

MINUTES OF REGULAR MEETING – AUGUST 28, 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., August 28, 2006 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Withers, Miller, Reinhart, and Swan

Directors Absent: Matheis

Also Present: General Manager Jones, Assistant General Manager Cook, Director of Engineering Heiertz, Treasurer Loomis, Secretary Bonkowski, Legal Counsel Arneson, Mr. Wayne Posey, Mr. Bruce Newell, Ms. Beth Beeman, Mr. Jim Reed, Mr. Chuck Borkman, Mr. Dick Diamond, Mr. Jeff Stanart, Ms. Janet Wells, and other members of the public and staff.

COMMUNICATIONS TO THE BOARD

WRITTEN COMMUNICATIONS: None

ORAL COMMUNICATIONS:

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, 3, 4, 5, 6, 7, 10, 11, 12, 13, 14, 15, 16, 17 and 18 are in operation. 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 the fall of 2006. This was confirmed by Mr. Jones.

CONSENT CALENDAR

On MOTION by Reinhart, seconded and unanimously carried, CONSENT CALENDAR ITEMS 3 THROUGH 20 WERE APPROVED AS FOLLOWS:

3. MINUTES OF BOARD MEETINGS

Recommendation: That the minutes of the July 24, 2006 Board of Directors' meeting and minutes of the July 28, 2006 Adjourned Board of Directors' meeting be approved as presented.

4. RATIFY/APPROVE OF BOARD OF DIRECTORS' ATTENDANCE AT MEETINGS AND EVENTS

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

5. STRATEGIC MEASURES DASHBOARDS

Recommendation: Receive and file.

6. STATE LEGISLATIVE UPDATE

Recommendation: That the Board take an oppose position on Proposition 90.

7. JULY 2006 FINANCIAL REPORTS

Recommendation: Receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for July 2006; and approve the July 2006 Summary of Wire Transfers and ACH payments in the total amount of \$5,612,850.84; and the July 2006 Warrant Nos. 271773 through 272505, Workers' Compensation Distributions and voided checks in the total amount of \$12,737,036.99.

8. UPCOMING PROJECTS STATUS REPORT

Recommendation: Receive and file.

9. CATHODIC PROTECTION ANALYSIS AND DESIGN FOR UNIVERSITY DRIVE PIPELINES

Recommendation: That the Board authorize the addition of project 20487 to the Fiscal Year 2006/2007 Capital Budget for \$43,800; approve Expenditure Authorizations for project numbers 10740, 20487 and 30740 in the amounts of \$43,800, \$43,800 and \$67,100; and authorize the General Manager to award an engineering services contract to Schiff Associates for a not to exceed fee of \$116,640.

10. DEPARTMENT 43 AND 71 RECONFIGURATION

Recommendation: That the Board authorize the deletion of projects 11048, 11078, 21078, 31078 for \$3,300, \$50,600, \$50,600 and \$12,100 for Operations Center temporary expansion facility from the Fiscal Year 2006/07 Capital Budget, authorize the addition \$24,000 to the general plant budget in Department 46 Operations Center, Item 830-2, project 10601/20601 for reconfiguration and authorize the addition of \$16,000 in Department 44 Sand Canyon, Item 830-4, project 10601/20601 for reconfiguration.

11. PLANNING AREA 6 ZONE 4 AND C RESERVOIRS, ZONES 4-6, AND ZONES C-D BOOSTER PUMP STATION PROJECT CONSULTANT VARIANCE

Recommendation: That the Board authorize the General Manager to execute Variance No. 8 to the agreement with Daniel Boyle Engineering for \$29,270 for providing construction phase engineering services for the PA-6 Zones 4 and C Reservoirs, Zones 4-6, and Zones C-D Booster Pumping Stations.

12. EXPENSE POLICY REVISION

Recommendation: That the Board adopt the following resolution by title rescinding Resolution No. 2006-7 establishing a revised policy on business expense reimbursement, travel, meeting attendance, and representation.

RESOLUTION NO. 2006 - 29

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT, RESCINDING
RESOLUTION NO. 2006-7 ESTABLISHING A REVISED POLICY
ON BUSINESS EXPENSE REIMBURSEMENT, TRAVEL,
MEETING ATTENDANCE, AND REPRESENTATION

13. PLANNING AREA 6 ZONE 3 LOMAS VALLEY RESERVOIR PROJECT CONSULTANT VARIANCE

Recommendation: That the Board authorize the General Manager to execute Variance No. 1 to the agreement with HDR Engineering, Inc. for \$86,712 for providing construction phase engineering services for the PA-6 Zone 3 Lomas Valley Reservoir project.

14. PROPOSITION 50 RESIDENTIAL END USE STUDY EXPANSION

Recommendation: That the Board authorize a budget increase for project 11071 by \$96,500, from \$1,062,300 to \$1,158,800; approve an additional Expenditure Authorization for project 11071 for \$96,500 and approve professional services Variance No. 1 for \$86,810 with Aquacraft to include an additional study unit of 60 single family

homes in the Proposition 50 Residential End Use Study, and to conduct a statistical analysis of the billing data for both the apartment and residential condominium account groups.

15. V. P. BAKER AQUEDUCT CAPACITY LEASE TERM EXTENSION

Recommendation: That the Board authorize the General Manager to extend both capacity leases from MWDOC of 13.1 CFS capacity in the V.P. Baker Aqueduct for an additional ten years.

16. LOS ALISOS ZONE B PUMP STATION RENOVATION PROJECT EXPENDITURE AUTHORIZATION

Recommendation: That the Board approve an expenditure authorization for \$63,100 for project 30047, and authorize the General Manager to execute a contract with Sun Engineering for \$23,850 for design of the LAWD Zone B Pump Station renovation.

17. WASTEWATER OPERATIONS FISCAL YEAR 2006/07 EXPENDITURE AUTHORIZATION

Recommendation: That the Board approve Expenditure Authorizations for project Nos. 20449, 20464, 20884, and 20888 for \$192,500, \$112,200, \$67,700 and \$145,200.

18. BUCK GULLY/MWDOC PROPOSITION 13 ET CONTROLLER FUNDING BUDGET INCREASE AND EXPENDITURE AUTHORIZATIONS

Recommendation: That the Board authorize increases in the Fiscal Year 2006/2007 Capital Budget for projects 10774, 20774 and 30774 in the amount of \$26,400 each, and approve additional Expenditure Authorizations for these projects in the respective amounts of \$61,600, \$45,100, and \$45,100.

19. WASTEWATER OPERATIONS FISCAL YEAR 2006/07 EXPENDITURE AUTHORIZATION

Recommendation: That the Board approve Expenditure Authorizations for project Nos. 11099, 21099, 31099, 11103, 21103, 31103, 11104, 21104, 31104, 11106, 21106, 31106, 11107, 21107, 31107, 11108, 21108, 31108, 11109, 21109, and 31109 in the amounts of \$44,000, \$44,000, \$44,000, \$33,000, \$33,000, \$33,000, \$33,000, \$22,000, \$22,000, \$22,000, \$33,000, \$22,000, \$33,000, \$33,000, \$33,000, \$33,000, \$22,000, \$33,000, \$33,000, \$22,000, and \$33,000.

20. CULVER DRIVE DOMESTIC WATER PIPELINE RELOCATION
CONSTRUCTION CHANGE ORDER

Recommendation: That the Board authorize the General Manager to execute Change Order No. 3 to Paulus Engineering, Inc. in the amount of \$89,137.58 for the Culver Drive Domestic Water Relocation, project 10569.

ACTION CALENDAR

AUTUMNWOOD SLOPE REPAIR PROJECT

General Manager Jones placed before each Director a revised recommended motion. Mr. Jones said that staff was recommending that the Board authorize the General Manager to award a construction contract for the Serrano Creek (Autumnwood Site) Short-Term Limited Toe of Slope Protection and Erosion Protection to W. A. Rasic Construction for \$328,494 and waive the irregularity in their bid.

Director of Engineering Heiertz reported that in December 12, 2005, the IRWD's Board of Directors approved an agreement with the County of Orange (County), the City of Lake Forest (City), and the Autumnwood Homeowners Association (Autumnwood) for the repair of a slope failure along Serrano Creek at the upper end of Autumnwood's property. Mr. Heiertz said that at that time, the General Manager was authorized to award and execute the contract under IRWD's procurement policy urgency provisions. He said that due to protracted coordination among the County, City, and Autumnwood as well as necessary permits, the County was unable to provide plans and specifications to IRWD until April 2006 and therefore the urgency provisions no longer applied.

Mr. Heiertz said that in July 2006, IRWD, who is managing the project, solicited bids from qualified construction contractors with a mandatory pre-bid job walk in early August. He said that bids were received from six bidders on August 22, 2006, and an analysis of the apparent low bid submitted by Rock Structures Construction revealed that they made a substantial error in their bid, resulting in a bid price that was extremely low. Following discussions with Rock Structures, an error was identified, and they requested to withdraw their bid. Staff is recommending that the Board consent to the request for withdrawal of this bid.

Mr. Heiertz said that another contractor, Gateway Pacific Contractors, Inc., who submitted a bid for \$963,919.81 requested to correct its unit price for an item from \$8,085.77 to \$805.57. This proposed correction would change their actual bid price from \$963,919.81 to \$308,971.81. Since the Instructions to Bidders clearly state that unit prices control the overall bid, staff recommends that the Board not waive the error as it would give this bidder an unfair advantage.

Mr. Heiertz said that an analysis of the second lowest bid, W. A. Rasic Construction revealed a minor mathematical error in the addition of the bid items. He said that correcting this error changed the bid price from \$328,314 to \$328,494. He further said that staff recommends that the Board authorize the General Manager to execute a contract with the lowest responsive bidder, W A. Rasic Construction. Under the multi-party agreement, IRWD will provide project management as its portion of the project costs, up to a maximum of \$50,000. All other direct costs will be reimbursed to IRWD by the County.

On MOTION by Miller, seconded and unanimously carried, THE BOARD CONSENTED TO THE REQUEST FOR WITHDRAWAL OF THE BID FROM ROCK STRUCTURES; THE GATEWAY PACIFIC'S REQUEST TO CHANGE THEIR BID WAS REJECTED AS IT WOULD GIVE THEM AN UNFAIR ADVANTAGE; IT WAS FOUND THAT THE IRREGULARITY IN THE BID FROM W. A. RASIC CONSTRUCTION DID NOT GIVE THE BIDDER A COMPETITIVE ADVANTAGE OVER THE OTHER BIDDERS AND THE IRREGULARITY WAS WAIVED; AND THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE A CONTRACT WITH W A. RASIC CONSTRUCTION FOR \$328,494.

2006/07 GENERAL COUNSEL SERVICES FOR BOWIE, ARNESON, WILES, AND GIANNONE

General Manager Jones reported that staff has received the FY 2006/07 letter of engagement from Bowie, Arneson, Wiles, and Giannone (BAW&G) for providing general counsel services to the District effective July 1, 2006. Mr. Jones said that BAW&G's billing rates and total contract amount reflected no changes from the previous fiscal year.

On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE AN ENGAGEMENT AGREEMENT WITH BOWIE, ARNESON, WILES, AND GIANNONE EFFECTIVE JULY 1, 2006 FOR GENERAL COUNSEL SERVICES FOR A NOT TO EXCEED AMOUNT OF \$305,000.

MICHELSON WATER RECLAMATION PLANT HIGH VOLTAGE FEEDER F1 AND F2 REPLACEMENT CONTRACT AWARD AND EXPENDITURE AUTHORIZATION

General Manager Jones reported that this project is to replace the Michelson Water Reclamation Plant's (MWRP) high-voltage feeder circuits 1 and 2. He said that staff recommends that the Board approve the expenditure authorization and authorize the General Manager to execute a contract with Morrow-Meadows Corporation to complete this work.

Director of Reclamation Posey reported that in 1976, the Michelson Water Reclamation Plant (MWRP) capacity was expanded from 7.5 MGD to 15 MGD. Part of the expansion process included a redesign of the power distribution system from 480 volts to 4,160 volts. Mr. Posey said that while conducting the latest MWRP electrical preventative maintenance effort, the contractor refused to test the cable system as the cables were too old for conventional testing and that they could be damaged by the testing procedure. He said that staff investigated an alternate non-intrusive method of testing the cables, a partial discharge testing which was found to be very expensive and not cost-effective. For this reason, staff recommends immediate replacement of feeder circuits 1 and 2.

Mr. Posey said that staff solicited bids from four contractors and only two contractors submitted conforming bids for the work. The lowest responsive bidder, Morrow Meadows Corporation, submitted the low bid of \$264,100.

Director Reinhart reported that this item was reviewed and approved by the Engineering and Operations Committee on August 16, 2006. On MOTION by Reinhart, seconded and unanimously carried, AN EXPENDITURE AUTHORIZATION FOR PROJECT 20201 FOR \$295,900 WAS APPROVED AND THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE A CONTRACT FOR \$264,100 WITH MORROW MEADOWS CORPORATION FOR THE MWRP HIGH-VOLTAGE FEEDER F1 AND F2 REPLACEMENT PROJECT.

SECOND AMENDED AGREEMENT FOR WATER, SEWER, RECLAIMED WATER SERVICE AND NATURAL TREATMENT SYSTEM SERVICE FOR EAST ORANGE

General Manager Jones reported that staff and the General Manager have negotiated a Second Amended Water Supply and Service Agreement and Sewer and Reclaimed water Supply and Service Agreement with the City of Orange and that this agreement establishes IRWD as the retail service provider of water, sewer and reclaimed water to future Irvine Company development in East Orange. The agreement is expected to be approved by the Orange City Council on August 22, 2006.

Mr. Jones said that staff began negotiations in 2002 with the City of Orange on an amendment to the "First Amended Water Supply and Service Agreement and Sewer and Reclaimed water Supply and Service Agreement" dated November 21, 1994. The Second Amended Agreement was intended to establish IRWD as the retail service provider of water, sewer and reclaimed water to future Irvine Company development in East Orange. He then reviewed the key features of the agreement including: 1) A mechanism to insure that IRWD water rates in the East Orange area are similar to the rates charged in other parts of the City of Orange. The mechanism is based on the cumulative rate differential over time in each area; 2) A requirement for IRWD to tax proceeds collected in the existing Santiago Hills development to construct non-potable water facilities to serve this area; 3) A mechanism to reopen the issue of which agency provides retail service in the future if IRWD fails to provide adequate service to the area; 4) A commitment by Orange to not oppose annexation of the area to the Orange County

Water District; and 5) Establishment of a permanent Joint Engineering and management Committee to implement the agreement.

The Second Amended Agreement provides that IRWD will finance, construct, own, operate and maintain all facilities for potable water, sewage collection, treatment and disposal, NTS, and non-potable water service to the future East Orange development. IRWD will be entitled to collect all of its customary water and sewer connection charges from developers in East Orange. IRWD will also be entitled to collect water, reclaimed water and sewer rates and standby charges within the area for which it provides retail service. IRWD is committed to use approximately \$1.1 million of tax proceeds previously collected in Improvement District 252 to construct non-potable water facilities to serve that area.

Director Miller reported that this item was reviewed and approved at the Water Resources Policy and Communications Committee on August 15, 2006. He also noted that Mr. Joe DeFrancesco from the City of Orange was in attendance at the meeting and a good discussion was held on this item. On MOTION by Miller, seconded and unanimously carried, THE “SECOND AMENDED AGREEMENT - WATER SUPPLY AND SERVICE - SEWER AND RECLAIMED WATER SUPPLY AND SERVICE - AND NATURAL TREATMENT SYSTEM SERVICE” WITH THE CITY OF ORANGE WAS APPROVED AND EXECUTION AUTHORIZED.

2007 MEDICAL INSURANCE COVERAGE RENEWAL

General Manager Jones reported that CalPERS Health Benefits Services has notified participating agencies of premiums for the 2007 contract year. Mr. Jones said that staff is recommending that the Board extend coverage through CalPERS medical insurance program for calendar year 2007 and adjust employee contributions for the Blue Shield and PERS Care plans proportionate to premium increases.

Mr. Jones said that for the 2007 contract year, the premiums for Kaiser will increase 12.49% and premiums for Blue Shield will increase by 13.8%. The PERS Care plan will increase by 13.09% and the PERS Choice plan will increase 12.5%. The CalPERS 0.5% administrative fee will remain unchanged for the 2007 calendar year. There will be no contingency reserve fee charged for the 2007 calendar year.

Mr. Jones said that last year, the Board elected to leave employee contributions unchanged for the PERS Choice plan, but increased the employee contributions for the HMO plans by 7% and the PERS Care plan by 10%, proportionate to the premium increases. If the District were to proportionally increase employee contributions for 2007, all plans would increase by an average of 13%.

On MOTION by Swan, seconded and unanimously carried, THE CONTINUANCE OF THE DISTRICT’S HEALTH CARE COVERAGE WITH CALPERS FOR A TOTAL PROJECTED EXPENSE FOR FY 2006/07 OF \$2,729,000 AT THE EMPLOYEE

CONTRIBUTION LEVELS RECOMMENDED IN THE FOLLOWING TABLE WERE APPROVED.

MONTHLY EMPLOYEE AND DISTRICT CONTRIBUTION

	2006 Employee Contribution (Emp/Emp+1/Fam)	2006 Amount Paid By District (Emp/Emp+1/Fam)	Proposed 2007 Employee Contribution (Emp/Emp+1/Fam)	Proposed 2007 Amount Paid by District (Emp/Emp+1/Fam)
Blue Shield HMO	\$0 / \$7.50 / \$15	\$358 / \$708 / \$915	\$0 / \$8.50 / \$17	\$407 / \$806 / \$1041
Kaiser	\$0 / \$7.50 / \$15	\$321 / \$634 / \$818	\$0 / \$7.50 / \$15	\$361 / \$714 / \$923
PERS Choice	\$30 / \$60 / \$90	\$355 / \$709 / \$910	\$30 / \$60 / \$90	\$403 / \$805 / \$1035
PERS Care	\$178 / \$356 / \$534	\$427 / \$854 / \$1046	\$325 / \$650 / \$875	\$406 / \$813 / \$1027

KERN COUNTY WATER AGENCY PROPERTY REQUEST

General Manager Jones reported that the County Water Agency (KCWA) is undergoing a project to expand and improve the Cross Valley Canal (CVC) and has determined that the project will require acquiring a small portion of the District's Strand Ranch property in fee title, and an additional portion for a temporary construction easement. Staff recommends approval of KCWA's offer for the acquisition of this property to accommodate the CVC project.

Director of Water Resources Diamond said that KCWA is constructing the CVC Expansion Project to increase conveyance capacity between the California Aqueduct on the west side of Bakersfield and the Kern River and Friant-Kern Canal to the east. He said that KCWA has agreed with IRWD's request to construct turnouts from both the north and south sides of the CVC to convey water to IRWD's Strand Ranch property.

Mr. Diamond said that KCWA has determined that the CVC project will require fee title to approximately 0.40 acres of the Strand Ranch as well as a temporary construction easement for an additional 0.57 acres, both located just west of Enos Lane on the south side of the CVC, within the existing almond orchard. He said that staff has presented to KCWA a draft term sheet for right-of-way issues related to KCWA's CVC and project. He said staff will bring the agreement back to the Water Banking Ad Hoc Committee and Board for review and approval.

Mr. Diamond said that as part of the CVC project, IRWD made a request to KCWA to construct two turnouts at the Strand Ranch for IRWD's future use. The Board approved proceeding with the design of the proposed IRWD Strand turnouts on May 22, 2006 and IRWD has entered into an agreement with Boyle Engineering, which is also designing the entire CVC project. Under KCWA's proposal, IRWD will receive \$35,760 in compensation for providing the permanent fee title and temporary construction easement to the KCWA.

Director Withers said that this item was reviewed and approved by the Water Banking Ad Hoc Committee on August 2, 2006. On MOTION by Withers, seconded and unanimously carried, THE PRELIMINARY RIGHT-OF-WAY AGREEMENT TERM SHEET FOR KCWA'S PURCHASE OF A PORTION OF THE STRAND RANCH IN FEE TITLE AND TEMPORARY CONSTRUCTION EASEMENT FOR THE CROSS VALLEY CANAL EXPANSION WAS APPROVED, AND STAFF WAS DIRECTED TO WORK WITH KCWA IN DRAFTING AN AGREEMENT TO REFLECT THE PRELIMINARY TERMS.

WATER CONSERVATION BUSINESS PLAN – FY 2006/07 TACTICAL INCENTIVES AGREEMENT WITH MUNICIPAL WATER DISTRICT

Director of Water Resources Diamond reported that staff has proposed that the \$300,000 in funding for FY 2006/07 be allocated to provide \$200,000 for residential incentives and \$100,000 for commercial incentives. He said that consistent with the Water Conservation Business Plan, IRWD supplements existing rebate programs to keep its administrative costs down while maximizing the benefit to the customer as well as IRWD. MWDOC, who administers the program, invoices IRWD on a monthly basis based on rebates that have been issued.

Director Miller reported that this item was reviewed and approved by the Water Resources Policy and Communications Committee on August 15, 2006. On MOTION by Miller, seconded and unanimously carried, THE GENERAL MANAGER WAS AUTHORIZED TO ENTER INTO AN AGREEMENT WITH MWDOC FOR \$300,000 TO FUND COST-EFFECTIVE IRWD TACTICAL INCENTIVE MEASURES FOR FY 2006/07 USING PENALTY REVENUE FUNDS.

ZONE A PIPELINE CONNECTION AND BAKE PARKWAY RECYCLED WATER PIPELINE CONSTRUCTION CHANGE ORDER, BUDGET, AND EXPENDITURE AUTHORIZATION

General Manager Jones reported that two change orders to the Bake Parkway Recycled Water Pipeline/South Irvine Brine Line Project have been prepared by IRWD's construction contractor – one for changed project conditions and another for additional work to be included in this contract.

Director of Engineering Heiertz reported that in June 2005, the Board awarded a construction contract to Vido Artukovich & Son, Inc/Vidmar, Inc., a joint venture (Artukovich), for \$5,796,441 for three pipeline projects: Bake Parkway Recycled Water (RW) Pipeline, Los Alisos Water Reclamation Plant (LAWRP) Influent Sewer Improvements, and South Irvine Brine Line. The three projects were integrated into one bid package since all three projects have construction within Muirlands Boulevard from Bake Parkway to LAWRP. The projects are currently under construction with an estimated completion date of September 2006.

Mr. Heiertz said that in early 2006, the design of the Zone A Pipeline Connection was completed and permits from the Cities of Irvine and Lake Forest were obtained. This project consists of approximately 525 feet of 18-inch diameter steel pipe including a jack and bore pipeline installation from LAWRP to Muirlands Boulevard. Staff requested bids from two contractors already working in the project area: E. J. Meyer and Artukovich. The lowest responsive bidder for this work, Artukovich, submitted a bid for an amount of \$376,425.40, which was less than 1% lower than E. J. Meyer's bid. The low bid was approximately 15% higher than the engineer's estimate of \$325,000. He said that after reviewing the differences in the bid price and the engineer's estimate, staff believes that the bid price is fair, and that rebidding the project may result in receiving higher bids. He said staff therefore recommends adding the construction of the Zone A Pipeline Connection to Artukovich's existing construction contract via Change Order No. 3.

Mr. Heiertz said that at the Engineering and Operations Committee on August 16, 2006, the Committee authorized the General Manager to execute Change Order No. 4 for \$82,236.50 for the Bake Parkway RW Pipeline. The change order includes the cost for 10-inch pipe and appurtenances for the Caltrans bridge over the I-5 Freeway. He said that staff is requesting budget and expenditure authorization to fund the construction change order and additional consultant costs for redesign and permitting for the Caltrans bridge pipeline.

Director Reinhart said that this item was reviewed and approved by the Engineering and Operations Committee on August 16, 2006. On MOTION by Reinhart, seconded and unanimously carried, THE ADDITION OF PROJECT 30177 TO THE FY 2006/07 CAPITAL BUDGET FOR \$4,190,700 WAS AUTHORIZED, A BUDGET INCREASE FOR PROJECT 30177 BY \$214,200, FROM \$4,190,700 TO \$4,404,900 WAS AUTHORIZED; EXPENDITURE AUTHORIZATIONS FOR PROJECT 30134 FOR \$504,000 AND FOR PROJECT 30177 FOR \$214,200 WERE APPROVED; AND THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE CONTRACT CHANGE ORDER NO. 3 FOR \$376,425.40 WITH VIDO ARTUKOVICH AND SON, INC./VIDMAR, INC. A JOINT VENTURE FOR ZONE A PIPELINE CONNECTION AND BAKE PARKWAY RW PIPELINE, PROJECTS 30134 AND 30177.

IRVINE DESALTER PROJECT – PIPELINES CONTRACT CHANGE ORDER NO. 4

General Manager Jones reported that staff is recommending approval of CCO No. 4 with E. J. Meyer Company for the Raw Water Pipelines, Product Water Pipelines and Brine Pipeline for \$165,064.29. Mr. Jones said that this change order consists of 17 extra work items and time extension for rain days. He said that approximately \$100,500 of this change order is for difficult trenching due to cement treated base and unknown utilities that were encountered in four streets; approximately \$31,300 was for CCTV inspection of the joints for the new 24" CMLC raw and product water lines; and approximately \$22,200 was for quantity adjustment for the construction and removal of test bulkheads.

Director Reinhart said that this item was reviewed and approved by the Engineering and Operations Committee on August 16, 2006. On MOTION by Reinhart, seconded and unanimously carried, CONTRACT CHANGE ORDER NO. 4 WITH E. J. MEYER COMPANY FOR \$165,064.29 WAS APPROVED FOR THE IRVINE DESALTER RAW WATER PIPELINES, PRODUCT WATER PIPELINES AND BRINE PIPELINES, PROJECTS 10376 AND 30376.

PLANNING AREA 1 CONSTRUCTION PROGRAM MANAGEMENT BUDGET AND EXPENDITURE AUTHORIZATIONS

General Manager Jones reported that The Irvine Community Development Company (ICDC) has started developing Planning Area 1 and that IRWD's capital pipelines are being constructed by ICDC under a reimbursement agreement.

Director of Engineering Heiertz reported that due to the large volume of work in the Planning Area 1 (PA-1), staff has negotiated a Construction Program Management (CPM) contract the Steven Andrews Engineering (SAE). Mr. Heiertz said that rather than negotiate multiple construction phase contracts with SAE for the projects in PA-1 that SAE designed, staff has negotiated a sole source construction program management contract with them. He said that the proposed contract combines all of the projects into a single contract within the PA-1 development, many of which were designed by SAE. He then reviewed the reasoning for a sole source contract, including the fact that SAE has provided the engineering design services on many of the individual sub-projects in the PA-1 development and is intimately familiar with the details of the various projects and their designs. As the Construction Program Manger, SAE would provide construction management, construction phase engineering, attend meetings and provide coordination services with Cities, the County, and ICDC. The projects include domestic water, recycled water, pressure reducing stations, and various appurtenances. A portion of SAE's contract, approximately \$100,000, will be reimbursed by ICDC through reimbursable project numbers for relocating existing pipelines.

Director Reinhart said that this item was reviewed and approved by the Engineering and Operations Committee on August 16, 2006. On MOTION by Reinhart, seconded and unanimously carried, THE ADDITION OF PROJECTS 11149 FOR \$200,200, AND 31149 FOR \$200,200 TO THE FY 2006/07 CAPITAL BUDGET WAS AUTHORIZED ; EXPENDITURE AUTHORIZATIONS FOR PROJECT 11149 FOR \$200,200 AND PROJECT 31149 FOR \$200,200 WERE APPROVED; AND THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE THE AGREEMENT WITH STEVEN ANDREWS ENGINEERING FOR CONSTRUCTION PROGRAM MANAGEMENT SERVICES FOR PLANNING AREA 1.

RATTLESNAKE AND SAND CANYON RESERVOIRS' SAMPLING ACCESS FACILITIES – CONSTRUCTION AWARD

General Manager Jones reported that this project is for construction of slip-resistant concrete walkway/stairway at Rattlesnake and Sand Canyon Reservoirs. These improvements will improve access to the boats stored for use in weekly water quality sampling at each reservoir.

Director of Engineering Heiertz reported that the National Pollutant Discharge Elimination System (NPDES) permit for the Michelson Water Reclamation Plant requires weekly water quality sampling at the Rattlesnake and Sand Canyon Reclaimed Water Reservoirs. He said that small boats are used to collect water samples from the reservoirs. He said that access pathways to the reservoirs can be muddy and slippery, increasing the difficulty of loading and unloading sampling equipment from the boats. He said that proposed improvements for better access include the construction of a concrete slip-resistant walkway/stairway leading down to the low water level of the reservoirs.

Mr. Heiertz said that project plans and specifications were made available for select bidding and that a bid opening for the project was held with DenBoer Engineering submitting the low bid for \$404,500. The engineer's estimate was \$423,000. He said that the timing of construction is critical since work at the lower end of the walkways/stairways must be performed when water levels in the reservoirs drop to their lowest elevations, normally in early December. Following discussion relative to the cost of the stairway, on MOTION by Withers, seconded and unanimously carried, **THE BUDGET WAS INCREASED FOR PROJECT 30132 BY \$82,500, FROM \$591,800 TO \$674,300; AN EXPENDITURE AUTHORIZATION FOR \$181,500 WAS APPROVED; AND THE GENERAL MANAGER WAS AUTHORIZED TO AWARD A CONTRACT WITH DENBOER ENGINEERING FOR \$404,500 FOR THE RATTLESNAKE AND SAND CANYON RESERVOIRS SAMPLING ACCESS FACILITIES PROJECT.**

GENERAL MANAGER'S REPORT

General Manager Jones reported that at the SAC meeting today, the Commissioners approved the Bake Parkway Feasibility Study with Malcolm Pirnie selected as the engineering consultant. He said that MNWD, SMWD, TCWD along with IRWD would be funding the study and that MWDOC would be providing in-kind services. He said that last Friday he met with Mr. Jeff Kighlinger of MWD and Mr. Kevin Hunt of MWDOC and discussed water resource projects including Kern County water storage, SAC line, and the Conservation Business Plan. He said that new name plates were placed on all of the past Board of Directors photos which are displayed outside the Board room, and thanked Ms. Nancy Savedra for her efforts.

DIRECTORS' COMMENTS

Director Miller reported that he just returned from vacation in Wyoming and that the major issue of discussion among the community was the lack of water.

Vice President Reinhart reported on his attendance at a MWDOC Ad Hoc Committee meeting, a SOCWA Board meeting, and a CSDA Ethics training class.

Director Swan reported on his attendance at a Special MWDOC dinner and the CASA conference. He said he attended a Special Ad Hoc Committee meeting with OCWD and MWDOC regarding bonds in 2008. He said he attended an ACWA Region 10 meeting in San Diego on Friday.

Director Matheis prepared a written report relative to her attendance at the Orange County Council of Governments which the Secretary placed before each Director in her absence this evening.

CLOSED SESSION

President Swan said that two closed session items would be held with legal counsel as follows: 1) Relative to initiation of litigation Government Code Section 54956.9(c) involving one potential case in regards to Armstrong Truck Sewer; and 2) Relative to anticipated litigation Government Code Section 54956.9(b) involving one potential case.

OPEN SESSION

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

ADJOURNMENT

There being no further business, President Swan adjourned the meeting.

APPROVED and SIGNED this 11th day of September, 2006.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone