WAS ADDED TO THE AGENDA AS AN ACTION CALENDAR ITEM.

ACTION CALENDAR (CONTINUED)

REORGANIZATION UPDATE FOR FISCAL YEAR 2011-12

On MOTION by Matheis, seconded and unanimously carried, THE BOARD APPROVED THE PROPOSED CHANGES IN THE DISTRICT'S BUDGETED POSITIONS IN THE FY 2011-12 OPERATING BUDGET; APPROVED THE SALARY GRADE SCHEDULE CHANGES EFFECTIVE AUGUST 1, 2011, AND ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2011-31

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE IRVINE RANCH WATER DISTRICT RESCINDING
RESOLUTION NO. 2011-14 AND ESTABLISHING
REVISED SCHEDULE OF POSITIONS AND SALARY RATE RANGES

ADJOURNMENT

There being no further business, Director LaMar adjourned the meeting.

APPROVED and SIGNED this 25th day of July, 2011.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone