

## MINUTES OF REGULAR MEETING – MAY 8, 2006

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order by President Swan at 6:00 p.m., May 8, 2006 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Matheis, Withers, Reinhart, and Swan

Directors Absent: Miller

Also Present: General Manager Jones, Assistant General Manager Cook, Acting Director of Engineering Malloy, Treasurer Loomis, Secretary Bonkowski, Legal Counsel Arneson, Ms. Beth Beeman, Mr. Rob Jacobson, Mr. Chuck Borkman, Mr. Dick Diamond, Mr. Norris Brandt, Ms. Deborah Cherney, Dr. Tom Bishop, Mr. Jim Reed, and other members of the public and staff.

WRITTEN COMMUNICATIONS: None

ORAL COMMUNICATIONS:

1) Mrs. Joan Irvine Smith addressed the Board of Directors with respect to the Dyer Road Wellfield. Mrs. Smith said that it was her understanding that currently the deep aquifer treatment system wells C-8 and C-9 are in operation. On April 11, staff started up wells 1, 2, 4, 5, 7, 10, 11, 12, 13, 14, and 16 for eight hour periods to complete water quality tests. These wells are all operational, and were placed in service between May 1 and May 5. Wells 15, 17, and 18 are currently undergoing rehabilitation work. Wells 3 and 6 will not be put into production until July 2006. Well operation may be revised if Metropolitan Water District continues to offer the in-lieu program and OCWD elects to participate. 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 Layne Christensen Company and Bakersfield Well & Pump, Inc. to construct a total of eight wells. Well drilling activities are complete and it will take an additional 18 months to complete the well head 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.

With respect to the OCWD annexation of certain IRWD lands, OCWD released the Environmental Impact Report (EIR) in early January 2006. The extended comment period for the EIR closed March 17. Staff has been working with OCWD to review comments on the EIR, and anticipates responses to be prepared and an OCWD Board action on the EIR and annexation in June. This was confirmed by Mr. Jones.

ITEMS TOO LATE TO BE AGENDIZED: None

CONSENT CALENDAR

General Manager Jones placed before each Director a supplemental write-up for Item No. 4, APPROVAL OF BOARD OF DIRECTORS' ATTENDANCE AT MEETINGS AND EVENTS. In regards to Item No. 5, AGREEMENT REGARDING WATER AND SEWER FACILITIES FOR CITY OF IRVINE ASSESSMENT DISTRICT 05-21, President Swan asked the Treasurer to verify if the assessment district bonds were in the District's cash runs (relative to the 50/50 split). There being no further comments, on MOTION by Withers, seconded and unanimously carried, CONSENT CALENDAR ITEMS 3 THROUGH 5 WERE APPROVED AS AMENDED.

3. MINUTES OF BOARD MEETINGS

Recommendation: That the minutes of the April 24, 2006 Board of Directors' meeting be approved as presented.

4. 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.

5. AGREEMENT RE: WATER AND SEWER FACILITIES FOR CITY OF IRVINE ASSESSMENT DISTRICT 05-21

Recommendation: That the Board authorize the General Manager to execute the Agreement regarding Water and Sewer Facilities with the City of Irvine, Irvine Community Development Company LLC, relating to Assessment District 05-21 in substantially the form as presented to the Board.

ACTION CALENDAR

REVISED INTERIM WATER BANKING PROGRAM WITH ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT

General Manager Jones reported that in January 2006, the Board approved IRWD entering into an interim water storage/banking agreement with Rosedale-Rio Bravo WSD (Rosedale) in Kern County utilizing a portion of IRWD's Strand Ranch property. Mr. Jones said that since January, staff has been working with Rosedale to refine the details for this program, including discussions with interested parties in Kern County, primarily the Kern County Water Agency (KCWA) and Kern Water Bank Authority (KWB). He said that two primary issues were discussed: 1) Inclusion of IRWD's recovery of water through the interim program as part of the project evaluation of Rosedale's Negative Declaration; and 2) Correction of water supply balance on Strand Ranch.

Mr. Jones said that relative to the first issue, both KCWA and KWB initially indicated that they did not believe that a Negative Declaration was appropriate to address the potential impacts of the interim program. He said that the compromise that was developed is that water recovered for IRWD in the interim program would not rely on facilities developed under the Master EIR (none of which currently exist), but would be done through in-lieu means (exchange of SWP entitlement). Rosedale's SWP entitlement through the KCWA is 29,900 AFY. Assuming an average SWP allocation of 70%, over the seven year in-lieu recovery period for the interim program, Rosedale would be capable of exchanging approximately 146,500 AF of SWP entitlement.

Mr. Jones said that one of the goals of the interim program was to initiate the correction of the water supply balance associated with farming on the Strand Ranch. KWB has insisted that the water supply be corrected from the date of IRWD's purchase of the Strand Ranch property. Staff tentatively agreed to additional mitigation through the allocation of the first water recharged on the Strand Ranch to correct overdraft associated with farming from the date of IRWD's purchase of the property (April 2004). Rosedale has agreed to allocate the first water recharged on the Strand Ranch toward the current and past two years water balance at their cost plus 10%. He said that 3,850 acre feet of water are necessary to balance water supplies through the end of 2006. It is likely that this quantity of water can be corrected for less than \$135,000 (average of about \$35 per AF). Since these costs are directly related to the farming lease of the Strand Ranch, staff proposes to fund these costs from lease revenue.

Mr. Jones said that provided as an exhibit in the write-up was the proposed Letter Agreement with Rosedale and a red line version of the Revised Final Draft Term Sheet showing changes from the Sheet approved by the Board in January. The Letter Agreement, which has been reviewed by Legal Counsel, is the cover to the Term Sheet and includes standard agreement terms such as Mediation, Indemnity, and Assignment. The Term Sheet revisions reflect both the substantive changes from the above discussion, and other changes that clarify several other issues.

Director Withers reported that this item was reviewed and approved by the Water Banking Ad Hoc meeting on May 3, 2006. On MOTION by Withers, seconded and unanimously carried, SUBJECT TO NON-SUBSTANTIVE CHANGES APPROVED BY THE GENERAL MANAGER AND LEGAL COUNSEL, THE LETTER AGREEMENT AND REVISED FINAL DRAFT TERMS FOR THE PROPOSED INTERIM RECHARGE PROJECT WITH ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT WAS APPROVED, THE DISTRICT OFFICERS TO WERE AUTHORIZED TO EXECUTE THE LETTER AGREEMENT, AND THE USE OF STRAND RANCH LEASE REVENUE TO FUND COSTS TO CORRECT THE WATER SUPPLY BALANCE ON THE PROPERTY IN AN AMOUNT NOT-TO-EXCEED \$135,000 WAS AUTHORIZED.

MICHELSON WATER RECLAMATION PLANT 2005 UPGRADES –  
CONSTRUCTION AWARD

General Manager Jones reported that he was recommending that this item be deferred to a Special Engineering and Operations Committee meeting in order to hold a workshop on this item. He said staff would then resubmit an item to the Board in June 2006. There being no objections, this item was removed from the Action Calendar.

GENERAL MANAGER'S REPORT

General Manager Jones placed before each Director a copy of the 2006/07 Operating and Capital Budget milestones and then reviewed the document. Mr. Jones reported that the protest hearing relative to the District's consolidation with Santiago County Water District was scheduled for tomorrow at LAFCO. Using a power point presentation, Mr. Jones provided an overview of the recent 18-inch reclaimed water main leak at Bake Parkway.

DIRECTORS' COMMENTS

Director Withers reported on his community tour he co-hosted with Mr. Norris Brandt on Saturday. He complimented Mr. Brandt and Ms. Smith on their efforts. In response to Mr. Withers inquiry relative to the testing for TCE in Woodbridge Village, Mr. Jones said that water samples were taken from IRWD's distribution system at seven locations throughout Woodbridge and tested for TCE. TCE was not detected in any of these samples. Director Withers said that Mr. Gerald Thibeault, Executive Officer of the Santa Ana Regional Water Quality Control Board, would be speaking to the Groundwater Committee at the upcoming ACWA conference, and if available, to attend. He said he would not be able to attend the upcoming LAFCO meeting due to the ACWA conference.

Director Matheis reported on her visit to the Blenheim-Gilboa New York power plant. She reported on her attendance at the Irvine Valley Foundation event on April 25, 2006. She noted UCI's Urban Water Research Center's event welcoming the new Director in mid-May. She further noted that a town hall meeting was held relative to the Portola Plaza development in Lake Forest and hear that there had been a lot of concerns raised by residents.

Vice President Reinhart reported that he attended the SOCWA Executive Committee meeting. He reported on his attendance at a community tour. He said that he attended the WACO meeting and will be attending the ACWA conference next week.

President Swan reported on his attendance at the CAL FED Oversight Committee; the Southern California Dialog Group; CASA conference; Kern County meeting with General Manager Jones; and a San Diego Creek workshop.

RECESS AND RECONVENE

President Swan declared a recess at 6:45 p.m. to hold the Special Meeting of the Bardeen Partners, Inc. The meeting was reconvened at 6:50 p.m. with Directors Matheis, Reinhart, Withers and Swan present.

CLOSED SESSION

President Swan said that the following Closed Session items would be held this evening:

- 1) CONFERENCE WITH LEGAL COUNSEL - Anticipated litigation – Initiation of litigation pursuant to Government Code Section 54956.9(c) – (one potential case); and
- 2) PUBLIC EMPLOYEE DISCIPLINE/DISMISSAL/RELEASE (Government Code Section 54957)

OPEN SESSION

The meeting was reconvened with Reinhart, Withers, Swan, and Matheis present. No action was reported.

ADJOURNMENT

There being no further business, President Swan adjourned the meeting at 8:10 p.m.

APPROVED and SIGNED this 22nd day of May, 2006.

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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