

## MINUTES OF REGULAR MEETING – JUNE 13, 2005

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order by Vice President Matheis at 6:00 p.m., June 13, 2005 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Swan, Matheis, Reinhart, and Withers (arrived at 6:45 p.m.)

Directors Absent: Miller

Also Present: General Manager Jones, Acting Director of Engineering Malloy, Treasurer Loomis, Assistant General Manager Cook, Secretary Bonkowski, Legal Counsel Arneson, Mr. Jim Reed, Mr. Tom Bishop, Mr. Christopher Smithson, Mr. Mike Bray, and other members of the public and staff.

WRITTEN COMMUNICATIONS: None

ORAL COMMUNICATIONS:

Mrs. Joan Irvine Smith addressed the Board of Directors with respect to the Dyer Road Wellfield. She said she understood that currently Wells, 1, 2, 4, 5, 7, 10, 11, 12, 13, 14, 15, 16, 17, 18 and C-8 and C-9 are operational and are being used as demands dictate. It is anticipated that Wells 3 and 6 will be brought on-line after July 1. 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), the agencies participating are the cities of Anaheim, Westminster, Santa Ana, Buena Park, and Garden Grove, Yorba Linda Water District and Southern California Water Company. Contracts have been awarded by OCWD to Beylik Engineering and Bakersfield Well & Pump, Inc. to construct a total of eight wells. It is anticipated that well drilling will be completed by June of 2005 and it will take an additional 12 to 18 months to complete the wellhead facilities. OCWD is required to have the wells operational by December 2008. This was confirmed by Mr. Jones.

ITEMS TOO LATE TO BE AGENDIZED: None

WORKSHOP

PROPOSED FISCAL YEAR 2005-06 OPERATING BUDGET

General Manager Jones reported that the Proposed FY 2005-06 Operating Budget will be reviewed by the Board at three workshops: 1) June 13, 2005 - First Review of the Operating Budget: Comments and Questions; 2) June 17, 2005 - Special Board Workshop to discuss rate

setting options primarily related to replacement fund strategies; and 3) June 27, 2005 - Follow-up review, approval of Budget and adopting rates.

General Accounting Supervisor Smithson reported that the Proposed FY 2005-06 Consolidated Operating Budget totals \$81.1 million, a \$5.7 million (7.6%) increase over the prior year. Mr. Smithson said that the total increase in the proposed budget can be separated into uncontrollable and controllable costs. He said that the uncontrollable cost increases account for \$2.2 million, or 38.1%, of the total budgeted increase. Major uncontrollable cost increases to both the water and sewer systems included: 1) Cost of water increases from OCWD, MWD, and MWDOC at \$1,433,300; OCSO treatment charges at \$877,600; chemical cost increases for treated and reclaimed water at \$479,200; and electricity at \$227,800. Fuel and natural gas were reduced by \$777,100 and other uncontrollable expenses decreased by \$34,400.

Mr. Smithson said that the controllable costs were driven by three categories, including benefits at \$1,489,500; salaries and wages at \$1,203,600; and materials and supplies at \$865,300. In FY's 2002-03 and 2003-04, during a period when the District had no employer contribution, the Board took steps to minimize the impact of anticipated PERS rate increase by setting aside an additional \$250,000 each year that could be applied to future increases. Utilizing these funds (approximately \$500,000) will dampen the impact of the increase and allow the District to spread the impact over two years. PERS implemented changes to their actuarial assumptions this year that will aid in minimizing increases in future years. Salaries account for \$1.20 million, a 6.4% increase over the prior year. This also includes five new positions that account for approximately \$240,000 of the increase. It was noted that two of positions were added to the Water Resources and Environmental Quality Department and will be funded through conservation revenues. Materials and supplies account for \$.87 million, a 5.4% increase over the prior year. Materials and supplies include increases for repairs, maintenance, and operating supplies associated with customer growth as well as increased conservation expenses for Fiscal Year 2005-06. Director Withers arrived at 6:45 p.m.

In the past, both the LAWD and IRWD service areas have used other funds to augment operating revenues. The IRWD service area used replacement funds and the LAWD service area used one percent tax revenues. In the FY 2004-05 Operating Budget, the District began gradually reducing the use of these funds. Mr. Smithson said that during review of the proposed budget at the Finance and Personnel Committee, staff was asked to determine the impact to user rates if the use of other funds was eliminated entirely next fiscal year. Additionally, they requested that staff calculate the impact of eliminating the use of other funds and funding \$5 million of replacement expenses through user rates. He then presented the options to the Board illustrating the incremental effect to monthly user rates of funding basic increases, adjusting rates to offset the elimination of other funds, and finally of additionally funding \$5 million of replacement costs. Mr. Smithson then made comparison of IRWD proposed rates to current rates of neighboring agencies.

Manager of Special Projects Bray provided an overview of the Los Alisos Water District's sources and uses of funds for the fiscal year ending June 30, 2005; a comparison of the proposed rates; a comparison of the proposed rates to current rates of neighboring agencies; and rate impacts.

Director Swan said that this item was reviewed by the Finance and Personnel Committee and he noted the option preferred. Director Reinhart said that he was comfortable with the overall budget.

#### CONSENT CALENDAR

On MOTION by Swan, seconded and unanimously carried, CONSENT CALENDAR ITEMS 4 THROUGH 9 WERE APPROVED AS FOLLOWS:

4. MINUTES OF BOARD MEETINGS

Recommendation: That the minutes of the May 23, 2005 Board of Directors' meeting be approved as presented.

5. RATIFY/APPROVAL OF BOARD OF DIRECTORS' ATTENDANCE AT MEETINGS AND EVENTS

Recommendation: Ratify/approve the meetings and events for Mary Aileen Matheis, Darryl Miller, Doug Reinhart, Peer Swan and John Withers.

6. DENTAL INSURANCE COVERAGE FOR FISCAL YEAR 2005/06

Recommendation: Authorize the General Manager to contract with ACWA Services Corporation for Fiscal Year 2005/06 for Delta Preferred Option (DPO) Plan A with child and adult orthodontics.

7. CATHODIC PROTECTION OF HARVARD AVENUE 42-INCH DOMESTIC WATER PIPELINE – RETENTION REDUCTION

Recommendation: That staff find that satisfactory progress has been made on the contract; authorize the reduction of retention from 10% to 5% of the contract amount; and release funds in excess of 5% of the contract amount from retention currently held for the Cathodic Protection of Harvard Avenue 42-inch Water Pipeline, Project 10232.

8. WATER SUPPLY VERIFICATION FOR TENTATIVE TRACT MAP 16814 (PORTOLA SPRINGS PHASE II)

Recommendation: That the Board approve the water supply verification for tentative Tract Map 16814 (Portola Springs Phase II).

9. LAWD CONSTRUCTION IN PROCESS & GENERAL PLANT ASSETS

Recommendation: Approve the write-off of pre-consolidation LAWD construction in process of \$125,855 and \$1,240,788 of general plant assets corresponding accumulated depreciation of (\$1,240,788).

## ACTION CALENDAR

### APPROVAL OF FISCAL YEAR 2005/06 CAPITAL BUDGET

Staff made final changes to the FY 2005/06 Capital Budget based on feedback received at the Board Workshop held on May 23, 2005. The final proposed budget for FY 2005/06 is \$145.5 million, which is an increase of \$5.3 million from the workshop amount. On MOTION by Swan, seconded and unanimously carried, THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

#### RESOLUTION NO. 2005 -15

RESOLUTION OF THE BOARD OF DIRECTORS OF  
IRVINE RANCH WATER DISTRICT, ORANGE COUNTY  
CALIFORNIA, APPROVING DISTRICT'S CAPITAL  
BUDGET FOR FISCAL YEAR 2005/06

#### BAKE PARKWAY RECYCLED WATER PIPELINE, LAWRP INFLUENT SEWER IMPROVEMENTS AND SOUTH IRVINE BRINE LINE FROM BAKE PARKWAY TO LAWRP - EXPENDITURE AUTHORIZATIONS AND CONSTRUCTION AWARD

General Manager Jones reported that staff solicited construction bids for the Bake Parkway Recycled Water Pipeline, Los Alisos Water Reclamation Plant (LAWRP) Influent Sewer Improvements, and the South Irvine Brine Line (Brine Line) from Bake Parkway to LAWRP. Mr. Jones said that staff recommends: 1) Execution of the construction contract with Vido Artukovich & Son, Inc./Vidmar, Inc., a joint venture; 2) Approval of budget increases and expenditure authorizations; 3) Award construction management services to Newport Real Estate Services; and 4) Award geotechnical services to Ninyo & Moore.

Acting Director of Engineering Malloy reported that three separate pipeline projects were integrated into one bid package as all three projects have construction within Muirlands from Bake to LAWRP. The Bake Parkway recycled water pipeline entails construction of 5,000 feet of 24-inch steel pipe, 4,100 feet of 12-inch PVC pipe, and a pressure reducing station to allow distribution of LAWRP recycled water to IRWD's Zone B system. The LAWRP influent sewer improvements include upsizing approximately 400 feet of sewer line, additional headworks facilities, and electrical and instrumentation. The brine line from Bake to LAWRP will have 1,650 feet of 12-inch pipe connecting into the SOCWA outfall pump station at LAWRP.

Mr. Malloy reported that the lower responsive bidder, Vido Artukovich & Son, Inc./Vidmar, Inc., a joint venture, submitted a complete bid amount for \$5,796,441 and that the engineer's estimate was \$4,947,105. The difference between the engineer's estimate and the lower responsive bid amount can be attributed to: 1) The uncertainty in the location of existing utilities within the LAWRP facility; 2) The risks associated with the requirement to bypass the entire wastewater flow to install the influent wastewater pipeline and the new flow control facilities, and 3) The strict requirements placed on the contractor for traffic control and reduced working hours for work located within street public right-of way. It was also noted that the construction

industry is currently very busy throughout southern California, making it difficult to receive bids from many of the contractors on the District's select bidders list.

Mr. Malloy reported that a Request for Proposal for construction management services was sent to Newport Real Estate Services (Newport), Tetra Tech, Inc., and Daniel Boyle Engineering (DBE). He said that Newport presented the most qualified construction management team. Newport's cost proposal is an "all inclusive" flat fee of \$8,500 per month for an estimated construction duration of 12 months. In response to Director Swan's inquiry relative to Newport's experience with this type of work, Principal Engineer Stanart reported on past experiences with this firm which he found to be very satisfactory.

Mr. Malloy reported that proposals for geotechnical services were requested from Ninyo & Moore, NMG Geotechnical, and GMU. He said that staff ranked Ninyo & Moore the most qualified based upon their understanding of the work and appropriate scope and fee.

Following discussion, Director Withers asked staff to submit a progress report on the project in six months to the Engineering and Operations Committee. On MOTION by Swan, seconded and unanimously carried, THE FY 2004/05 CAPITAL BUDGET WAS INCREASED FOR PROJECT 30177 BY \$37,900, FROM \$4,152,800 TO \$4,190,700 AND FOR PROJECT 20200 BY \$1,118,400, FROM \$1,153,900 TO \$2,272,300; EXPENDITURE AUTHORIZATIONS FOR \$3,940,800, AND \$2,143,600 WERE APPROVED; THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH NEWPORT REAL ESTATE SERVICES, INC. FOR CONSTRUCTION MANAGEMENT SERVICES FOR \$102,000; THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH NINYO AND MOORE FOR GEOTECHNICAL SERVICES FOR \$61,472; AND THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE A CONTRACT WITH VIDO ARTUKOVICH & SON, INC./VIDMAR, INC. A JOINT VENTURE FOR \$5,796,441 FOR THE CONSTRUCTION OF THE BAKE PARKWAY RECYCLED WATER PIPELINE, LAWRP INFLUENT SEWER IMPROVEMENTS AND SOUTH IRVINE BRINE LINE FROM BAKE PARKWAY TO LAWRP, PROJECTS 30177, 20200 AND 10376.

#### EL TORO ROAD SEWER EXTENSION CONSTRUCTION AWARD

General Manager Jones reported that the El Toro Road Sewer Extension project will construct a sewer line connecting the IRWD service area in Portola Hills to the Los Alisos Wastewater Reclamation Plant and will reduce sewage treatment costs nearly in half. He said that staff recommends the Board award the El Toro Road Sewer Extension construction contract to Gillespie Construction.

Acting Director of Engineering Malloy reported that sewage from the IRWD service area in Portola Hills is currently pumped by the El Toro Road Sewage Lift Station (ETRSLS) to the Santa Margarita Water District's Chiquita Water Reclamation Plant (Chiquita). Mr. Malloy said that following a study of the flows, it was recommended to construct approximately 1,100 feet of sewer pipe from the ETRSLS to an existing IRWD sewer in El Toro Road.

Mr. Malloy reported that the project was bid to a select list of 16 contractors and that Gillespie was the apparent low bidder (with a bid of \$723,680). The engineer's estimate for this work was \$700,000. He noted that Gillespie's bid contained one irregularity which required the contractor to provide a cost to either jack and bore or open cut and install the sewer pipe across an intersection. He said that Gillespie included the cost for both options in the total bid amount, making the total amount of their bid higher than Clarke's bid. When only the lower cost option of building the sewer by open cut was included in Gillespie's total bid amount, Gillespie became the apparent low bidder. Legal counsel Arneson has advised that the Board may waive the irregularity if the Board finds that the nature of the irregularity was not such that it would have given the bidder a competitive advantage over the other bidders. He said that staff recommends the Board find that the irregularity in Gillespie's El Toro Road Sewer Extension bid did not affect the bid amount or gave the bidder a competitive advantage over the other bidder, and that the Board waive the irregularity.

Mr. Malloy noted that part of the Portola Hills area is within the Trabuco Canyon Water District (TCWD) and that sewage from this area and some from Santa Margarita Water District (SMWD) is also pumped to Chiquita via the ETRSLs. Staff has contacted TCWD and SMWD about redirecting their sewage flows to LAWRP which would lower their costs for collecting and treating this sewage. If costs are eventually shared between the districts, the project cost to IRWD will decrease as will the payback period.

On MOTION by Swan, seconded and unanimously carried, THE 2004/05 CAPITAL BUDGET WAS INCREASED FOR PROJECT 20219 BY \$842,600, FROM \$217,800 TO \$1,060,400; AN EXPENDITURE AUTHORIZATION FOR \$970,000 WAS APPROVED; IT WAS FOUND THAT THE IRREGULARITY IN THE BID OF GILLESPIE CONSTRUCTION, INC. DID NOT AFFECT THE AMOUNT OF THE BID OR GIVE THE BIDDER A COMPETITIVE ADVANTAGE OVER OTHER BIDDERS AND WAIVE THE IRREGULARITY, AND THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE A CONTRACT WITH GILLESPIE CONSTRUCTION, INC. FOR \$723,680 FOR THE EL TORO ROAD SEWER EXTENSION, PROJECT 20219.

SANTA ANA HEIGHTS FIRE PROTECTION IMPROVEMENTS AMENDMENT TO THE REIMBURSEMENT AGREEMENT WITH THE CITY OF NEWPORT BEACH

General Manager Jones reported that staff is recommending approval of a budget increase, an expenditure authorization and execution of Amendment No. 1 to the Irvine Avenue Reimbursement Agreement with the City of Newport Beach (City) for construction of Santa Ana Heights Fire Protection Improvements.

Acting Director of Engineering Malloy reported that as a part of the Santa Ana Heights Water Company (SAHWC) and Irvine Ranch Water District merger, IRWD agreed to upgrade water distribution pipelines for improved fire protection in SAHWC area. Mr. Malloy reported that work consists of constructing 8-inch PVC pipes paralleling existing water lines in Kline Drive, Riverside Drive and Anniversary Lane. Hydrants will be constructed off the new 8-inch lines and will provide the required water flows for fire protection.

Mr. Malloy reported that plans for the construction of the fire protection improvements were prepared by Nolan Consulting, Inc. (NCI). The City requested an alternate bid item for Anniversary Lane for pavement repair by grinding the street a minimum of 1 ½-inch and repaving to a matching depth with an asphalt overlay over the entire street pavement width.

Mr. Malloy reported that bids were requested from Leatherwood Construction, Inc., W.A. Rasic Construction Company, Inc. (Rasic) and Paulus Engineering, Inc. He said that Rasic was the low bidder with a total of \$749,582 for the base bid, plus pavement alternates. The Engineer's estimate was \$552,315. The low bid was approximately \$197,000 (26%) greater than the engineer's estimate due largely to increases in the cost for PVC pipe and underestimating the cost of tie-ins. The project is being administered by the City by means of a reimbursement agreement. The agreement allows SAH Fire Protection Improvements to be added to Rasic's contract by a change order. Director Swan asked that staff to contact the Orange County Development Agency to try to obtain additional fire flow protection funding.

On MOTION by Withers, seconded and unanimously carried, THE CAPITAL BUDGET WAS INCREASED FOR PROJECT 10482 BY \$149,600, FROM \$756,800 TO \$906,400; AN EXPENDITURE AUTHORIZATION FOR \$836,000 WAS APPROVED; AND THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE AMENDMENT NO. 1 TO THE REIMBURSEMENT AGREEMENT WITH THE CITY OF NEWPORT BEACH TO INCLUDE THE SANTA ANA HEIGHTS FIRE PROTECTION IMPROVEMENTS.

#### GENERAL MANAGER'S REPORT

General Manager Jones reported on his meeting with the Orange Park Acres Mutual Water District relative to providing them with untreated water to a cemetery due to its proposed expansion. He said that a follow-up meeting will be scheduled in a month. He reminded the Board of an upcoming Santiago County Water District/IRWD Ad Hoc Committee meeting. He said that the Santiago has had two Advisory Committee meeting looking at their options for various consolidations.

#### DIRECTORS' COMMENTS

Director Reinhart reported on his attendance at a Mesa Consolidated Water District/IRWD Ad Hoc Committee meeting held last Friday.

Vice President Matheis reported that Newport Beach's City Council member Bromberg will be seated on the Superior Court thereby leaving a vacancy on the Council. She noted her photo session with the Woodbridge Village Association in regards to the well site license termination agreement. She noted a discussion held at a recent ISDOC meeting relative to LAFCO funding.

#### ADJOURNMENT

Vice President Matheis adjourned the meeting to Friday, June 17 at 7:30 a.m. to hold a workshop to discuss rate setting options related to replacement fund strategies.

APPROVED and SIGNED this 27th day of June, 2005.

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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