

## MINUTES OF REGULAR MEETING – JULY 28, 2008

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 6:00 p.m. by President Miller on July 28, 2008 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: Reinhart.

Also Present: General Manager Jones, Assistant General Manager Cook, Director of Engineering Heiertz, Secretary Bonkowski, Legal Counsel Arneson, Ms. Debby Cherney, Mr. Paul Weghorst, Mr. Jim Reed, Mr. Jim Carter, Mr. Bruce Newell, Ms. Maryann Brown, Mr. John Hills, Ms. Janet Wells, Mr. Terry Loomis, Mr. Wayne Posey, Ms. Shannon Reed, Mr. Dave Lochridge, Mr. Carl Ballard, Mr. Mike Hoolihan, Mr. John Crawford, Mr. Joe Stucker, Dan Miller, Dean Kirk and Sat Tamaribuchi of The Irvine Company, 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 4, C-8, C-9, 10, 13, 14, 15, 16, and 17 are in operation in accordance with the District's annual pumping plan. Wells 1, 2, 3, 5, 6, 7, 11, 12 and 18 will be placed in operation as required. The District's planned pumping for July is 5,000 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), a Notice of Completion was approved by the OCWD Board of Directors on March 19, 2008. Metropolitan Water District has given notice to OCWD that it will begin extracting a portion (i.e. 20,000 acre feet) of its 50,000 acre-feet in storage beginning in fiscal year 2008-09. This was confirmed by Mr. Jones.

With respect to the OCWD annexation of certain IRWD lands, OCWD staff is evaluating IRWD's most current projections of the amount and general location of its future groundwater production for inclusion in OCWD's proposed update of the Long-Term Facilities Plan and Annexation Environmental Impact Report. OCWD has taken no further actions with respect to the annexation. At OCWD's request, IRWD staff has provided additional future groundwater production scenarios with annexation. This was confirmed by Mr. Jones.

With respect to the Groundwater Emergency Service Plan, IRWD has an agreement in place with various south Orange County water agencies, MWDOC and OCWD to produce additional groundwater for use within IRWD and transfer imported water from IRWD to South County in case of emergencies. IRWD is finalizing negotiations of an agreement with

certain south Orange County water agencies to fund the interconnection facilities needed to affect the emergency transfer of water. This was confirmed by Mr. Jones.

ITEMS TOO LATE TO BE AGENDIZED – None.

PRESENTATION

RESOLUTION COMMENDING JOHN CRAWFORD FOR HIS DEDICATED SERVICE TO THE DISTRICT

General Manager Jones presented Mr. John Crawford with a resolution commending him for 17 years of dedicated and outstanding service as Vehicle and Equipment Maintenance Manager. On MOTION by Swan, seconded and unanimously carried, THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2008-40

RESOLUTION OF THE BOARD OF DIRECTORS OF  
IRVINE RANCH WATER DISTRICT RECOGNIZING  
JOHN CRAWFORD FOR HIS YEARS OF SERVICE

PUBLIC HEARING

SEWER CHARGES TO BE COLLECTED ON THE TAX ROLL

General Manager Jones reported that by adoption of Resolution No. 1987-45, the Board of Directors elected to have sewer charges for certain parcels of land located in the Newport North area collected on the tax roll together with the District's general taxes. Pursuant to the requirements of the Health and Safety Code of the State of California, a public hearing on the report is required. He said that the District Secretary has noticed a hearing for this meeting for objections or protests to the report, if any.

President Miller said this was the time and place for a hearing on the report relative to collection of sewer charges on the tax roll for parcels of land located in the Newport North area, 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 June 26, 2008, and notice of the filing of the report and the time and place of this hearing was published in the Orange Coast Daily Pilot on July 12 and July 19, 2008. She further said that a notice was also posted in the District office on June 30, 2008. On MOTION by Withers, seconded by Matheis, and unanimously carried, THE AFFIDAVIT OF POSTING AND THE PROOF OF PUBLICATION PRESENTED BY THE SECRETARY WAS RECEIVED AND FILED.

Legal Counsel Arneson described the nature of the proceedings, saying that the purpose of the hearing was to provide an opportunity for all persons interested or the owner of any parcel within the area to present objections or protests to the report.

President Miller asked Secretary Bonkowski whether she had received any written communications concerning this matter, and she stated that she had not. President Miller asked if there was anyone present who wished to address the Board concerning the report and the proposed collection of sewer charges on the tax roll. There was no one present who wished to be heard. He then inquired if there were any comments or questions from members of the Board of Directors. There were none.

On MOTION by Swan, seconded by Matheis and unanimously carried, THE HEARING WAS CLOSED, AND RESOLUTION NO. 2008-41 WAS ADOPTED BY TITLE AS FOLLOWS:

RESOLUTION NO. 2008-41

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE  
RANCH WATER DISTRICT ADOPTING REPORT OF SEWER  
CHARGES TO BE COLLECTED  
ON THE TAX ROLL

CONSENT CALENDAR

On MOTION by Matheis, seconded and unanimously carried, CONSENT CALENDAR ITEMS 5 THROUGH 22 WERE APPROVED AS FOLLOWS:

5. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the June 16, 2008 Regular Board Meeting, the June 23, 2008 Adjourned Regular Board Meeting, and the June 23, 2008 Regular Board Meeting be approved as presented.

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

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

7. STRATEGIC MEASURES' DASHBOARD

Recommendation: Receive and file.

8. 2008 STATE LEGISLATIVE UPDATE

Recommendation: Receive and file.

9. DENTAL INSURANCE COVERAGE FOR JULY 2008 THROUGH DECEMBER 2009

Recommendation: That the Board authorize the General Manager to extend the District's contract with ACWA Services Corporation for Delta DPO Plan A with Child and Adult Orthodontic Coverage for the 18-month period beginning July 1, 2008.

CONSENT CALENDAR (CONTINUED)

9. DENTAL INSURANCE COVERAGE FOR JULY 2008 THROUGH DECEMBER 2009

Recommendation: That the Board authorize the General Manager to extend the District's contract with ACWA Services Corp. for Delta DPO Plan A with Child and Adult Orthodontic Coverage for the 18-month period beginning July 1, 2008.

10. REIMBURSEMENT OF BOARD MEMBER FOR BUSINESS EXPENSES

Recommendation: That the Board approve the April 2008 expense report submitted for reimbursement of Board of Director conference, travel and business expenses incurred by Director Peer Swan.

11. ASSET OPTIMIZATION – WATERWORKS WAY BUSINESS PARK CONSTRUCTION CHANGE ORDER NO. 1

Recommendation: That the Board approve Change Order No. 1 in the amount of \$393,691.09 for the Waterworks Way Business Park Project, project 11117.

12. JUNE 2008 FINANCIAL REPORTS

Recommendation: Receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for June 2008, approve the June 2008 Summary of Wire Transfers and ACH payments in the total amount of \$7,301,820.04, and approve the June 2008 Warrants Nos. 291451 through 292519, Workers' Compensation distributions and voided checks in the total amount of \$17,956,102.08.

13. ANNUAL FISCAL YEAR 2008-09 WATER QUALITY PLANNING RESERVES

Recommendation: That the Board approve Expenditure Authorizations in the amount of \$202,400 for project 11327, \$192,500 for project 21327, and \$199,100 for project 31327.

14. PLANNING AREA 9B, STONEGATE PHASE 1A EXPENDITURE AUTHORIZATION

Recommendation: That the Board approve an Expenditure Authorization for project 30012 in the amount of \$363,000 to fund construction for Stonegate Phase 1A Backbone and Neighborhoods 3B and 7.

CONSENT CALENDAR (CONTINUED)

15. PLANNING AREA 18 NORTH – LAGUNA CROSSING BUDGET AND EXPENDITURE AUTHORIZATIONS

Recommendation: That the Board approve a budget increase to the Fiscal Year 2008/09 Capital Budget for project 20431 by \$825,000, from \$1,078,000 to \$1,903,000, and approve an Expenditure Authorization for project 20431 in the amount of \$1,688,500 for construction and inspection services for capital sewer facilities in Planning Area 18 North, Contract No. 106210B.

16. PLANNING AREAS 30 AND 51 SUB AREA MASTER PLAN – VARIANCE NO. 3 APPROVAL

Recommendation: That the Board approve Expenditure Authorizations for project 10787 for \$27,200 and project 20787 for \$24,700, and authorize the General Manager to execute Variance No. 3 to Tetra Tech, Inc. for professional services in the amount of \$42,280 for the Planning Areas 30 and 51 Sub-Area Master Plan.

17. LEGACY PARK CAPITAL IMPROVEMENTS – REIMBURSEMENT AGREEMENT

Recommendation: That the Board authorize the General Manager to execute a Reimbursement Agreement with the Tustin Legacy Community Partners LLC for the design and construction of the Irvine Ranch Water District capital domestic water, sewer, and reclaimed water pipeline facilities located on the former Marine Corps Air Facility at Tustin within the development known as Legacy Park.

18. DEPARTMENT REORGANIZATION FOR WATER OPERATIONS – ADOPT RESOLUTION TO ESTABLISH A REVISED SCHEDULE OF POSITIONS AND SALARY RATE RANGES

Recommendation: That the Board adopt the following resolution by title rescinding Resolution No. 2008-15 and establishing a revised schedule of positions and salary rate changes.

RESOLUTION NO. 2008 - 42

RESOLUTION OF THE BOARD OF DIRECTORS  
OF IRVINE RANCH WATER DISTRICT, RESCINDING  
RESOLUTION NO. 2008-15 AND ESTABLISHING  
A REVISED SCHEDULE OF POSITIONS AND SALARY  
RATE RANGES

CONSENT CALENDAR (CONTINUED)

19. QUITCLAIM OF REAL PROPERTY (IRVINE CENTER DRIVE)

Recommendation: That the Board adopt the following resolution by title approving execution of the quitclaim deed to The Irvine Company LLC (Irvine Center Drive).

RESOLUTION NO. 2008 – 43

RESOLUTION OF THE BOARD OF DIRECTORS OF  
IRVINE RANCH WATER DISTRICT APPROVING  
EXECUTION OF THE QUITCLAIM DEED TO  
THE IRVINE LAND COMPANY LLC  
(IRVINE CENTER DRIVE)

20. QUITCLAIM OF REAL PROPERTY (THE MARKETPLACE)

Recommendation: That the Board adopt the following resolution approving execution of the quitclaim deed to The Irvine Company LLC (The Marketplace).

RESOLUTION NO. 2008 – 44

RESOLUTION OF THE BOARD OF DIRECTORS OF  
IRVINE RANCH WATER DISTRICT APPROVING  
EXECUTION OF THE QUITCLAIM DEED TO  
THE IRVINE LAND COMPANY LLC  
(THE MARKETPLACE)

21. REIMBURSEMENT AGREEMENTS BETWEEN IRWD AND THE CITIES  
OF IRVINE AND LAKE FOREST FOR THE ADJUSTMENT/RELOCATION  
OF MISCELLANEOUS FACILITIES RELATED TO CITY STREET PROJECTS

Recommendation: That the Board authorize the General Manager to execute a two-year reimbursement agreement with the City of Irvine for the installation of miscellaneous facilities; authorize the General Manager to execute the reimbursement agreement with the City of Irvine for CIPs 318140 and 318200, Annual Local Street Rehabilitation and Slurry Seal for the villages of Rancho San Joaquin, University Park, and Turtle Rock; authorize the General Manager to execute reimbursement agreements with the City of Lake Forest for three City of Lake Forest street rehabilitation projects, PW2005.05 D&E, PW2005.05 F, and PW2007.17A, for street resurfacing and slurry seal improvements for various streets within Lake Forest; authorize an increase to the FY 2008-09 Capital Budget in the amount of \$93,500, from \$170,500 to \$264,000 for project 10891; \$97,800, from \$166,200 to \$264,000 for project 20891; and \$50,000, from \$52,300 to \$102,300, for project 30891; and approve Expenditure Authorizations in the amounts of \$204,000 for project 10891, \$97,800 for project 20891, and \$50,000 for project 30891.

## CONSENT CALENDAR (CONTINUED)

22. AGREEMENT TO ACCOMMODATE WASTEWATER FLOWS FROM THE SAN JOAQUIN HILLS PLANNED COMMUNITY/COYOTE CANYON LANDFILL/GAS RECOVERY SYSTEMS AREAS THAT ORIGINATE IN REVENUE AREA 14

Recommendation: That the Board authorize execution of an agreement with the Orange County Sanitation District entitled: Wastewater Flows from the San Joaquin Hills Planned Community/Coyote Canyon Landfill/Gas Recovery Systems areas that originate in Revenue Area 14.

## ACTION CALENDAR

### SETTING CONNECTION FEES AND PROPERTY TAXES FOR FY 2008-09

General Manager Jones reported that each year the Board considers connection fees and property tax rates and makes adjustments as a result of changing assumptions and capital needs. Mr. Jones said that for the last several years, the primary drivers considered by the Board in setting connection fees and property taxes were the potential loss or reallocation of 1% property tax revenues, increased future capital costs, and the maintenance of the 75% debt service coverage ratio. He said that in FY 2007-08, the Board increased connection fees by 18% and adopted tax rates within various Improvement Districts ranging from \$0.01774 to \$0.0398. For FY 2008-09, staff recommends that the Board increase connection fees by 11.2% and make no changes to the current tax rates.

Mr. Jones said that the fundamental objectives set forth by the Board in setting connection fees and property taxes include: 1) minimizing and equitably allocating new capital costs; 2) maintaining the 50/50 split between connection fees and property taxes; 3) minimizing rate and fee "shock"; 4) maintaining the 75% debt service coverage objective; and 5) maintaining the District's replacement fund for its intended use. He said that these fundamental objectives are supplemented by a variety of assumptions, including cost of debt, the District's rate of return and the ENR index as well as how 1% property tax revenues are to be allocated.

Mr. Jones said that in reaching this year's recommendation staff: 1) responded to each issue raised by The Irvine Company in a letter sent to the Board in July 2007; 2) discussed and modified the assumptions that influence the Enterprise Model with the Finance and Personnel Committee on June 3, 2008; 3) presented 15 alternative scenarios based on a matrix using variations in connection fee increases, interest rate spreads and 1% property tax assumptions at a Board workshop on June 23, 2008; 4) presented additional modeling at the Finance and Personnel Committee meeting on July 3, 2008 from previous Board direction; 5) met with The Irvine Company on several occasions, including July 7, 2008, to review topics that they identified at each meeting; 6) presented the topics presented by The Irvine Company with responses and provided additional modeling at the Board Workshop on July 8, 2008 using the matrix which resulted in Board direction.

Mr. Jones said that Exhibit “D” is a redlined copy of all proposed connection fees for FY 2008-09 and Exhibit “E” is a list of the Property Tax Rates by Improvement District. He further said that staff recommends no change to existing property tax rates.

On MOTION by Swan, seconded by Matheis, and unanimously carried, THE FOLLOWING RESOLUTIONS WERE ADOPTED BY TITLE:

RESOLUTION NO. 2008-45

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

RESOLUTION NO. 2008-46

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA ESTABLISHING AD VALOREM TAX REVENUES FOR FISCAL YEAR 2008-09

President Miller thanked staff and the Board members for their interaction and discussion on this item during the workshop and at Committee meetings. Mr. Dan Miller of The Irvine Company requested that in 2009 staff review the Enterprise Model with them prior to a Board workshop discussion.

IRWD POTABLE WATER SUPPLY RELIABILITY STUDY SUMMARY

Director of Engineering Heiertz reported that in January 2008, the Board awarded a contract to prepare the IRWD Potable Water Supply Reliability Study (Study) to CDM. Mr. Heiertz said that the report has been finalized based on comments received from the Board at the April 28, 2008 Board Workshop. As requested by the Board, CDM is preparing a variance to include analysis of the Bay-Delta levee failure scenario. The final study includes assumptions regarding the implementation of water supply projects currently included in the adopted 2008/09 Capital Budget and the long-term capital program included in the District’s Enterprise Model. It is staff’s anticipation that the study will be periodically updated and brought to the Board as assumptions change over time or as alternative potable water supply capital projects are developed.

Director Withers reported that this item was reviewed and approved by the Engineering and Operations Committee on July 15, 2008. On MOTION by Withers, seconded and unanimously carried, THE IRVINE RANCH WATER DISTRICT’S POTABLE WATER SUPPLY RELIABILITY STUDY WAS RECEIVED AND FILED.



BAKER REGIONAL WATER TREATMENT FACILITY  
CONSULTANT SELECTION AND EXPENDITURE AUTHORIZATION

Director of Engineering Heiertz reported that the pilot work for the Baker Regional Water Treatment Facility included testing the performance of two microfiltration membrane systems in treating water from Irvine Lake and the State Water Project. The pilot testing showed that both membranes were effective in reducing the turbidity to below the limit of 0.05 NTUs.

Mr. Heiertz said that the Request for Proposals for providing design engineering and construction phase services was issued to seven design firms: Black & Veatch, Carollo Engineers, CDM, Kennedy Jenks Consultants, Malcolm Pirnie, MWH, and Tetra Tech. Proposals were submitted by RBF-Carollo, CDM-Black & Veatch-Trussel Technologies, Malcolm Pirnie-HDR-Kennedy Jenks, and Tetra Tech-SPI. The proposals were reviewed by staff from all the participating agencies. He said that staff recommends that RBF-Carollo be awarded the work since its approach and scope of work are most consistent with the project goals. If approved by the Board, RBF-Carollo's design fee of \$4,047,164 would be released in three phases. The first phase fee of \$1,508,876 covers the completion of the Preliminary Design Report (PDR) and updating the project cost estimate. The second phase fee, \$1,793,804, is for membrane pre-selection, final design, and bid phase services. The balance of the design fee, \$744,484, is for construction and post-construction services.

Mr. Heiertz said that the PDR will compare the updated unit cost of treated Baker Plant water (dollars per acre-foot) with the latest Metropolitan Water District's (MWD) rate projections. This information will be evaluated by the Baker Plant Project Committee which consists of the participating retail water agencies in determining the project's economic feasibility. Final design and construction phase costs will be incurred only if agencies participating in the project committee decide to implement the project.

An agreement among the project subscribers include El Toro Water District (ETWD), Irvine Ranch Water District (IRWD), Moulton Niguel Water District (MNWD), Santa Margarita Water District (SMWD), and Trabuco Canyon Water District (TCWD) is being prepared to address management and costs for design, construction, and operation of the Baker Plant. The plant site which is located on IRWD property will be leased to the subscribers in proportion to each subscriber's purchased capacity in the plant. MWD has indicated that they are not interested in owning any capacity in the Baker Plant at this time. MWD's primary concerns include potential impacts to water quality and expenses associated with wheeling the treated water through the MWD system.

Director Withers reported that this item was reviewed and approved by the Engineering and Operations Committee on July 15, 2008. On MOTION by Withers, seconded and unanimously carried, THE BOARD AUTHORIZED A BUDGET INCREASE TO THE FY 2008-09 CAPITAL BUDGET FOR PROJECT 11218 BY \$10,125,700, FROM \$44,369,300 TO \$54,495,000; APPROVED AN EXPENDITURE AUTHORIZATION FOR \$4,935,000 FOR PROJECT 11218; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH RBF-CAROLLO FOR THE DESIGN AND CONSTRUCTION PHASE SERVICES OF BAKER REGIONAL WATER TREATMENT FACILITY FOR \$4,047,164 FOR PROJECT 11218.

STRAND RANCH INTEGRATED BANKING PROJECT RECHARGE FACILITY  
DESIGN – CONSULTANT SELECTION

General Manager Jones reported that the Strand Ranch Integrated Banking Project will enhance water supply reliability for IRWD by providing contingency groundwater storage to augment supplies during dry-year periods. Facilities will be constructed on the Strand Ranch to recharge and recover up to 17,500 acre feet per year. The recharge facilities will occupy 502 acres (or 82 %) of the Strand Ranch property. Water will be supplied to the recharge basins from two turnouts being constructed for IRWD (under a separate project) on the Cross Valley Canal (CVC). These turnouts are being constructed by the Kern County Water Agency. Water from the turnouts will be conveyed to the recharge basins through two water supply channels.

General Manager Jones said that Boyle developed preliminary designs for the recharge facilities in March 2007. Boyle also prepared the final designs for the CVC turnouts on the Strand Ranch that will supply the recharge facilities. He said that Boyle submitted a scope of work and fee proposal for finalizing the design of the recharge facilities. Staff believes that the estimates submitted are reasonable and fair. To take advantage of the preliminary work and experience of Boyle as well as to help meet the aggressive project schedule, staff recommends that Boyle be awarded a sole source design contract. Boyle's familiarity with the project and excellent performance to date will ensure continuity throughout completion of the recharge facilities.

Director Withers reported that this item was reviewed and approved by the Engineering and Operations Committee on July 15, 2008. Vice President Matheis thanked Director Swan, Mr. Jones and Mr. Weghorst for all of their efforts on this project. On MOTION by Withers, seconded and unanimously carried, THE BOARD APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$102,400 FOR PROJECT 11289 AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE AN AGREEMENT WITH BOYLE ENGINEERING CORPORATION IN THE AMOUNT OF \$77,957 FOR THE FINAL DESIGN OF RECHARGE BASINS, EMBANKMENTS, AND SURFACE CONVEYANCE FEATURES ON THE STRAND RANCH IN KERN COUNTY.

IRVINE DESALTER PROJECT – MANGANESE REMOVAL SYSTEM BUDGET  
INCREASE, EXPENDITURE AUTHORIZATION AND CONSTRUCTION AWARD

General Manager Jones reported that after the Irvine Desalter Project (IDP) Potable Treatment Plant became operational in 2007, higher than anticipated concentrations of manganese began appearing in the source water to this facility. Mr. Jones said that because a portion of this incoming flow bypasses the plant's reverse osmosis treatment process, high concentrations of manganese were also noticed in the product water. He said that staff determined that a manganese removal system was required to reduce manganese concentrations to an acceptable level.

Director of Engineering Heiertz reported that a bid package for this project was sent to 18 contractors and that seven contractors submitted bids. Mr. Heiertz said that Pascal & Ludwig Constructors was the apparent low bidder with the total bid amount of \$1,794,100,

and that the engineer's estimate was \$2,292,959.90. He said that Pascal & Ludwig has completed many successful projects for IRWD, including the recently constructed IDP Potable Treatment Plant and the Deep Aquifer Treatment System facility. The contractor's bid includes the cost for the Loprest System which will be installed by the contractor and included under the contractor's one-year project warranty.

On MOTION by Matheis, seconded and unanimously carried, THE BOARD AUTHORIZED A BUDGET INCREASE TO THE FY 2008-09 CAPITAL BUDGET FOR PROJECT 10376 BY \$3,873,000, FROM \$38,272,000 TO \$42,145,000; APPROVED AN EXPENDITURE AUTHORIZATION FOR PROJECT 10376 FOR \$3,892,000; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONTRACT WITH PASCAL & LUDWIG CONSTRUCTORS FOR \$1,794,100 FOR THE CONSTRUCTION OF THE IRVINE DESALTER PROJECT – MANGANESE REMOVAL SYSTEM, PROJECT 10376.

#### FLEET SERVICES BUILDING IMPROVEMENTS EXPENDITURE AUTHORIZATIONS AND CONSTRUCTION AWARD

Director of Operations Ballard reported that the Fleet Services building was originally constructed in the mid 1980s and since that time, IRWD has not only brought more water and wastewater facilities on-line, but the boundaries of IRWD have also increased substantially. Mr. Ballard said that to ensure that the Fleet Services department continues to run efficiently by stocking commonly utilized repair parts, the need for additional storage is becoming critical. In addition, the employee meeting room needs to be expanded to accommodate growth in the department which has increased from four employees originally envisioned at this facility to six employees.

Mr. Ballard said that a Request for Proposal for the construction of this expansion was sent to three select bidders. He said that staff recommends awarding the contract to the apparent low bidder, Lacy Construction, for \$98,798.

On MOTION by Matheis, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH LACY CONSTRUCTION FOR \$98,798 FOR THE FLEET SERVICES BUILDING IMPROVEMENTS, AND APPROVED EXPENDITURE AUTHORIZATIONS IN THE AMOUNT OF \$50,600 FOR PROJECT 11247, \$50,600 FOR PROJECT 21247 AND \$48,200 FOR PROJECT 31247.

#### LANDSCAPE AND IRRIGATION MAINTENANCE CONTRACT AWARD

Director of Operations Ballard reported that the three-year landscape and irrigation maintenance contract has expired. Mr. Ballard said that bids were received from four contractors, and that staff recommends awarding the three-year contracts by low bid for each of the eight geographical areas as the total of \$1,242,865 is \$83,735 less than the low bid of \$1,326,600 for the District as a whole. The low bids represent an 11% increase over the previous three-year low bids. The increase is due to cost escalation and the addition of sites to the contract.

On MOTION by Matheis, seconded and unanimously carried, THE GENERAL MANAGER WAS AUTHORIZED TO AWARD THREE-YEAR LANDSCAPE AND IRRIGATION MAINTENANCE CONTRACTS TO TROPICAL PLAZA NURSERY INC. FOR \$609,192, PINNACLE LANDSCAPE FOR \$138,987 AND MERCHANTS LANDSCAPE SERVICES FOR \$494,686.

### LAKE FOREST OPPORTUNITIES STUDY – APPROVAL OF DEVELOPMENT AGREEMENT

Treasurer Loomis reported that over the past five years, staff and our consultant, Lewis Operating Corporation (Lewis), have worked with the City of Lake Forest to obtain residential entitlement on the former LAWD headquarters site as part of the City's Opportunities Study. In early 2003, the City of Lake Forest (City) initiated a comprehensive "Opportunities Study" (OSA) to evaluate potential land use changes from commercial/business park to residential/mixed-use on approximately 950 acres that were impacted by the closing of airport operations at the MCAS-El Toro base. Using a PowerPoint presentation, Mr. Loomis that that the final OSA project consists of the following elements: 1) a maximum of 5,415 residential units and 360,000 square feet of commercial area; 2) a 25-acre sports park and community center; 3) a nine-acre civic center which includes a city hall, community center, and future facilities; 4) \$14.8 million for traffic improvements; and 5) \$29.8 million for school improvements at El Toro High School, Serrano Intermediate School and various elementary schools in Lake Forest.

Mr. Loomis said that the Development Agreement (DA) provided the following terms: 1) the term of the DA is twenty (20) years, with provisions to extend the term under specified conditions; 2) IRWD has the vested right to develop a minimum of 500 and a maximum of 833 residential units on the property; 3) IRWD is obligated to pay development impact fees and provide approximately 4.5 acres of improved neighbor park area; 4) IRWD will provide approximately \$400,000 as its share of an advance of funds (\$2.8 million total) to the City to begin design of the sports park and community center; 5) the City has the discretionary right to form a Community Facilities District (CFD) to finance IRWD's public facilities obligations described above; 6) IRWD will develop and dedicate nine net acres on the property for the City's Civic Center site. IRWD will receive a combination of neighborhood park credits, affordable housing in-lieu credits, and development impact fee credits in exchange for the Civic Center site. There are land use restrictions on the civic center site and provisions for the site to revert to IRWD if it is not used for the Civic Center. Mr. Loomis said that IRWD's cost will be \$19.3 million with the overall cost at \$142.2 million. He then reviewed the schedule with the Board. The DA will become effective 30 days after the City Council's second reading of the authorizing ordinance. Mr. Joe Stucker of Lewis Operating Corporation was in the audience and reported on the success of the study and believed that it will be beneficial to IRWD. On MOTION by Withers, seconded and unanimously carried, THE BOARD APPROVED THE "DEVELOPMENT AGREEMENT" WITH THE CITY OF LAKE FOREST AND AUTHORIZED THE BOARD PRESIDENT TO EXECUTE THE AGREEMENT IN SUBSTANTIALLY THE FORM PRESENTED TO THIS MEETING WITH SUCH

CHANGES AS ARE APPROVED BY THE GENERAL MANAGER AND LEGAL COUNSEL.

VARIANCE NO. 2 TO CONSULTANT CONTRACT WITH LEWIS OPERATING CORPORATION – LAKE FOREST OPPORTUNITIES STUDY

General Manager Jones reported that staff is recommending a \$1,240,000 variance to the consulting contract with Lewis Operating Corporation (Lewis) to provide services and retain consultants related to land use entitlement work pursuant to the Lake Forest Opportunities Study, and to provide funding for related staff time and legal services. Over the past six months, the focus of the Opportunities Study has been to negotiate a mitigation agreement with Saddleback Valley Unified School District, and to complete a land acquisition agreement and Development Agreement (DA) with the City of Lake Forest (the City). The recommended variance will allow Lewis to perform additional and more in-depth services related to obtaining specific land use entitlement from the City to prepare the property for sale or land development in the future.

Director Withers reported that this item was reviewed and approved by the Asset Management Committee on June 25, 2008. On **MOTION** by Withers, seconded and unanimously carried, **THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE VARIANCE NO. 2 TO THE PROFESSIONAL SERVICES AGREEMENT WITH LEWIS OPERATING CORPORATION TO PROVIDE CONSULTING SERVICES RELATED TO THE OPPORTUNITIES STUDY IN THE AMOUNT OF \$1,240,000, AUTHORIZED AN INCREASE TO THE 2008-09 CAPITAL BUDGET FOR PROJECT NO. 11116 FROM \$2,066,500 TO \$3,496,500, AND APPROVED AN EXPENDITURE AUTHORIZATION FOR PROJECT NO. 11116 IN THE AMOUNT \$3,496,500.**

GENERAL MANAGER'S REPORT

General Manager Jones reported on his meeting last Friday with Celeste Cantu and Dennis Connor on the language of controlling waste outlined in AB 2882 which is unacceptable to IRWD in its current form. He also introduced Shannon Reed, the new Public Affairs Manager Shannon Reed, who is a former employee of the San Diego County Water Authority.

DIRECTOR'S COMMENTS

Director Swan reported on his attendance at the following: 1) MWD's Southern California Water Dialogue meeting last Wednesday; 2) MWDOC's recent forum and dinner meeting; 3) ACWA's Board meeting last Thursday and Friday; 4) OCWA's monthly luncheon meeting; and 5) WACO meeting. He said that ACWA Region 8, 9, and 10 meetings will be held on September 30 and October 1, that the group would need to use IRWD's Duck Club facility on the 30<sup>th</sup> and that they may also wish to tour a few of IRWD's facilities.

Director Matheis reported on her attendance on the three-day Water Education Foundation's Hetch Hetchy tour. She also said she attended an Open House at Lennar Development representing the District.

CLOSED SESSION

President Miller reported that a Closed Session would be held as follows:  
CONFERENCE with legal counsel - ANTICIPATED LITIGATION (Government Code  
Section 54956.9(b) – significant exposure to litigation (one potential case).

OPEN SESSION

Following the Closed Session, the meeting was reconvened with Miller, Swan, Matheis,  
and Withers present. President Miller stated that there was no action to report.

ADJOURNMENT

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

APPROVED and SIGNED this 11th day of August, 2008.

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President, IRVINE RANCH WATER DISTRICT

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Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

\_\_\_\_\_  
Legal Counsel - Bowie, Arneson, Wiles & Giannone