

MINUTES OF REGULAR MEETING – JUNE 12, 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., June 12, 2006 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None

Also Present: General Manager Jones, Assistant General Manager Cook, Director of Engineering Heiertz, Treasurer Loomis, Secretary Bonkowski, Legal Counsel Arneson, Mr. Ergun Bakall, Mr. Sat Tamaribuchi, Mr. Carl Ballard, Mr. Jeff Stanart, Mr. Chuck Borkman, Ms. Debra Cherney, Mr. James Reed, Dr. Tom Bishop, Mr. Mike Hoolihan, Mr. Dave Noyes, Mr. Woody Rickeryl, and other members of the public and staff.

WRITTEN COMMUNICATIONS:

The following letters were received relative to item No. 3 on the Action Calendar, IRVINE LAKE GREEN WASTE COMPOSING FACILITY PROJECT – MITIGATED NEGATIVE DECLARATION AND IRWD/SWD/TV GROUND LEASE.

- 1) Letters dated May 24, 2006 from Dan Dulac, resident of Silverado Canyon and Richard Bozek, resident of an unincorporated area in the County.
- 2) Letters dated June 12, 2006 from the following: Mr. Kevin K. Johnson of Johnson & Hanson LLP (retained by Orange County Neighbors for Clean Drinking Water), Mr. Jared Phil Hanson of Johnson & Hanson (retained by Orange County Neighbors for Clean Drinking Water), Ed Amador of Canyon Lands Conservation Fund, Mr. Scott Breeden, resident of Silverado Canyon, Ms. Sherry Meddick, resident of Silverado Canyon, Mr. Dan Dulac, resident of Silverado Canyon, and Alex Mintzer, Orange resident.

President Swan said that hearing no objections, the above written communications would be received and filed.

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 and wells 1, 2, 4, 5, 7, 10, 11, 12, 13, 14, 15, and 16 are in operation. Wells 17 and 18 are currently undergoing rehabilitation work. Wells 3 and 6 will not be put into production until July 2006. 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.

2) Several individuals wished to address the Board relative to Item No. 3, IRVINE LAKE GREEN WASTE COMPOSTING FACILITY PROJECT MITIGATED NEGATIVE DECLARATION AND IRWD/SWD/TVI GROUND LEASE. President Swan asked that comments be heard following the staff report on the item (see page 3).

ITEMS RECEIVED TOO LATE TO BE AGENDIZED - None

ACTION CALENDAR

IRVINE LAKE GREEN WASTE COMPOSTING FACILITY PROJECT MITIGATED NEGATIVE DECLARATION AND IRWD/SWD/TVI GROUND LEASE

Director Withers stated that, due to a potential conflict of interest arising from his previous business relationship with Tierra Verde Industries, he would recuse himself on this item, and left the Board room at 6:20 p.m.

President Swan reported that he just returned from a tour of the existing composting facility adjacent to the proposed site, and felt that the objections to the composting project at the Irvine Lake site were economic in nature, not environmental. He said that he would like to examine the item further to have some questions answered prior to making a decision on this item. Both Director Matheis and Vice President Reinhart concurred with President Swan that the Board should not take an action on this item at this time. Director Miller said that the District was a stalwart for protecting the lake water and that prior to this meeting, a substantial amount of due diligence was performed on this project. He suggested that TVI meet with the neighboring facility to work out their concerns.

Using a power point presentation, Mr. Dick Diamond summarized the Board actions from the May 22, 2006 meeting, noting that oral communications from the public were heard; staff was directed to draft the Final Mitigated Negative Declaration (MND), incorporating responses to

the comments received, and to make Final MND available for review by May 26, 2006; and that the item was continued to tonight's meeting. He then reviewed the project purpose and overview; the project scope of work and environmental commitments; key lease provisions, key regulatory permits/requirements; summary of permitting requirements in the MND; mitigation measures in the MND, and MND comments and responses to comments.

President Swan said that the comment period for the MND was from April 20 through May 19, 2006; however, this evening the Board would listen to public communications. This following individuals provided comments to the Board:

Mr. Mark Ferguson, General Manager of Baker Green Waste Recycling (of 26986 Baker Canyon Road in Silverado Canyon), thanked President Swan for touring his facility today. He said that there was an economic factor involved if TVI were to operate a composting facility next to his facility. He then commented on the MND in regards to curbside material, and also described the composting process.

Mr. Richard Bozek (of 12806 Panoramic View, an unincorporated area of the County) commented in regards to the lack of response from staff in regards to his request for a list of staff contact persons; he said he presented a supplemental petition to the General Manager this evening; he relayed his concern about how TVI would be monitored and well as how wind and rain conditions would affect the site; and further noted an Orange County Register newspaper article about the proposed facility.

Mr. Dan Dulac (of 26982 Baker Canyon Road in Silverado Canyon) also thanked President Swan along with Mr. Dave Noyes, General Manager of Serrano Water District, for visiting their recycling facility today. He commented about the proposed partnership and environmental issues.

Mr. Norton Droilhet (of 340 East Riverdale Avenue) raised concern about water quality and maintenance of the proposed TVI facility.

Mr. Kevin Johnson of Johnson & Hanson LLP said he was representing Orange County Neighbors for Clean Drinking Water and raised concern about the soil permeability; the proposed scope of work at the site; potential insects which could enter the site from incoming green waste; and asked for a full environmental impact report for the proposed project.

Mr. Kris Kazarian, owner of Tierra Verde Industries, said that they would only create organic green waste compost on the site; would protect the feed stock source; and that the site would be for the composting in the windrows only. He said that there would be a 150 foot buffer from the lake and that they would not operate mechanical activity during Santa Ana wind conditions. He said that TVI had a longstanding tract record, and does not want to harm the environment.

Ms. Dawn Ostegaard (of 8502 East Chapman Avenue) said that she felt that there should be more public notification and that another site would be better.

General Manager Jones expressed appreciation for the opportunity to hear the public's concern. Mr. Jones said that the Districts' top priority was to protect the water in the lake, and that all drainage must be contained on-site and 100 year flood protection must be provided. He said that no toxic material would be allowed on the site, nor chipping or grinding operations. He said that there would be a 90 day termination clause in the agreement if the operations did not proceed as anticipated. He said that the lease was for interim use only, and that The Irvine Company has future development plans that will preclude composting use beyond the interim period. He further clarified that staff adhered to the public notification process.

President Swan said that a number of items discussed were controlled by the lease. He also noted that once TIC begins development in the area that operations would cease. He reiterated that it was his opinion that the concerns raised were economic due to the neighboring composting facility. He suggested that TVI and Baker Composting meet and work out their concerns.

Director Matheis said she concurred with carrying this item over to the next Board meeting, and thanked the public for their comments this evening. Director Miller, a geologist by profession, discussed the soil conditions in the area and said that there was a great deal of due diligence performed on this project.

RECESS AND RECONVENE

There being no further comments, President declared a recess at 7:40 p.m. The meeting was reconvened at 7:55 p.m. with Directors Miller, Matheis, Reinhart, Withers, and Swan present.

WORKSHOP

PROPOSED FISCAL YEAR 2006/07 OPERATING BUDGET AND RATE IMPACTS

General Manager Jones said that staff would review the proposed operating budget this evening for fiscal year 2006/07. Mr. Jones said that public notice of this workshop was given by publication in the Register on June 5, 2006.

Using a power point presentation, Mr. Christopher Smithson reviewed the overall operating expense budget proposed for \$88,291,000, an increase of \$7,116,000 from last fiscal year. Mr. Smithson reviewed the uncontrollable costs (\$4 million) versus the controllable costs (\$3.1 million). He provided highlights including: 1) the Santiago County budget has been assimilated into the IRWD budget; 2) the budget has been transitioned to unified sewer rates with the Los Alisos service areas; and 3) the budget included a proposed user/replacement rate component. He reviewed the consolidated and treated sources and uses of funds. He further reviewed the proposed rates for treated water and sewer; compared proposed rates to current rates of neighboring agencies. President Swan asked staff to do a comparison of wastewater costs to provide to the Orange County Sanitation District. Vice President Reinhart asked staff to provide him last year's rates for comparison of neighboring agencies based upon 18 ccfs.

The second workshop will be held on June 26, 2006 and at that time a recommendation will be made for adoption of the operating budget.

CONSENT CALENDAR

On MOTION by Miller, seconded and unanimously carried, CONSENT CALENDAR ITEMS 5 THROUGH 13 WERE APPROVED AS FOLLOWS:

5. MINUTES OF BOARD MEETINGS

Recommendation: That the minutes of the May 22, 2006 Board of Directors' meeting be approved as presented.

6. RATIFY/APPROVE 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.

7. DESIGNATION OF AUTHORIZED REPRESENTATIVE FOR PROPOSITION 50 GRANT APPLICATION

Recommendation: Adopt the following resolution by title designating the General Manager or his designee as the authorized representative to sign and submit an application for a Proposition 50 grant to partially fund installation of the ClorTec Reservoir Management System or reservoir mixers and chlorine analyzers at 17 domestic water reservoirs.

RESOLUTION NO. 2006 -15

RESOLUTION OF THE BOARD OF DIRECTORS
OF IRVINE RANCH WATER DISTRICT, AUTHORIZING
REPRESENTATIVES TO ACT IN REGARD TO APPLICATION
FOR GRANT FROM PROPOSITION 50, COMMUNITY
WATER SYSTEM MONITORING FACILITIES AND
EQUIPMENT, CLEAN DRINKING WATER, COASTAL AND BEACH
PROTECTION ACT OF 2002 (PIN # 3010092-4a.3-12/1/2004-13:06)

8. RESOLUTION COMMEMORATING THE LIFE OF STEVE FRANK AMBRIZ

Recommendation: Adopt the following resolution by title commemorating the life of Steve Frank Ambriz for his dedicated years of service to the community.

RESOLUTION NO. 2006 -16

RESOLUTION OF THE BOARD OF DIRECTORS
OF IRVINE RANCH WATER DISTRICT
COMMEMORATING THE LIFE OF STEVE FRANK AMBRIZ

9. SHADY CANYON ZONE B BOOSTER PUMP STATION, CHAMBORD ROAD PIPELINE EXTENSION AND COASTAL ZONE D BOOSTER PUMP STATION MODIFICATIONS – FINAL ACCEPTANCE OF FACILITIES

Recommendation: Accept the construction of the Shady Canyon Zone B Booster Pump Station, Chambord Road Pipeline Extension, and Coastal Zone D Booster Pump Station Modifications, Projects 30108, 30071, and 30070, 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.

10. CARLSON MARSH REGRADE – FINAL ACCEPTANCE OF FACILITIES

Recommendation: Accept the construction of the Carlson Marsh Regrade, Project 20173, authorize the General Manager to File a Notice of Completion, and authorize payment of the retention 35 days after the date of recording the Notice of Completion.

11. APRIL 2006 FINANCIAL REPORTS

Recommendation: Receive and file the April 2006 Treasurer's Investment Summary report and the monthly interest rate SWAP summary, approve the summary of wire transfers and ACH payments for \$3,229,756.51 and the Warrant Nos. 269242 through 269951, workers' compensation distributions and voided checks in the total amount of \$8,934,156.81.

12. PLANNING AREA 6 ZONE 6 AND ZONE D RESERVOIR PROJECT NEGATIVE DECLARATION

Recommendation: Adopt the proposed Negative Declaration for Planning Area 6 Zone 6 and Zone D Reservoir project, and direct staff to post and file a Notice of Determination with a Department of Fish and Game Filing Fee.

13. MEMORANDUM OF UNDERSTANDING (MOU) EXTENSION WITH SEMITROPIC WATER STORAGE DISTRICT (WSD)

Recommendation: That the Board approve a 75-day extension (until September 3, 2006) to IRWD's Memorandum of Understanding with the Semitropic Water Storage District establishing principle terms for Water Banking Agreements.

ACTION CALENDAR

MWRP 2005 UPGRADES – CONSTRUCTION AWARD

General Manager Jones reported that staff recommends that the Board award a construction contract to Gateway Pacific Contractors for the Michelson Water Reclamation Plant (MWRP) 2005 Upgrades project for \$8,828,497. The project is for construction of a new secondary clarifier with ancillary equipment and piping to bring capacity of MWRP up to 18 MGD. The project includes construction of flow meters on the north inlet sewer and the south inlet sewer into MWRP.

President Swan commented that the items of concern he had were addressed in Committee. On **MOTION** by Reinhart, seconded and unanimously carried, **THE FY 2005/06 CAPITAL BUDGET WAS INCREASED FOR PROJECT 20276 BY \$3,975,300, FROM \$7,048,900 TO \$11,024,200; AN EXPENDITURE AUTHORIZATION FOR \$10,267,000 WAS APPROVED; THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE A CONTRACT WITH GATEWAY PACIFIC CONTRACTORS FOR \$8,828,497 FOR THE MICHELSON WATER RECLAMATION PLANT 2005 UPGRADES PROJECT; AND THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE PROFESSIONAL SERVICES AGREEMENTS WITH MALCOLM PIRNIE FOR CONSTRUCTION MANAGEMENT AND INSPECTION SERVICES FOR \$310,000, GMU GEOTECHNICAL, INC. FOR GEOTECHNICAL SERVICES FOR \$58,870, AND WITH BUSH & ASSOCIATES FOR SURVEYING SERVICES FOR \$33,400 FOR THE MICHELSON WATER RECLAMATION PLANT 2005 UPGRADES, PROJECT 20276.**

IRVINE LAKE OPERATION AND MAINTENANCE BUDGET - JULY 2006 TO JUNE 2007

General Manager Jones reported that the Irvine Ranch Water District (IRWD) and Serrano Water District (SWD) staffs have prepared a proposed Irvine Lake Annual Operations and Maintenance Budget for the period of July 1, 2006 to June 30, 2006 for \$646,700. SWD has changed to a July to June fiscal year budget; therefore, the budget reflects the same period. Pursuant to the “1928 Agreement” and its amendments, IRWD is responsible for 75 percent (or \$475,025) of cost associated with the operation and maintenance of the dam and appurtenant facilities, and Serrano is responsible for 25 percent (or \$171,675).

Mr. Jones said that the budget indicates a net overall increase of \$159,600 from the prior year budget. He said that the primary reason for the increase was the addition of estimated cost for vegetation removal. Last year no removal was performed due to the high lake level. The estimated cost for this work was \$151,000. All of the capital project items were previously approved by the Districts except for the meter survey and calibration project (with an estimated cost of \$30,000) recommended by Stetson Engineering as part of the Advance Allocation Report.

Director Matheis reported that this item was reviewed and approved by the Finance and Personnel Committee meeting on June 6, 2006. On MOTION by Matheis, seconded and unanimously carried, THE IRVINE LAKE OPERATIONS AND MAINTENANCE BUDGET WAS APPROVED FOR THE PERIOD OF JULY 1, 2006 TO JUNE 30, 2007 FOR A TOTAL AMOUNT OF \$646,700 WITH THE IRVINE RANCH WATER DISTRICT'S PROPORTIONATE SHARE OF THE BUDGET FOR AN AMOUNT NOT TO EXCEED \$475,025 AND SERRANO WATER DISTRICT'S PROPORTIONATE SHARE FOR AN AMOUNT NOT TO EXCEED \$171,675.

APPROVAL OF FISCAL YEAR 2006/07 CAPITAL BUDGET

General Manager Jones reported that staff was requesting approval of a resolution adopting the proposed Fiscal Year (FY) 2006/07 Capital Budget for \$143.4 million. Mr. Jones said that due to insufficient time at the previous Board of Directors' meeting, staff will be asking tonight for Board direction on the current Flagged Project List. He said that since the last Board meeting, six projects have been adjusted, resulting in an increase in the overall budget from \$141.1 million to \$143.4 million.

Using a power point presentation, Mr. Mike Hoolihan provided a brief budget comparison from last year's budget. The Flagged Project List was reviewed, and minor adjustments were made. On MOTION by MATHEIS, SECONDED AND UNANIMOUSLY CARRIED, STAFF WAS DIRECTED TO REVISE THE LIST OF FLAGGED PROJECTS, AND THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2006-17

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT, ORANGE COUNTY CALIFORNIA, APPROVING DISTRICT'S CAPITAL BUDGET FOR FISCAL YEAR 2006/07

PROPOSED COMPENSATION CHANGES FOR FISCAL YEAR 1006/07

Using a power point presentation, Ms. Janet Wells reported that each year during the budget process, staff reviews the current salaries and benefits to determine whether the District's compensation package is competitive with other local water agencies and cities. In addition to this annual review, a bi-annual compensation survey was conducted to further analyze overall compensation and levels of productivity for selected benchmark positions. The District's goal has been to provide a competitive compensation package at or above the survey average to retain and attract qualified employees to achieve the high standards of the District.

Ms. Wells said that 30 agencies participated in this year's survey which included 45 benchmark positions. Results of the survey were compiled, analyzed, and summarized by staff. The results were reviewed by senior staff and recommendations for changes to benchmark and other positions were developed. She said that as a result of the compensation

survey, 15 positions affecting 30 incumbents are recommended for upgrade. Minimal competitive wage adjustments are recommended for the positions being upgraded based on the results of the compensation review. A pool of \$1,113 per month was requested to implement the recommended competitive wage adjustments. This annual expenditure of \$13,356 represents 0.06% of the overall budget for salaries and wages.

Ms. Wells said that staff performed an extensive benefits comparison between IRWD and the 20 other PERS agencies that participated in the compensation survey and provided benefits data. The major benefit programs of each organization, namely pension benefits, paid time off (vacation, sick, bereavement and personal leave), health insurance, and holiday pay were considered. The value of each benefit was then determined as a percentage of total salary based on an average employee with an annual salary of \$60,000 and 10 years of service. Ms. Wells provided an example if an employer offers 11 paid holidays per year for an employee with 10 years of service, the value of that benefit would be \$2,552 ($\$60,000/2080$ Annual Hours = \$29/hour times 88 hours = \$2,552 or $\$2,552/\$60,000 = 4.25\%$ of salary). The average number of holidays provided by the participants was 11.5 days per year; IRWD provides 11 paid holidays per year.

Ms. Wells said that for the purpose of comparing overall benefits packages, staff compared IRWD's overall package with the overall benefits package of the 20 responding agencies that also contract with PERS for retirement benefits. IRWD ranked 18th out of the 20 other agencies surveyed in its overall benefits package value. She then reviewed IRWD and the market average for paid holidays, health insurance, paid time off, pension, and total benefits. She said that in reviewing and comparing pension benefits, the most notable difference is that all 20 of the responding agencies contract for the One-Year Final Compensation option which changes the period for determining the average monthly pay rate when calculating pension benefits from the 36 highest paid consecutive months to the 12 highest paid consecutive months. The result of this change would be to make the District's overall benefits package closer to the average packages offered by other comparable public agencies. With the proposed changes, IRWD's benefits would rank 16th out of 22 agencies included in the survey comparison. Since the District's retirement program with PERS is a defined benefit program, any variance in the cost of adding the One-Year Final Compensation option due to updated valuations by PERS would not impact the District's ranking in overall benefits.

Ms. Wells said that the annual fiscal impact of the implementation of the proposed competitive wage adjustments is an increase of approximately \$13,356. The annual fiscal impact of the implementation of the proposed changes to budgeted positions is an increase of approximately \$594,562. Annual costs to amend the PERS contract to add the One-Year Final Compensation option are estimated at \$110,000. The most recent PERS cost analysis indicates that the addition of this contract amendment would increase the present value of future benefits by \$2.3 million and the accrued liability by \$1.5 million.

Director Matheis reported that this item was reviewed by the Finance and Personnel Committee on May 23, 2006 and June 6, 2006 and consensus on a recommendation could

not be reached, therefore this item was being brought to the full Board of Directors for consideration. Vice President Reinhart said that he appreciated being educated by staff on this item. He said that the District competes with the private sector and did not want to see the District lagging behind, however, he did not see a problem at this time. He said he concurs with the staff recommendation. Director Miller said that he also concurs with the staff recommendation. President Swan said the following:

“Staff is proposing an improvement in the PERS retirement such that final compensation will be determined by the final year’s compensation. The well known danger in using the final year’s compensation is the risk of pension spiking, giving a large raise in the final year that would raise the retirement benefit for the rest of the then retiring person’s life. Currently the District uses the average compensation of the highest three years out of the last 10 years (which usually means the last three year compensation). The effect of the proposed increase is to increase a newly retiring person’s benefit by 5 to 10%. It is higher now than in past years because of the large cost of living increase this past year.

The staff represented that this minor change amounted to an increase of \$110,000 per year in pension costs, which misstates the truth. In reality, the normal cost (the prospective cost of the change) would increase about the \$110,000 a year, but the cost of the benefit for prior service (prior service cost) estimated by staff to be \$2.3 million would be \$243,800 (payment to retirement a \$2.3 million debt at the PERS interest rate of 7.5% over a 17 year period) a year bringing the total cost of the change to \$353,800 a year for the next 17 years. This results in an equivalent of an added 2% increase in salaries.

Defined benefit plans are back loaded, meaning that most of the benefit accrues to those within a few years of retirement. We do not appear to have a problem in retaining folks in this segment of our employee population, few if any have left for other agencies. Usually benefits are only adjusted to correct a problem that is affecting the agency. What we are having and will continue to have is difficulty hiring entry level employees in the lower ends of the pay scale. The problem there is the inability to pay the rent or house payment in our area and the long and increasingly expensive drive that results if they take the job and have to live outside the County. This benefit adjustment does nothing to help this problem as entry level folks are far more focused on cash to offset current expenses.

Changing the pension benefit in the face of rising inflation will have a compounding impact on the District, causing larger increases in pension expenses in the future.

The District’s policy to employees is to create a good work environment, provide better than average training to develop the employee, and provide a reasonable compensation package. The amount the District pays over others to provide this has not been taken into consideration.

Staff has provided an evaluation of our benefits that assumes that IRWD employees are paid equally as all others (specifically \$60,000/year per employee). If IRWD salaries were actually paid salaries two to three percent higher than the average district, then our total salaries and current benefit package would exceed the average total compensation (salary and benefits of the average. Even though staff has identified a small percentage of positions that need adjustment, there is not data on the remaining positions or any attempt to measure how our salaries in general compare to the average.

Currently an employee earning \$60,000 per year is eligible for 58.19% of pay in added benefits. As recently as 2000/2001, the benefit level was 41.38% of pay. This is an unbelievable growth in the public sector compensation and way out of line with what is happening in the private sector which is more in the range of 35 to 40 percent.

If after further review, we want to consider a benefit increase, I would urge us to have a more complete understanding of the position of our average salaries compared to the other districts, the various alternative benefits that might be adjusted to meet our recruiting and retention needs, a review with PERS staff of our current pension obligations, the compensation structure in the private section (where most of our rate payers work), and the value of the added training and other district extras.

There is absolutely no need to adjust our benefit structure at this time. It can wait until a more complete understanding of our situation is achieved. If after all this we decide to increase benefits, I believe that we should consider increasing our contribution to the District's 457 Plan so all employees can equally share instead of a small handful of largely senior staff."

There being no further discussion, on MOTION by Matheis, seconded and carried (4-1) (Matheis, Reinhart, Miller and Withers voting aye, and Swan voting no), THE IMPLEMENTATION OF COMPENSATION AND BENEFIT ADJUSTMENTS AS RECOMMENDED BY STAFF WAS AUTHORIZED; THE GENERAL MANAGER WAS AUTHORIZED TO IMPLEMENT COMPETITIVE WAGE ADJUSTMENTS EFFECTIVE JULY 1, 2006; STAFF WAS AUTHORIZED TO INITIATE THE PROCESS WITH THE CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM (CAL PERS) BY WHICH THE BOARD WILL ADOPT A RESOLUTION TO ADD THE ONE-YEAR FINAL COMPENSATION OPTION TO THE DISTRICT'S CAL PERS CONTRACT; AND THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2006-18

RESOLUTION OF THE BOARD OF DIRECTORS OF
THE IRVINE RANCH WATER DISTRICT
RESCINDING RESOLUTION NO. 2005-44 AND
ESTABLISHING REVISED SCHEDULE OF
POSITIONS AND SALARY RATE RANGES

GENERAL MANAGER'S COMMENTS

General Manager Jones reported on a successful "A Day at the Marsh" event with approximately 450 individuals in attendance. He said that on June 17, 2006 staff has scheduled the SCWD welcome event at Irvine Lake.

DIRECTORS' COMMENTS

Director Miller also reported on the successful marsh event.

Director Matheis noted that SOCWA's Project Committee No. 1's new Orange Coast Watershed group was invited to their first meeting being held on June 26, 2006. She also said she attended the Urban Water Institute's event.

Vice President Reinhart reported on his attendance at an ACWA Board meeting. He said that he and President Swan attended MWDOC's meeting relative to their budget and attendees asked them to postpone their rate increase. He also said that the marsh event was well attended.

President Swan said that the marsh event was well planned, and thanked staff for their efforts. He said that he attended the MWDOC special meeting and the participants asked for a meeting to be held in August. He said he attended the Youth Employment Services event along with Director Withers; the City of Irvine/IRWD Ad Hoc Committee meeting; and toured various developments with staff. He further congratulated Director Reinhart on his appointment to Chairman of SOCWA.

Director Withers said he attended a fundraiser for an organization called *My Oceans* and asked staff to investigate becoming a member.

ADJOURNMENT

There being no further business, President Swan adjourned the meeting at 9:40 p.m.

APPROVED and SIGNED this 26th day of June, 2006.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone