

MINUTES OF REGULAR MEETING – JULY 11, 2005

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order by President Miller at 6:00 p.m., July 11, 2005 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None

Also Present: General Manager Jones, Acting Director of Engineering Malloy, Treasurer Loomis, Secretary Bonkowski, Legal Counsel Arneson, Assistant General Manager Cook, Mr. Jim Reed, Mr. Tom Bishop, Mr. Mike Hoolihan, Mr. Rob Jacobson, Ms. Beth Beeman, Mr. Carl Ballard, Mr. Christopher Smithson, 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. Due to the availability of additional wet year replenishment water from MWD, all wells have been shut off with the exception of C-8 and C-9 to participate in the in-lieu replenishment program offered through OCWD. To facilitate IRWD's participation in the program, MWD has agreed to administratively defer the District's seasonal shift summer groundwater pumping contract and extend the term for one year. IRWD will incur no additional costs to participate in the in-lieu replenishment program, which is anticipated to continue until fall. 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. The well drilling is complete and it will take an additional 18 months to complete the wellhead facilities. OCWD is required to have the wells operational by March 2008. Following well construction, each well will be owned by the individual participating agencies. This was confirmed by Mr. Jones.

ITEMS TOO LATE TO BE AGENDIZED - None

CONSENT CALENDAR

On MOTION by Withers, seconded and unanimously carried, CONSENT CALENDARS ITEMS 3 THROUGH 12 WERE APPROVED AS FOLLOWS:

3. MINUTES OF BOARD MEETINGS

Recommendation: That the minutes of the June 17 and June 27, 2005 Board of Directors' meeting be approved as presented.

4. APPROVAL OF BOARD OF DIRECTORS' ATTENDANCE AT MEETINGS AND EVENTS

Recommendation: Approve the meetings and events for Mary Aileen Matheis and Peer Swan.

5. STRATEGIC MEASURES DASHBOARDS

Recommendation: Change the dashboard target objectives for the measures listed and include a monthly goal on the targets that are applicable.

6. SEDIMENT REMOVAL FROM SAN DIEGO CREEK IN CHANNEL BASINS NO. 2 AND 3 REDUCTION OF RETENTION

Recommendation: That the Board find 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 San Diego Creek Sediment Removal, project 20382.

7. 2005-06 SALARY GRADE SCHEDULE CHANGES

Recommendation: That the Board adopt the following resolution rescinding No. 2004-54 and establishing a revised schedule of positions and salary rate ranges.

RESOLUTION NO. 2005 - 22

RESOLUTION OF THE BOARD OF DIRECTORS
OF IRVINE RANCH WATER DISTRICT, RESCINDING
RESOLUTION NO. 2004-54 AND ESTABLISHING
A REVISED SCHEDULE OF POSITIONS AND SALARY
RATE RANGES

8. CANADA LIFT STATION REHABILITATION – FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Canada Lift Station Rehabilitation, project 20163; authorize the General Manager to file a notice of completion; and authorize the payment of the retention 35 days after the date of recording the notice of completion.

9. SELF-INSURED WORKERS' COMPENSATION COVERAGE

Recommendation: That the Board authorize staff to continue the self-insured Workers' Compensation coverage program using our current providers listed at an estimated total cost of \$228,939, and bind coverage with CSAC Excess Insurance Authority at the \$125,000 self-insured retention level.

10. APPROVAL OF DEFERRED COMPENSATION INVESTMENT POLICY STATEMENT

Recommendation: That the Board approve the 2005 Deferred Compensation Policy Statement.

11. RESOLUTION COMMENDING GILBERT CORREA FOR HIS SERVICE TO THE DISTRICT

Recommendation: That the Board adopt a resolution commending Gilbert Correa for his service to the District.

RESOLUTION NO. 2005 -23

RESOLUTION OF THE BOARD OF DIRECTORS
OF IRVINE RANCH WATER DISTRICT COMMENDING
GILBERT CORREA FOR HIS SERVICE TO THE DISTRICT

12. ADMINISTRATIVE CLAIM FOR DAMAGES

Recommendation: That the Board receive the claim for damages from the Regents of the University of California Irvine without action.

ACTION CALENDAR

2006 MEDICAL INSURANCE COVERAGE RENEWAL

General Manager Jones reported that CalPERS Health Benefits Services has notified participating agencies of premiums for the 2006 contract year. Mr. Jones said that staff is requesting that the District extend coverage through CalPERS medical insurance program for calendar year 2006 and adjust employee contributions for HMO plans and the PERS Care proportionate to premium increases.

Mr. Jones said that last year, due to the minimal premium increases, the Board elected to leave employee contributions unchanged for all plans except PERS Care, which were increased by the same 8% as the premium increases. He said that if the District were to proportionally increase employee contributions for 2006, the HMO plans would increase by an average of 7% and the PERS Care and PERS Choice plans employee contributions would be increased by 10%. If these

changes were made to employee contributions for 2006, and enrollment levels in each plan-type remain consistent, the District would experience an estimated 9.26% increase in medical costs over projected 2005 expenses.

Mr. Jones said that renewal of the District's current health insurance coverage with CalPERS with a proportional change to payroll deductions for the HMO plans and PERS Care will result in total projected expenses for FY 2005/06 of \$2,293,000. The District's budget for this coverage for FY 2005/06 is \$2,434,000. The projected annual medical insurance for the year will be approximately \$141,000 (5.8%) under budget.

Director Swan reported that this item was reviewed and approved by the Finance and Personnel Committee on July 5, 2005.

On **MOTION** by Swan, seconded and unanimously carried, **THE BOARD AUTHORIZED THE CONTINUANCE OF THE DISTRICT'S HEALTH CARE COVERAGE WITH CALPERS FOR A TOTAL PROJECTED EXPENSE FOR FY 2005/06 OF \$2,292,500.**

PROPOSED CONTRACT SERVICES AGREEMENT FOR INTERIM WATER AND SEWER SERVICES AT THE FORMER ETMCAS

At 6:15 p.m. Director Withers excused himself as his company works with Lennar and believed this item could be a potential conflict of interest. General Manager Jones reported that Heritage Fields LLC (Lennar-LNR Heritage Fields, LLC), the successful bidder for much of the lands comprising the former ETMCAS site, has requested the District prepare a proposal to provide contract services for interim water and sewer operations beginning July 12, 2005 and continuing until permanent water and sewer infrastructure is constructed and becomes operational. He said that a draft contract service agreement has been prepared and that staff is requesting that the Board authorize the General Manager to execute the agreement subject to non-substantive changes.

Mr. Jones said that the land on the former ETMCAS will be transferred from the federal government to Heritage Fields LLC and that they in turn will transfer approximately 40% of the land conveyed to them to the City of Irvine pursuant to the terms of the Great Park Development Agreement. At that point, Heritage Fields LLC and the City of Irvine (the City) become the property owners and the owners of the on-site water and sewer systems contained within their separate property boundaries. As the new owners, they will inherit a handful of existing customers to whom they will be obligated to provide interim water and sewer services until the permanent systems are installed and IRWD assumes that role.

Mr. Jones said that Heritage Fields LLC and the City will retain the owner/operator responsibility and have asked the District to submit a proposal to provide all water and sewer contract services. The District's proposed services contract and scope of work describes the services to be provided by IRWD on a time and materials basis and includes information on labor and equipment costs that will be used by the District to compute costs. This District will be reimbursed for all costs incurred by Heritage Fields LLC according to the terms of the agreement.

Following discussion of the agreement, on MOTION by Reinhart, seconded and carried (4-1) (Withers absent), THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE AN “AGREEMENT TO PERFORM CONTRACT SERVICES FOR INTERIM OPERATION OF ON-SITE WATER AND SEWER FACILITIES ON FORMER MARINE CORPS AIR STATION – EL TORO” WITH HERITAGE FIELDS, LLC, SUBJECT TO NON-SUBSTANTIVE CHANGES APPROVED BY THE GENERAL MANAGER AND LEGAL COUNSEL. At 6:25 p.m., Director Withers returned to the meeting.

LONG TERM FINANCIAL REQUIREMENTS STUDY

General Manager Jones reported that staff has requested Brown and Caldwell (B&C) to submit a proposal to complete the Enterprise Model which will allow staff to study various alternatives for funding IRWD’s long term financial obligations. Staff is recommending the addition of three new projects to the FY 2005/06 Capital Budget, approve expenditure authorizations for these projects and authorize the General Manager to execute a contract with B&C to complete the Enterprise Model.

Director of Engineering Heiertz reported that the District authorized B&C to update the 1996 Replacement Planning Model as part of the process in reassessing the current connection fee and property tax rates within the District. The preliminary results of the RPM model were presented to the Board in June 2005. In order to better integrate the RPM results with other financial analysis currently performed by the District, staff has requested B&C provide a proposal for creating an Enterprise Model for the District. The Enterprise Model will be a long term financial tool to forecast the impacts of key policy decisions for funding long term financial obligations on the development community and IRWD’s customers. The Enterprise Model will be far more capable than the RPM alone in the analysis of funding options and in the assessment of future connection fee and property tax needs. Brown and Caldwell’s estimate to complete the work is \$103,073.

Director Swan reported that this item was reviewed and approved by the Finance and Personnel Committee meeting on July 5, 2005. Following discussion, on MOTION by Swan, seconded and unanimously carried, THE ADDITION OF PROJECT 11032 FOR \$101,200, PROJECT 21032 FOR \$101,200, AND PROJECT 31032 FOR \$50,600 TO THE FY 2005/06 CAPITAL BUDGET WAS APPROVED; EXPENDITURE AUTHORIZATIONS FOR \$101,200 FOR PROJECT 11032, \$101,200 FOR PROJECT 21032, AND \$50,600 FOR PROJECT 31032 WAS APPROVED; AND THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH BROWN AND CALDWELL IN AN AMOUNT NOT TO EXCEED \$103,073 FOR THE PREPARATION OF THE ENTERPRISE MODEL.

GENERAL MANAGER’S REPORT

General Manager Jones reported on an upcoming two day workshop relative to the Great Park and said that Mr. Mike Hoolihan was asked to be a team leader. Staff was asked to provide the Board with their ideas for the park. He reported on the upcoming AB 2717 Landscape Task

Force meeting being held at IRWD on July 18 through 20. He reported on the meeting he and Director Swan had with Ms. Laura Davick of the Crystal Cove Alliance. He said 10 homes are being restored and there was a possibility for the District to partner with them.

DIRECTORS' COMMENTS

Director Reinhart said that he had been receiving inquiries about artificial turf.

Director Withers reported on his attendance at the Clarke Prize award on July 7. He said that the RWQCB would be touring the Big Bear Lake area at the end of August. He noted that he would be attending a LAFCO meeting this Wednesday. He noted the Irvine Business Center's proposed development activity. Staff was asked to verify sewer capacity due to the projected high density in that area.

Vice President Matheis reported on her attendance at the Southern California Water /Committee where discussion was held on the Delta's pumping system.

President Miller reported on his visit to the local mountains.

CLOSED SESSION

President Miller said that a Closed Session would be held with legal counsel relative to anticipated litigation; Government Code Section 54956.9(b); significant exposure to litigation (one potential case).

OPEN SESSION

The meeting was reconvened with Reinhart, Withers, Swan, Miller, and Matheis present. President Miller said that there was no reportable action.

ADJOURNMENT

There being no further business, President Miller adjourned the meeting at 7:45 p.m.

APPROVED and SIGNED this 25th day of July, 2005.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone