

MINUTES OF REGULAR MEETING – MAY 29, 2007

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order by President Reinhart at 6:00 p.m., May 29, 2007 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Miller, Matheis, Withers (arrived at 6:18 p.m.), Swan (arrived at 6:15 p.m.), and Reinhart

Directors Absent: None

Also Present: General Manager Jones, Acting Director of Engineering Malloy, Treasurer Loomis, Assistant General Manager Cook, Secretary Bonkowski, Legal Counsel Arneson, Ms. Beth Beeman, Mr. Jim Carter, Mr. Bruce Newell, Mr. Wayne Clark, Mr. Norris Brandt, Mr. Dick Diamond, Ms. Fiona Sanchez, Ms. Marilyn Smith, 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 it was her understanding that currently wells 1, 2, 4, 5, 6, 7, C-8 and C-9, 10, 11, 13, 14, 15, 16, 17, and 18 are in operation in accordance with the District's annual pumping plan. Well 3 will be placed into production on July 1, 2006. Well 12 is currently undergoing rehabilitation work. The District's planned pumping for both May and June is 4,200 AF per month. 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, 2006, and OCWD is now completing the response to comments. On January 17, 2007, the OCWD Board approved proposed terms and conditions for annexation and directed staff to prepare an annexation agreement for OCWD and IRWD approval. On April 11, 2007, a draft annexation agreement was submitted to OCWD's Water

Issues Committee with the recommendation to transmit to IRWD for review and consideration. On April 30, 2007, staff received the draft agreement which was discussed at a joint OCWD/IRWD Ad Hoc Committee on May 4, 2007. Staff anticipates the OCWD Board will take action on the EIR and annexation agreement in the spring of 2007. This was confirmed by Mr. Jones. Mr. Jones also said that staff is currently evaluating suggestions on the draft agreement discussed at the May 4, 2007 joint OCWD/IRWD Ad Hoc Committee meeting.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED - None

PRESENTATION

Account Manager Matt Garcia and Eddie Marquez, Public Relations, representing Southern California Edison (SCE) made a presentation to the Board of Directors recognizing IRWD's participation in SCE's Energy Efficiency and Self Generation Incentive Programs. Mr. Garcia said that in the area of Energy Efficiency (Standard Performance Contracts), IRWD has already received over \$191,000 in cash incentives for six projects that are expected to save the District 1.95 million kilowatt-hours annually. In addition, IRWD currently has reservations in the amount of \$125,000 for eight additional projects that are projected to save the District an additional 3.5 million kWh per year.

Mr. Garcia said that in the area of Self Generation, IRWD has reserved over \$243,000 in additional cash incentive funds for the photovoltaic (PV - Solar) system that will be installed at the Sand Canyon Headquarters building. He said that IRWD has reserved a cash incentive in the amount of \$45,000 which is expected to save an additional 550,000 kWh per year through the SCE Industrial Energy Efficiency Program for the Retrofit Solar Mixer Project at LAWRP. Cash incentives total more than \$600,000 and over 5 million kWh annually in savings. General Manager Jones recognized Mr. Tom Bonkowski for all of his efforts to obtain these incentives.

Director Swan arrived at 6:15 p.m.

CONSENT CALENDAR

On MOTION by Miller, seconded and unanimously carried (Withers absent), CONSENT CALENDAR ITEMS 4 THROUGH 19 WERE APPROVED AS FOLLOWS:

4. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the May 14, 2007 Regular Meeting be approved as presented.

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

Recommendation: That the Board ratify/approve the meetings and events for Mary Aileen Matheis, Doug Reinhart, John Withers, and Peer Swan.

6. STRATEGIC MEASURES DASHBOARDS

Recommendation: Receive and file.

7. APRIL 2007 FINANCIAL REPORTS

Recommendation: Receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate SWAP Summary for April 2007; and approve the April 2007 Summary of Wire Transfers and ACH payments in the total amount of \$3,743,593.33; and the April 2007 Warrant Nos. 279330 through 280072, Workers' Compensation Distributions and voided checks in the total amount of \$6,941,065.66.

8. ADMINISTRATIVE CLAIM FOR DAMAGES

Recommendation: That the Board receive the claim for damages from Peter F. Tomaino without action.

9. STATE LEGISLATIVE UPDATE

Recommendation: That the Board take a support position on SB 220 (Corbett) and a watch position on AB 938 (Calderon), AB 1435 (Salas), and AB 1420 (Laird).

10. IRVINE RANCH WATER DISTRICT WATER INFRASTRUCTURE FUNDING POLICY PRINCIPLES

Recommendation: That the Board adopt the revised IRWD California Water Infrastructure Funding Policy Principals and support both Governor Schwarzenegger's water infrastructure proposal and ACWA's "The Time is Now" action plan to pass the Governor's package this year.

11. UPCOMING PROJECTS STATUS REPORT

Recommendation: Receive and file.

12. CONTRACT FOR CONSULTING SERVICES – DAVID FERGUSON

Recommendation: That the Board authorize the General Manager to execute a consulting contract agreement with David Ferguson for the period beginning June 1, 2007 through November 30, 2007 for a not-to-exceed amount of \$51,000 which includes reimbursement for travel expenses.

13. IRVINE RANCH WATER DISTRICT APARTMENT CONSULTANT – CONTRACT RENEWAL

Recommendation: That the Board authorize the General Manager to execute a professional services agreement with Market-Think, LLC to provide apartment consulting services for the District’s apartment property investments for a period of two years at a fee not-to-exceed \$85,750.

14. APPROVAL OF FORM OF REIMBURSEMENT AGREEMENT FOR BOND INSURANCE

Recommendation: That the Board adopt the following resolution by title approving reimbursement agreement and ratifying certain actions.

RESOLUTION NO. 2006-14

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
IRVINE RANCH WATER DISTRICT APPROVING
REIMBURSEMENT AGREEMENT AND RATIFYING
CERTAIN ACTIONS

15. SANTIAGO HILLS I REVENUE AREA BOUNDARY CHANGE AGREEMENT

Recommendation: That the Board approve the Santiago Hills I Revenue Area Boundary Change Agreement with the Orange County Sanitation District.

16. AGREEMENT WITH THE COUNTY OF ORANGE REGARDING THE INTEGRATED REGIONAL AND COASTAL WATER MANAGEMENT PLAN

Recommendation: That the Board authorize the General Manager to execute a reimbursement agreement with the County of Orange for the preparation of the Central Orange County Watershed Management Area Integrated Regional and Coastal Water Management Plan subject to non-substantive changes approved by the General Manager and legal counsel.

17. JEFFREY ROAD SOUTH RECLAIMED AND DOMESTIC WATER MAINS CONSTRUCTION PHASE CONSULTANT SERVICES

Recommendation: That the Board authorize the General Manager to execute an agreement with Stantec Consulting, Inc. for construction phase engineering services in the amount of \$97,600 for the Jeffrey Road South Reclaimed and Domestic Water Mains, projects 10283 and 30189.

18. RESOLUTION REGARDING PLANNING GRANT FOR DISTRICT-WIDE STUDY OF RECYCLED WATER RETROFIT OPPORTUNITIES

Recommendation: That the Board adopt the following resolution authorizing the General Manager to execute documents on behalf of IRWD related to a future Proposition 50 Grant application to the State Water Resources Control Board under Chapter 7 (water recycling) for the planning work related to the potential expansion of the recycled water distribution system in Irvine Ranch Water District.

RESOLUTION NO. 2007-15

RESOLUTION OF THE BOARD OF DIRECTORS OF
THE IRVINE RANCH WATER DISTRICT AUTHORIZING
THE GENERAL MANAGER TO EXECUTE DOCUMENTS ON
BEHALF OF IRWD RELATED TO A FUTURE PROPOSITION 50
GRANT APPLICATION TO THE STATE WATER RESOURCES
CONTROL BOARD UNDER CHAPTER 7 (WATER RECYCLING)
FOR THE PLANNING WORK RELATED TO THE POTENTIAL
EXPANSION OF THE RECYCLED WATER DISTRIBUTION
SYSTEM IN IRVINE RANCH WATER DISTRICT

19. WETLANDS PERFORMANCE TRACKING PLAN (WETTRAQ),
EXPENDITURE AUTHORIZATION NO. 3 AND VARIANCE NO. 1
AUTHORIZATION

Recommendation: That the Board approve Expenditure Authorization No. 3 in the amount of \$198,000 for Natural Treatment System (NTS) monitoring plan (WetTraq), project 10868 and approve Variance No. 1 to Weston Solutions Inc., in the amount of \$75,000 for NTS monitoring plan (WetTraq), project 10868.

ACTION CALENDAR

CUWCC BEST MANAGEMENT PRACTICE 10 AND BEST MANAGEMENT PRACTICE 11 REVISIONS

General Manager Jones reported that two proposed Best Management Practices (BMP) revisions are scheduled to be voted on at the California Urban Water Conservation Council's (Council) Plenary session on June 13 in San Francisco. Mr. Jones said that BMP 10 is the Wholesaler Assistance BMP and, therefore, IRWD is not required to implement it. The proposed revision only makes minor language changes to correct inaccurate internal references within the BMP and is a non-substantive change. He said that the proposed BMP 11 revision was designed with the intent of maximizing volumetric charges in order to provide a better price signal and to not mask higher use with fixed charges. He said that the proposed BMP 11 revision is the result of a negotiated process, and as a result, the final product is not entirely consistent with IRWD's approach of implementing a rate structure that sends a strong price signal,

provides financial stability and forms the foundation of a very successful conservation program for the following reasons: 1) There is a strong focus on a negotiated 70% revenue threshold from commodity charges in the proposed BMP rather than on what components constitute an effective conservation-based rate structure. As a result there could be a strong financial disincentive for those agencies to implement conservation programs; 2) The proposed BMP continues to include uniform rates. A rate structure that charges the same cost per unit of water does not send a very strong price signal for over-use in the same way as a water budget-based tiered rate structure; and 3) There is proposed legislation (AB 1420) that ties implementation of the BMPs with access to millions of dollars in state grant and loan funds. This linkage would have the effect of making the BMPs “mandatory”. If an agency chose the customized threshold or “Least As Effective As” implementation options, legislation could potentially put the CUWCC into a position of arbitrating decisions about the effectiveness and compliance of an agency’s rate structure with the BMP, decisions that could have far-reaching financial implications if linked to grant and loan funding.

Director Withers arrived at 6:18 p.m.

Mr. Jones said that, in summary, although IRWD continues to be a strong advocate for conservation, the premise for the BMP 11 proposal is overly narrow and the proposal is not a productive step forward toward the implementation of effective rate structure in California. He said staff would be preparing a letter to the California Urban Water Conservation Council (CUWCC) explaining why the District would be opposing the proposed BMP 11 on conservation pricing and rates. Director Swan asked that a letter also be sent to Assemblyman Jared Huffman to communicate our thoughts.

Director Matheis said that this item was reviewed and approved by the Water Resources Policy and Communications Committee meeting on May 21, 2007. Director Miller concurred that the Committee was not in favor of the language on BMP 11. Following discussion, on MOTION by Matheis, seconded and unanimously carried, STAFF WAS AUTHORIZED TO VOTE IN FAVOR OF THE PROPOSED WHOLESALER ASSISTANCE BMP (BMP 10) WHOLESALER ASSISTANCE AND TO VOTE AGAINST THE PROPOSED CONSERVATION PRICING BMP (BMP 11).

WATER EDUCATION PROGRAM

General Manager Jones reported that this item was to provide the Board with the yearly update on the current Irvine Ranch Water District Water Education Program and to discuss the future direction of the program.

Mr. Jones said that since the 1970s, IRWD has offered free water education programs to all public, private and home schools within the District’s service area and that the program included: 1) classroom presentations by IRWD staff; 2) field trips to the Michelson Water Reclamation Plant and the San Joaquin Marsh and Wildlife Sanctuary; 3) assistance with science fair projects; and 4) participation in a variety of science-related events and activities.

Mr. Jones said that during the 2005-06 school year, the IRWD program reached 3,866 students in 79 classroom presentations. In addition, 28 tours were conducted reaching 711 participants. IRWD has consistently offered a high-quality classroom education program that is tailored to the water recycling, water conservation, water supply diversity, and urban runoff management attributes that are unique to our service area. He said that staff has been exploring ways to enhance the education program content to make it more attractive for teachers to continue to use IRWD's program, and to attract new participants. Staff has spent considerable time with Discovery Science Center discussing IRWD's educational program goals and believes there are several advantages to contracting with Discovery Science Center for classroom programs as follows: 1) By partnering directly with Discovery Science Center, IRWD would be able to continue a program with its own identity, customized to IRWD's needs and focused topics; 2) Implement new state-of-the-art technology; 3) Enhance education program marketing; 4) Increase participation; 5) Increase resources for other IRWD water education efforts; and 6) Reduce resources directed to administration.

Director Matheis reported that this item was reviewed and approved by the Water Resources Policy Committee on May 21, 2007. On MOTION by Matheis, seconded and unanimously carried, **THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONTRACT WITH DISCOVERY SCIENCE CENTER TO BEGIN OFFERING CLASSROOM WATER EDUCATION PROGRAMS TO SCHOOLS WITHIN THE IRWD SERVICE AREA IN SEPTEMBER 2007 FOR AN AMOUNT OF \$120,741.**

MWRP PRIMARY CLARIFIERS SKIMMER REPLACEMENT CONSTRUCTION AWARD AND EXPENDITURE AUTHORIZATION

General Manager Jones reported that the five skimmer units installed in the primary clarifiers at the Michelson Water Reclamation Plant (MWRP) have reached the end of their useful life due to severe corrosion from the harsh environment. Mr. Jones said that staff investigated replacement skimmer equipment from EIMCO and other manufacturers to determine the best replacement option based on cost and ease of retrofit within the MWRP primary clarifiers. The investigation showed that the use of skimmer equipment from manufacturers other than EIMCO would require a special equipment design or substantial modifications to the primary clarifiers. Based on the investigation, staff determined that the best option is to replace the existing EIMCO skimmers with improved EIMCO skimmers. Staff negotiated a \$343,039 price with EIMCO for removal and disposal of the existing five skimmers, and to furnish and install five new skimmers with more corrosion resistant materials. On MOTION by Swan, seconded and unanimously carried, **AN EXPENDITURE AUTHORIZATION FOR \$397,100 FOR PROJECT 20433 WAS APPROVED AND THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE A CONTRACT WITH EIMCO WATER TECHNOLOGIES, LLC FOR \$343,039 FOR THE MWRP PRIMARY CLARIFIERS SKIMMER REPLACEMENT, PROJECT 20433.**

CIENEGA FIELD DEMONSTRATION PROJECT PARTNERSHIP WITH THE CITY OF IRVINE AND CONSTRUCTION CONTRACT AWARD

General Manager Jones reported that IRWD continues to move forward on the primary elements of the Natural Treatment System (NTS) including operation of the initial local sites, construction of the first regional sites, and development of the Cienega filtration project.

Mr. Diamond said that the City has reached agreement in participating financially with IRWD to development the Cienega Field Demonstration Project in exchange for receiving credit for nitrogen removal from the project. He said that the agreement includes the following primary provisions: 1) The City will pay 50% of the construction cost of the Cienega Field Demonstration Project (approximately \$1,425,000) to IRWD; 2) IRWD will pay all O&M costs for the Field Demonstration (estimated to be \$290,000 per year) because a significant portion of the operations costs for the field demonstration are for testing and evaluation purposes related to the future full scale project, 3) Once the field demonstration is implemented and performance data is available, the City and IRWD will “reopen” discussions regarding partnership on the full scale Cienega Project or an alternative project for compliance, and 4) The City will receive credit for sufficient nitrogen removal to comply with the nitrogen TMDL until the full scale project is implemented or December 2010, whichever is earlier.

Mr. Diamond said that the Regional Board was very interested in watershed issues including the nitrogen and selenium levels in the San Diego Creek and will be providing \$190,300 in Clean Water Act Section 319(h) grant funding for the field demonstration.

Mr. Diamond said that staff was also recommending that the Board award a construction contract for the Cienega Field Demonstration Project to the low bidder, CDM Constructors. Additionally, due to the technical and research nature of the field demonstration, a high level of professional services was required. Staff evaluated proposals for this work and recommended the following firms be awarded professional service contracts to provide the services in not-to-exceed fee amounts as follows: Construction Management and general inspection services by Tetra Tech, Inc. for a total of \$199,765; engineering support with GeoSyntec for \$ 119,200, and engineering support by CH2M Hill for \$ 132,200.

Director Matheis said that this item was reviewed and approved by the Water Resources Policy and Communications Committee on May 21, 2007. She said that this project was a great opportunity to work with the City. Following discussion, On MOTION by Matheis, seconded and unanimously carried, **THE AGREEMENT WITH THE CITY OF IRVINE FOR DEVELOPMENT OF CIENEGA FILTRATION PROJECT WAS APPROVED, AND THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE THE AGREEMENT SUBJECT TO NON-SUBSTANTIVE CHANGES APPROVED BY THE GENERAL MANAGER AND LEGAL COUNSEL.**

On MOTION by Swan, seconded and unanimously carried, EXPENDITURE AUTHORIZATION FOR \$3,388,100 FOR PROJECT 10866 WAS APPROVED; AND THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE A CONTRACT WITH: 1) CDM CONSTRUCTORS, INC. FOR \$ 2,283,000, 2) TETRA TECH, INC. FOR \$199,765, 3) GEOSYNTEC CONSULTANTS FOR \$119,200; AND 4) CH2M HILL FOR \$132,200, FOR THE CIENEGA FILTRATION (FIELD DEMONSTRATION) PROJECT, PR 10866.

SAN DIEGO CREEK FLOOD WALL IMPROVEMENTS CONSULTANT SELECTION, BUDGET AND EXPENDITURE AUTHORIZATIONS

Acting Director of Engineering Malloy said that staff was directed to initiate final design of permanent floodwalls to provide 200-year flood protection to the MWRP, San Joaquin March duck club campus, San Joaquin Marsh pump station, and University lift station. He said that Request for Proposals for professional engineering services were issued to PACE, RBF Consulting, Stantec, and VA Consulting and that staff recommends that VA Consulting be awarded the agreement as their design approach, schedule, and man-hours are consistent with the project goals. He said that staff was working with the design consultant to develop an accelerated schedule for the completion of this project.

Director Withers said that this item was reviewed and approved by the Engineering and Operations Committee on May 15, 2007. On MOTION by Withers, seconded and unanimously carried, THE ADDITION OF PROJECT 20542 FOR \$5,082,100 AND PROJECT 30542 FOR \$2,541,200 TO THE FY 2006/07 CAPITAL BUDGET WAS APPROVED; EXPENDITURE AUTHORIZATIONS FOR PROJECT 20542 FOR \$525,100 AND PROJECT 30542 FOR \$267,900 WERE APPROVED; AND THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH VA CONSULTING, INC. IN THE AMOUNT OF \$426,692 FOR ENGINEERING SERVICES FOR THE SAN DIEGO CREEK FLOODWALL IMPROVEMENTS, PROJECTS 20542 AND 30542.

GENERAL MANAGER'S COMMENTS

General Manager Jones provided an update on federal legislation relative to IRWD's Natural Treatment System project for funding.

DIRECTORS' COMMENTS

Director Swan reported on his attendance at the OCWA luncheon, a retirement event for Mr. Allen Ingren at UCI, the Southern California Dialog meeting, the Crystal Cove Alliance event, and SAWPA meetings.

Director Matheis reported on her attendance at the Crystal Cove Alliance event.

President Reinhart reported on attending an OPAMWC Board meeting and said that tomorrow he and staff would be meeting with the City of Orange relative to this proposed consolidation.

ADJOURNMENT

President Reinhart said that the Closed Session item would not be held this evening. There being no further business, President Reinhart adjourned the meeting.

APPROVED and SIGNED this 11th day of June, 2007.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone