

MINUTES OF REGULAR MEETING – JUNE 25, 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., June 25, 2007 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None

Also Present: General Manager Jones, Acting Director of Engineering Heiertz, Treasurer Loomis, Assistant General Manager Cook, Secretary Bonkowski, Legal Counsel Arneson, Mr. Jim Reed, Mr. Christopher Smithson, Ms. Ann Tobin, Mr. Eric Akiyoshi, Mr. Mike Hoolihan, Mr. Wayne Posey, Mr. Sat Tamaribuchi, Ms. Mary Ann Brown, 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 June 27, 2007. Well 12 will be undergoing rehabilitation work until mid-July. The District's planned pumping for 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 meeting on May 4, 2007. The draft agreement is currently being evaluated, and a subsequent meeting of the OCWD/IRWD Ad Hoc Committee is scheduled on July 6, 2007. Staff anticipates the OCWD will take action on the EIR and annexation agreement in the Summer of 2007. This was confirmed by Mr. Jones.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED - None

PUBLIC HEARING

REPORT ON WATER QUALITY RELATIVE TO PUBLIC HEALTH GOALS

General Manager Jones reported that the California Health and Safety Code requires that public water systems prepare a brief written report that provides information on detection of any contaminants above the Public Health Goals. Mr. Jones said that staff has prepared such a report which: (1) identifies each contaminant identified in the District's drinking water system that exceeded the applicable public health goal; (2) lists the numerical public health risks associated with each identified contaminant; (3) identifies and describes the category (type) of public health risk associated with each identified contaminant; (4) describes the best available technology available to remove or reduce the concentration of each identified contaminant; (5) estimates the cost of the technology; and (6) describes any action the District intends to take to reduce the concentration of the identified contaminant and the basis for that decision.

President Reinhart said this was the time and place for a hearing on report on water quality relative to public health goals, and declared the hearing open. He asked the Secretary how the hearing was noticed.

Secretary Bonkowski said that the report was filed with her on May 30, 2007, and notice of the filing of the report and the time and place of this hearing was published in the Orange County Register on June 18, 2007. A notice was also posted in the District office on June 1, 2007.

President Reinhart asked Legal Counsel to describe the nature of the proceedings. Legal Counsel Arneson said that the purpose of the hearing was for accepting and responding to public comments on the report.

Director Swan then asked staff to publish the report. On MOTION by Miller, seconded and unanimously carried, **THE AFFIDAVIT OF POSTING AND THE PROOF OF PUBLICATION PRESENTED BY THE SECRETARY WAS RECEIVED AND FILED, AND STAFF WAS ASKED TO PUBLISH THE REPORT.**

PROPOSED CHANGES TO THE SCHEDULE OF RATES AND CHARGES

General Manager Jones said that a supplemental write-up had been placed before each Director. Mr. Jones said that the Fiscal Year (FY) 2007-08 Operating Budget was adopted by this Board at a public workshop held on April 30, 2007. The proposed changes to the rates and charges were noticed by mail as required under Proposition 218 and protests to the implementation to those rates and charges were tallied by an independent accounting firm. Fifteen protests were received by the District which represented 0.015% of the total customers, less than the 50% which would have been required to prevent the Board from adopting the current proposed rates and charges.

President Reinhart said this was the time and place for a hearing on the proposed changes to the schedule of rates and charges, and declared the hearing open. He asked the Secretary how the hearing was noticed.

Secretary Bonkowski said that the hearing was noticed by mail and presented an Affidavit of Mailing.

On MOTION by Swan, seconded and unanimously carried, THE AFFIDAVIT OF MAILING BY AN INDEPENDENT PROCESSING FIRM AS PRESENTED BY THE SECRETARY WAS RECEIVED AND FILED.

President Reinhart asked Legal Counsel to describe the nature of the proceedings.

Legal Counsel Arneson said that tonight's Public Hearing was to receive input on protests and to adopt changes to the Schedule of Rates and Charges as set forth in an exhibit to the Rules and Regulations of the Irvine Ranch Water District.

President Reinhart asked for a staff report from the Controller on the proposed rates and charges, and inquired whether there had been any written communications.

Controller Cherney said that on April 30, 2007, the Board adopted the fiscal year 2007-08 Operating Budget for \$94.8 million, and during that meeting, staff was directed to send customized notices of the proposed changes to the rates and charges to the District's rate payers. She said that an independent service was hired that received protests at a post office box. She further said that 15 protests were received which represented 0.015% of the total customers which was less than the 50% which would have been required to prevent the Board from adopting the proposed rates and charges.

President Reinhart inquired whether there was anyone present who wished to address the Board regarding the proposed changes to the rates and charges.

Mr. Vincent Gray addressed the Board on the fire line service rates which he said have increased substantially over the last seven years since he established his business in Allred Center on Irvine Boulevard in Irvine. He placed before each Director a summary

of rate changes from 24 water agencies in Orange County from 2004 to 2006. He said that IRWD's proposed rate for this fiscal year was \$81.60, and asked for an explanation. President Reinhart, Director Swan and staff discussed the fire flow requirement placed on the water system, and following discussion, staff was asked to review the fire line rate setting process at the Finance and Personnel Committee. Mr. Dave Palmer, also a business owner in the Allred Center, raised concerns on the fire line service rates, and recommended a flat rate charge.

On MOTION by Swan, seconded and unanimously carried, THE HEARING WAS CLOSED, THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE, AND STAFF WAS DIRECTED TO HAVE THE FIRE LINE RATE SETTING PROCESS BE REVIEWED BY THE FINANCE AND PERSONNEL COMMITTEE:

RESOLUTION NO. 2007-16

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA ADOPTING CHANGES TO THE SCHEDULE OF RATES AND CHARGES AS SET FORTH IN EXHIBIT "B" TO THE RULES AND REGULATIONS OF IRVINE RANCH WATER DISTRICT FOR WATER, SEWER, RECYCLED WATER, AND NATURAL TREATMENT SYSTEM SERVICE AND EXHIBITS THERETO

CONSENT CALENDAR

Director Swan asked that item No. 9, STATE LEGISLATIVE UPDATE, be placed on the Action Calendar for discussion. There being no further comments, on MOTION by Swan, seconded and unanimously carried, CONSENT CALENDAR ITEM NOS. 4 THROUGH 8 AND 10 THROUGH 19 WERE APPROVED AS FOLLOWS:

4. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the June 11, 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 Directors Mary Aileen Matheis, Darryl Miller, Doug Reinhart, Peer Swan and John Withers.

6. STRATEGIC MEASURES' DASHBOARDS

Recommendation: Receive and file.

7. MAY 2007 FINANCIAL REPORTS

Recommendation: Receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate SWAP Summary for May 2007; approve the May 2007 Summary of Wire Transfers and ACH payments in the total amount of \$9,323,883.03; and the May 2007 Warrant Nos. 280073 through 281050 Workers' Compensation Distributions and voided checks in the total amount of \$11,580,708.78.

8. QUITCLAIM OF REAL PROPERTY

Recommendation: That the Board adopt the following resolution by title approving execution of the Quitclaim deed to Irvine Community Development Company LLC.

RESOLUTION NO. 2007-17

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT
APPROVING EXECUTION OF THE QUITCLAIM DEED TO
IRVINE COMMUNITY DEVELOPMENT COMPANY LLC

10. 2007 SELECTION OF STATE LOBBYIST AND LOCAL GOVERNMENT CONSULTANT

Recommendation: That the Board approve a professional services agreement for a term of six months with Isenberg/O'Haren in the amount of \$6,500 per month retainer plus reimbursable direct expenses for a total not to exceed \$42,900, and a professional services agreement for a term of three months with Curt Pringle and Associates in the amount of \$7,500 per month retainer plus reimbursable direct expenses for a total not to exceed \$49,500. The total requested contracts authorization is \$92,400.

11. BAKER PLANT NATURAL COMMUNITIES CONSERVATION PLAN (NCCP) MINOR AMENDMENT

Recommendation: That the Board approve the NCCP/HCP Reserve Boundary Minor Amendment - Lake Forest Baker Filtration Plant, and direct staff to implement the amendment.

12. CULVER DRIVE WATER MAIN REPLACEMENT FROM CAMPUS DRIVE TO BONITA CANYON DRIVE – REDUCTION OF RETENTION

Recommendation: That the Board finds satisfactory progress has been made on the contract and authorize the reduction of retention from 10% to 5% of the contract for the Culver Drive Water Main Replacement from Campus Drive to Bonita Canyon Drive, project 10569.

13. IRWD'S APPROVAL OF FISCAL YEAR 2007/08 SOUTH ORANGE COUNTY WASTEWATER AUTHORITY (SOCWA) BUDGET

Recommendation: That the Board approve IRWD's Fiscal Year 2007/08 SOCWA budget in the amount of \$179,620.

14. WASTEWATER OPERATIONS FY 2007/08 EXPENDITURE AUTHORIZATIONS

Recommendation: That the Board approve Expenditure Authorizations for projects 20491, 20492, 20494, 20886, 20889, 11179, 21179, 31179, 11193, 21193, 31193, 11194, 21194, 31194, 11196, 21196, 31196, 11197, 21197, 31197, 11198, 21198, 31198, 11199, 21199, 31199, 11200, 21200 and 31200 for a total amount of \$1,414,500.

15. AERATION TANK AIR FLOW METER REPLACEMENT EXPENDITURE AUTHORIZATION

Recommendation: That the Board approve an Expenditure Authorization for project 20459 for \$107,800, and authorize the General Manager to approve a sole source to Patten System, Inc. for the purchase of 33 air flow meters for the BNR activated sludge process at the Michelson Water Reclamation Plant.

16. MWRP CLARIFIER FLIGHT EQUIPMENT REPLACEMENT BUDGET ADJUSTMENT AND EXPENDITURE AUTHORIZATION

Recommendation: That the Board approve Expenditure Authorizations for projects 20458 and 20460 in the amount of \$186,500 and \$77,000 for replacement of the clarifier flight equipment at the MRWP.

17. IRVINE DESALTER PROJECT VARIANCE

Recommendation: That the Board authorize the General Manager to execute Variance No. 9 with Tetra Tech in the amount of \$140,144 for additional Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)-related design, construction support and inspection services for the Irvine Desalter Project, project 30376.

18. WATER OPERATIONS FISCAL YEAR 2007/08 EXPENDITURE AUTHORIZATIONS

Recommendation: That the Board approve Expenditure Authorizations for projects 10384, 10908, 10992, and 30992 for \$337,000, \$93,500, \$126,600, \$396,000, and \$137,500.

19. RESOLUTION TO ACCEPT THE CENTRAL ORANGE COUNTY INTEGRATED REGIONAL AND COASTAL WATER MANAGEMENT PLAN AND SUBSEQUENT GRANT APPLICATION

Recommendation: That the Board adopt the following resolution accepting the Central Orange County Integrated Regional and Coastal Water Management Plan and Grant Application:

RESOLUTION 2007-18

RESOLUTION OF THE BOARD OF DIRECTORS OF THE IRVINE RANCH WATER DISTRICT ACCEPTING THE CENTRAL ORANGE COUNTY INTEGRATED REGIONAL AND COASTAL WATER MANAGEMENT PLAN AND GRANT APPLICATION

ACTION CALENDAR

STATE LEGISLATIVE UPDATE

Following discussion on AB 1132 (Berryhill) – Graywater use incentives, this item was referred to the Water Resources and Communications Committee. On MOTION by Swan, seconded and unanimously carried, THE BOARD TOOK A SUPPORT POSITION ON SCA 12 (TORLAKSON) – LOCAL GOVERNMENT AND AB 1560 (HUFFMAN) – BUILDING STANDARDS.

FISCAL YEAR 2007/08 CAPITAL BUDGET

General Manager Jones said that staff was requesting approval of a resolution adopting the proposed Fiscal Year (FY) 2007/08 Capital Budget for \$120.2 million. Flagged projects were changed per the Board of Directors' comments received at the June 11 Board Workshop. Besides the flagged project comments, there have been no changes to the Capital Budget since the June 11 Capital Budget Board Workshop. On MOTION by Swan, seconded and unanimously carried, STAFF WAS DIRECTED TO REVISE THE LIST OF FLAGGED PROJECTS, AND THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2007-19

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT, ORANGE COUNTY CALIFORNIA, APPROVING DISTRICT'S CAPITAL BUDGET FOR FISCAL YEAR 2007/08

PLANNING AREA 1 – 30-INCH DOMESTIC WATER LINE BUDGET INCREASE AND EXPENDITURE AUTHORIZATION

The District's domestic, sewer, and recycled water facilities are currently being constructed for the Planning Area (PA) 1 development by the Irvine Community Development Company (ICDC) under a Supplemental Reimbursement Agreement. This project consists of increasing the size of an existing domestic water pipeline from 20-inches to 30-inches in diameter. In April of 2004, the Board approved a Supplemental Reimbursement Agreement with ICDC to design and construct the IRWD facilities and relocation of existing domestic and reclaimed water lines within PA-1. On MOTION by Swan, seconded and unanimously carried, THE ADDITION OF PROJECT 11341 WAS AUTHORIZED TO THE FY 2006/07 CAPITAL BUDGET FOR \$1,872,200, AND AN EXPENDITURE AUTHORIZATION WAS APPROVED FOR PROJECT 11341 IN THE AMOUNT OF \$1,872,200 FOR CONSTRUCTION, DESIGN AND INSPECTION SERVICES FOR THE PA-1 30-INCH DOMESTIC WATERLINE.

FISCAL YEAR 2007/08 EXPENDITURE AUTHORIZATIONS

Expenditure Authorizations were requested for the annual Engineering Planning Study Reserve, the OCSD CORF, the OCSD equity, and for on-site and off-site reclaimed water conversions. On MOTION by Swan, seconded and unanimously carried, EXPENDITURE AUTHORIZATIONS WERE APPROVED FOR FY 2007/08 AS FOLLOWS: \$71,500 FOR PROJECT 10562, THE ENGINEERING PLANNING STUDY RESERVE; \$13,318,000 FOR PROJECT 20108, OCSD CORF; \$3,921,000 FOR PROJECT 20581, OCSD EQUITY; \$249,700 FOR PROJECT 30272, ON-SITE RECLAIMED WATER CONVERSIONS; AND \$145,800 FOR PROJECT 30299, OFF-SITE RECLAIMED WATER CONVERSIONS.

TACTICAL INCENTIVE RECOMMENDATIONS

The Water Conservation Business Plan (Plan) has reinvigorated and re-focused IRWD's water conservation efforts. The three-year Plan included a "Tactical Incentives" element to encourage customers to install water conservation devices. Staff has reviewed existing funding levels and water savings and developed recommended incentive levels for conservation devices consistent with the funding provided in the FY 2007/2008 operating budget approved by the Board on April 30, 2007. Total program incentives for FY 2007/2008 are \$600,000. Staff requested the Board's approval of the tactical incentive levels for implementation on August 1, 2007. On MOTION by Miller, seconded and unanimously carried, CHANGES IN TACTICAL INCENTIVE FUNDING LEVELS WERE APPROVED FOR IRWD'S CONSERVATION DEVICES CONSISTENT WITH TOTAL INCENTIVE FUNDING OF \$600,000 APPROVED IN THE FY 2007/08 OPERATING BUDGET.

LOS ALISOS WATER RECLAMATION PLANT DIFFUSER AND SOLAR MIXER
RETROFIT PROJECT – BUDGET ADDITION, EXPENDITURE AUTHORIZATION
AND AWARD OF CONTRACT

The District is expanding its commitment to the environment by using renewable, clean energy sources wherever economically and physically possible. Such an opportunity presented itself at the LAWRP with its 4.8 million gallon per day (MGD) pond facility. Staff has procured funding commitments in the amount of \$43,912 through SCE's IEE program for this project. The payback is estimated to be 2.4 years (\$65,867 annual electrical savings, plus \$43,912 IEE Program incentive). General Manager Jones commended Mr. Tom Bonkowski and Mr. Wayne Posey for their efforts on this project. On MOTION by Swan, seconded and unanimously carried, THE ADDITION OF PROJECT 20741 TO THE FY 2006/07 CAPITAL BUDGET FOR \$220,000 WAS AUTHORIZED, AN EXPENDITURE AUTHORIZATION FOR \$220,000 WAS APPROVED, AND THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE A CONTRACT WITH SOLARBEE FOR \$198,679 FOR THE CONSTRUCTION OF THE LOS ALISOS WATER RECLAMATION PLANT DIFFUSER AND SOLAR MIXER RETROFIT PROJECT.

GENERAL MANAGER'S COMMENTS

General Manager Jones reported that he would be testifying on AB 1406 and AB 566 tomorrow in Sacramento.

DIRECTORS' COMMENTS

Director Swan reported on his attendance at a community tour on Saturday. He said he attended a recent Santiago Aqueduct Commission meeting where the Commissioners voted to go forward with the Baker Treatment plant. He said he attended a meeting with Supervisor Campbell relative to the flood walls around the Michelson Reclamation Plant. He further said he attended an OCBC Infrastructure meeting as well as a LAFCO meeting on the MWDOC municipal service review.

Director Matheis said she attended a Tustin installation of officer's event.

President Reinhart reported on a trip to Washington, DC to discuss federal funding on the Natural Treatment System with Senator Feinstein. He said he attended a MWDOC municipal service review meeting. He also said he met with MWDOC's Susan Hinman for a tour of the Irvine Desalter project.

Director Withers said he has a meeting with General Manager Kevin Hunt of MWDOC tomorrow to discuss various water-related issues.

Director of Engineering Heiertz introduced new employee Ms. Ann Tobin to the Board.

RECESS AND RECONVENE

President Reinhart declared a recess at 7:00 p.m. to hold Annual meetings of Bardeen Partners, Water Service Corporation, Joint Powers Agency and the Improvement Corporation. The meeting was reconvened at 7:08 p.m. with all Directors present.

CLOSED SESSION

President Reinhart said that a Closed Session item would be held this evening with legal counsel relative to potential litigation; Government Code Section 54956.9(c); (one or more potential cases, concerning the annexation to OCWD).

OPEN SESSION

Following the Closed Session, the meeting was reconvened with all Directors present. No action was reported.

APPROVED and SIGNED this 9th day of July, 2007.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone