

MINUTES OF REGULAR MEETING – MAY 26, 2009

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 5:00 p.m. by President Reinhart on May 26, 2009 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Matheis, Reinhart, Withers (arrived at 5:16 p.m.), Swan, and LaMar.

Directors Absent: None.

Also Present: General Manager Jones, Assistant General Manager Cook, Director of Engineering and Construction Burton, Director of Planning, Water Resources and Environmental Quality Heiertz, Director of Finance Cherney, Secretary Bonkowski, Legal Counsel Arneson, Mr. Jim Reed, Mr. Bruce Newell, Mr. Jeff Staneart, Mr. Steve Malloy, Mr. Paul Weghorst, Mr. Mike Hoolihan, Mr. Tony Mossbarger, Ms. Beth Beeman, Mr. Malcolm Cortez, Mr. Dean Kirk, Mr. Wayne Posey, Mr. Eric Akiyoshi, and other members of the public and staff.

COMMUNICATIONS TO THE BOARD

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 7, C-8, C-9, 10, 12, 15, 16 and 17 are in operation in accordance with the District's annual pumping plan. Wells 1, 2, 4, 6, 11, 13 and 18 will operate a portion of the week. Wells 3, 5 and 14 are inactive. The District's planned pumping for May is 2,690 acre-feet. 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. 22,000 acre-feet) of its 48,500 acre-feet in storage beginning in fiscal year 2008-09. It is expected that an additional 22,000 acre-feet will be extracted in FY 2009-10. The extraction is being performed by agencies that constructed conjunctive use wells under this program. IRWD is not a participant. 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 has approved the operating agreement with certain south Orange County water agencies to fund the interconnection facilities needed to affect the emergency

transfer of water. MWDOC and OCWD have also both approved the operating agreement. This was confirmed by Mr. Jones.

Mrs. Smith further said that she attended a regular meeting of the San Juan Capistrano City Council held on May 19, 2009, and then read the following:

“On August 7, 2007, I attended the regular meeting of the San Juan Capistrano City Council and read into the record my letter of August 7 to the council regarding the proposed widening of Ortega Highway. It indicates the following:

My name is Joan Irvine Smith, and I am a resident of the City of San Juan Capistrano. My horse farm, The Oaks, is located along the Ortega Highway at Avenida Siega. I am writing today to inform you that I have retained the law firm Shute, Mihaly & Weinberger LLP to assist me in preparing comments on the Mitigated Negative Declaration (“MND”) circulated by the Department of Transportation (“Caltrans”) for the proposed widening of the Ortega Highway.

The firm, together with an urban planner and experts in the fields of traffic, aesthetics, and air quality, have identified a number of potentially significant impacts associated with the proposed widening. First and foremost, the entire project—from the removal of 110 mature trees (which cannot be replaced due to Caltrans regulations), to the construction of unsightly retaining and sound walls, to the widening of the road itself—will devastate the beauty and rural ambience of this scenic highway. The mitigation measures proposed to alleviate this admittedly significant impact simply do not come close to restoring the beauty we now enjoy.

In addition, widening the highway will actually worsen traffic congestion at the unsignalized intersections along the segment of the highway. After the widening, motorists attempting to turn left onto the highway will have to wait for a break from both directions in four lanes of traffic traveling at speeds at or above 60 mph. The only so-called mitigation suggested by the MND for this significant impact is that motorists could turn right onto the highway, cut across two lanes of high-speed traffic, and make a U-turn at the next intersection. In addition to adding yet more time to these motorists’ trips, this “mitigation measure” is infeasible because the road will not be wide enough to execute a U-turn in one motion.

These are just two out of a laundry list of potentially significant impacts that either went unanalyzed or unmitigated in the MND. The list also includes impacts to pedestrian, equestrian, and bicyclist safety; potentially significant impacts to air quality, water quality, and noise; and the project’s potential to encourage significant new growth in the undeveloped lands to the east. The MND also failed to analyze any environmentally superior alternatives to the widening other than the “No Build” alternative.

In conclusion, it is clear that Caltrans must prepare an environmental impact report to analyze the project’s significant impacts. It is my understanding that the City is also submitting comments on this MND, and I would encourage you to demand an EIR as well.

I indicated to Mayor Allevato and the members of the council that I had instructed my counsel to work with their CEQA counsel in an attempt to reach a resolution of this matter that could satisfy traffic concerns as well as retain the beauty and rural ambiance of the scenic Ortega Highway.

On January 16, 2008 Caltrans agreed to a full environmental review for the Ortega Highway widening project “based on the comments received” on the negative declaration.

At the San Juan Capistrano City Council Meeting held on May 19, 2009, I indicated that on January 16, 2008, Caltrans agreed to a full environmental review for the Ortega Highway widening project “based on the comments received” on the negative declaration.

I then advised the city council that I had retained my counsel Mark S. Ashworth to move forward with litigation if necessary on the Caltrans Ortega Highway widening. I further stated to the council that I had retained the law firm of Shute, Mihaly & Weinberger LLP to assist the city in moving forward with their negotiations on their letter dated March 17 regarding the Ortega Highway matter. At that time, I indicated that I had voted in support of all the ballot propositions and stated that there would be no misunderstanding with regard to the fact that as a resident of the City of San Juan Capistrano, I had the legal standing to bring the aforementioned lawsuit against Caltrans with regard to the Ortega Highway widening.

I further indicated how important it was to have strong law enforcement in this county at this time and further indicated that there was no better law enforcement officer to head up our San Juan Capistrano police department than Lt. Dan Dwyer of the Orange County sheriff's office.

With regard to the Caltrans Environmental Draft Report on its widening plan for the Ortega Highway, at the regular meeting of the San Juan Capistrano City Council held on May 5, 2009, I asked the city attorney, Mr. Omar Sandoval, if there had been any response from Caltrans to the Letter dated March 17, which the council sent to Caltrans on March 18. He stated that there had been no response. The aforementioned letter indicates the following:

The City of San Juan Capistrano wishes to clarify its position on a number of issues regarding the proposed widening of the Ortega Highway (SR-74) from Calle Entradero to the easterly City limits. Specifically, there were apparently some positions addressed in a June 6, 2006, letter from City staff to Caltrans that do not reflect the view of the current City Council, though Caltrans appears to be relying on that letter today.

As should be evident from the City's response to the draft EIR on the project, we have a number of very serious concerns and issues with the project as presently proposed:

- 1. The City does not agree that the proposed geometric design is necessarily appropriate for the roadway through this section. Limiting the width of the roadway below the standard section detail will allow alternative treatments and reduce the impacts to the adjacent properties and aesthetics and allow more ability to retain the existing rural scenic roadway. Non-standard*

roadway sections and widths need to be considered to achieve a reasonable geometry that can meet the City's aesthetic requirements.

2. *Signalized crossings are necessary in the middle of this section for pedestrian, bicycle, and equestrian access to both sides of the road, as well as to provide the means for residents to make turns across the roadway without driving long distances in the wrong direction or creating extremely dangerous situations for those attempting to turn across the traffic.*
3. *The City is not prepared to fund all of the necessary mitigation measures that will be required which exceed Caltrans standards. This applies to any enhance treatment/materials and design for retaining walls, sound walls, and landscaping that will be required to reduce to insignificant the tremendous and very significant negative impact this project will have on the aesthetics of this City-designated scenic roadway. The project applicant (in this case Caltrans) must bear the cost of mitigating or redesigning the plan to reduce to insignificant these major impacts in a way that is acceptable to the City and its residents. The City still has major concerns with the design and heights of the proposed sound and retaining walls.*
4. *We are very concerned that the current proposed project is not consistent with the City's Tree Removal Ordinance. Our City requires projects to be designed so as to preserve the maximum number of trees, especially those that are mature, healthy, and have a significant visual impact and buffering. Caltrans staff has indicated in conversations that Caltrans is under the impression that the City has already indicated that tree removal permits would be granted for the over 100 mature trees that the proposed project would remove. We wish to make clear that the City has not agreed to the removal of these trees, especially in light of Caltrans insistence that no trees that would grow to a diameter of over four inches would be replanted along this roadway section. Again, the aesthetic impacts of this position are very significant and are not being mitigated in a way acceptable to the City.*
5. *The City cannot support the increase of any grades (steepness) to adjacent driveways or streets that already are at or exceed the maximum 15% grade recommended by the Orange County Fire Authority (OCFA).*
6. *The City also wishes for Caltrans to work with Hunt Club residents to mitigate the negative impacts on their entryway.*

The City respectfully requests that Caltrans meet with the City to discuss alternatives which would achieve everyone's desired out come. Unfortunately, the current plan, as detained in the recent EIR, is not acceptable in its present form, but we believe that in the spirit of collaboration we will be able to come to an agreement that is beneficial to all. In addition, at this point we are concerned that Caltrans may have inadvertently relied upon assumptions as to the City's position for mitigations and conclusions in the draft ER that are not correct. This would render the EIR conclusions and mitigation measures incomplete at best.

We appreciate the willingness of Caltrans to work with the City to find a way that will satisfy our citizenry and result in a project that the City can ultimately support.

ITEMS TOO LATE TO BE AGENDIZED – None.

WORKSHOP

FISCAL YEAR 2009/10 DRAFT CAPITAL BUDGET

Using a PowerPoint presentation, Mr. Eric Akiyoshi presented the draft Capital Budget. He said that the draft FY 2009/10 Capital Budget summary presented to the Committee was \$100.9 million; however, changes were made since the Committee meeting to include a decrease in the amount budgeted for OCSD Solids Handling of \$5 million and the addition of funding for the Carbon Sequestration Pilot Project for \$61,600, for a total of projected expenditures of \$95.9 million. He reviewed the following top 10 project group summaries: 1) Michelson Water Reclamation Plant Improvements (\$30.3 M); 2) Orange County Sanitation District CORF/solids handling (\$16.9 M); 3) Water banking (\$4.7 M); 4) Alton Parkway pipelines (\$4.3 M); 5) South County reliability (\$4.1 M); 6) Portola Parkway pipelines (\$3.0 M); 7) Baker Water treatment plant (\$2.2 M); 8) University/Campus sewer replacement (\$1.6 M); 9) Jeffrey Road pipelines (\$1.5 M); and 10) Orange Park Acres Improvements (\$1.3 M), for a total of \$69.9 M.

Mr. Akiyoshi reviewed the Capital Budget by class comparison, i.e. development, OCSD sewer, all other classes, regional nonpotable, regional potable, regional sewer, and repair/restoration for FY 2008/09 versus FY 2009/10. Following discussion, President Reinhart asked for staff to provide to the Board the actual dollars spent in the 2008/09 year.

Mr. Akiyoshi reviewed the Capital Budget funding sources anticipated to be \$3.16 M for domestic water and \$64.3 M for sewer/reclaimed water. He said that this item will be submitted for adoption at the June 8, 2009 Board meeting.

CONSENT CALENDAR

On MOTION by Swan, seconded and unanimously carried, CONSENT CALENDAR ITEMS 4 THROUGH 12 WERE APPROVED AS FOLLOWS:

4. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the May 11, 2009 Regular Board 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 Steven LaMar, Mary Aileen Matheis, Doug Reinhart, Peer Swan and John Withers.

CONSENT CALENDAR (Continued)

6. STRATEGIC MEASURES DASHBOARDS

Recommendation: Receive and file.

7. STATE LEGISLATIVE UPDATE

Recommendation: That the Board take a support position on AB 1465 (Hill) and a watch position on AB 565 (Pavely), AB 1408 (Pavely) and AB 300 (Caballero).

8. UPCOMING PROJECTS STATUS REPORT

Recommendation: Receive and file.

9. APRIL 2009 FINANCIAL REPORTS

Recommendation: Receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for April 2009; approve the April 2009 Summary of Wire Transfers and ACH payments in the total amount of \$3,600,130.00; and approve the April 2009 Warrants Nos. 299746 through 300653, Workers' Compensation distributions and voided checks in the total amount of \$8,776,254.15.

10. INTERNAL CATHODIC PROTECTION OF 11 STEEL RESERVOIRS - FINAL ACCEPTANCE

Recommendation: That the Board accept the installation of Internal Cathodic Protection of 11 Steel Reservoirs, authorize the General Manager to file a Notice of Completion and authorize the payment of the retention 35 days after the date of recording the Notice of Completion for the Internal Cathodic Protection of 11 Steel Reservoirs, projects 10820 and 30251.

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

Recommendation: That the Board authorize the General Manager to execute Reimbursement Agreements between IRWD and the City of Lake Forest for two street rehabilitation projects, PW2007.17C and PW2007.17D.1, for street resurfacing and slurry seal improvements for various streets within Lake Forest.

CONSENT CALENDAR (Continued)

12. CARBON SEQUESTRATION PILOT PROJECT WORK PLAN AGREEMENT – BUDGET ADDITION AND EXPENDITURE AUTHORIZATION APPROVAL

Recommendation: That the Board authorize the addition of project 11453 to the Fiscal Year 2008/09 Capital Budget for \$61,600; approve an Expenditure Authorization for project 11453 for \$61,600; and authorize the General Manager to execute a Professional Services Agreement with Hydrofocus, Inc in an amount not-to-exceed \$42,000 for the development of a work plan to design, construct, and operate a Tule Marsh Carbon Sequestration Pilot Project in the Sacramento-San Joaquin Delta.

ACTION CALENDAR

CULVER DRIVE AND HARVARD AVENUE SEWER REHABILITATION, BUDGET INCREASE, CHANGE ORDER, AND EXPENDITURE AUTHORIZATION

General Manager Jones reported that in June 2008, the Board awarded a construction contract to Insituform Technologies for \$1,884,000 for rehabilitation of the Culver Drive and Harvard Avenue trunk sewers. The work consists of lining 10,000 LF of 24-inch asbestos cement (AC) gravity sewer from the intersection of Culver Drive and San Leandro Street to the corner of Harvard Avenue and University Drive, and repairing 53 manholes on Culver Drive between Walnut Avenue and San Leandro Street. To date the total contract amount is \$1,874,647.12 which includes Contract Change Order No. 1, for \$9,352.88 for the rehabilitation of four additional manholes in Irvine and deletion of six previously rehabilitated manholes on Culver Drive.

Mr. Jones said that there are five severely corroded manholes and two sections of 24-inch AC sewer main located in the parking lot of the Bethel Korean Church near University Drive and Harvard Avenue. These items are currently scheduled for rehabilitation as part of the University Drive Sewer Force Main Project which will be advertised for bid in June 2009. The Bethel Korean Church will complete their expansion project and repave their parking lot by mid-June and requested that staff accelerate the sewer rehabilitation work in their parking lot to coincide with their final site work. Staff negotiated a change order with Insituform Technologies for the work as part of the University Drive Sewer Force Main Project. The cost for bypass pumping accounts for over half the cost for the change order as a result of designing, setting up four different bypasses, 24-hour per day pump operating and monitoring, and dismantling the equipment. Contract Change Order No. 2 for \$343,812.50 is submitted for approval.

On **MOTION** by Withers, seconded and unanimously carried, **THE BOARD AUTHORIZED A BUDGET INCREASE TO THE FY 2008-09 CAPITAL BUDGET FOR PROJECT 20278 IN THE AMOUNT OF \$187,200 FROM \$2,619,900 TO \$2,807,100; APPROVED AN EXPENDITURE AUTHORIZATION FOR PROJECT 20278 IN THE AMOUNT OF \$187,200, AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE CONTRACT CHANGE ORDER NO. 2 WITH INSITUFORM TECHNOLOGIES, INC. FOR \$343,812.50 FOR THE CULVER DRIVE AND HARVARD AVENUE SEWER REHABILITATION PROJECT.**

THE DISTRICT AT TUSTIN LEGACY – VESTAR DEVELOPMENT (PHASE II) BUDGET AND EXPENDITURE AUTHORIZATION APPROVAL AGREEMENT AMENDMENT AND FINAL CONSTRUCTION COSTS

Director of Engineering Burton reported that in March 2005, a Supplemental Reimbursement Agreement (SRA) with the City of Tustin was approved for IRWD capital facilities within The District at Tustin Legacy Project. The agreement included capital construction of all domestic water (11,400 ft.), sewer (9,000 ft.), recycled water (10,200 ft.), pressure reducing stations and various appurtenances within The District at Tustin Legacy.

Mr. Burton said that the project construction took approximately 24 months, and is now complete. Due to the complexity and volume of work, the City of Tustin administered the project with Vestar Development, Inc. who in turn retained Bayley Slater Tustin Venture (BSTV) to manage the project construction and DRC to provide engineering services during construction. The prime contractor for the City of Tustin and the developer was Shawnan. He said that in order to close the projects, the City of Tustin, Vestar and BSTV have met over the past several months to finalize approvals and reimbursement for field change orders and engineering costs associated with the capital improvements. District staff and the City of Tustin have concluded negotiations related to construction and reimbursement and are satisfied with the resulting costs. Vestar and BSTV have also been a party to the discussions and have agreed the amount of reimbursement under our agreement with the City of Tustin is appropriate. The parties have agreed to execute a mutual release from further claims for costs in a form acceptable to the IRWD legal counsel. Based upon the negotiated final construction costs presented herein, IRWD staff and legal counsel believe it is advantageous to the District to execute the mutual release with the parties.

Mr. Burton said that the Construction Change Orders and resulting net costs are \$438,750. Additionally, the parties have finalized discussions and negotiations regarding which "general condition" items are eligible for reimbursement to the City of Tustin under the agreement and the amounts for each item. The City of Tustin, Vestar and DRC Engineering have also met over the past several months to finalize the costs related to engineering services during construction for the capital improvements. District staff and the City of Tustin have agreed to final costs related to the design and engineering services as outlined in the reimbursement agreement. The Engineering Design contract and the variance items for engineering during construction and resulting net costs are \$383,354. He further said that the eight projects were inadvertently left out of the Capital Budget for FY 2008/09 and were included in the staff recommendation.

Director Withers said that this item was reviewed at the April 21, 2009 Engineering and Operations Committee. Director Matheis commended staff for their job in negotiating costs for this project. Following discussion, staff was asked to perform an analysis of connection fees for residential versus commercial in this Improvement District. On MOTION by Withers, seconded and unanimously carried, **THE BOARD AUTHORIZED THE ADDITION OF PROJECTS 10871, 30871, 10879, 20879, 30879, 10882, 20882 AND 30882 INTO THE FY 2008-2009 CAPITAL BUDGET; AUTHORIZED BUDGET INCREASES FOR FY 2008-09 FOR PROJECT 10871 BY \$112,800, FROM \$765,300 TO \$878,100; PROJECT 30871 BY \$46,800, FROM \$369,300 TO \$416,100; PROJECT 10879 BY \$145,200, FROM \$1,027,800 TO \$1,173,000; PROJECT 20879 BY \$253,400, FROM \$816,600 TO \$1,070,000; PROJECT 30879 BY \$27,600, FROM \$418,400 TO \$446,000; PROJECT 10882 BY \$155,500 FROM \$980,500 TO \$1,136,000; PROJECT 20882 BY \$126,100 FROM \$698,900 TO \$825,000; PROJECT 30882 BY \$61,200, FROM \$378,800 TO**

\$440,000; APPROVED EXPENDITURE AUTHORIZATIONS FOR PROJECT 10871 FOR \$113,400; PROJECT 30781 FOR \$47,400; PROJECT 10879 FOR \$145,200; PROJECT 20879 FOR \$253,400; PROJECT 30879 FOR \$27,600; PROJECT 10882 FOR \$155,500, PROJECT 20882 FOR \$126,100; AND PROJECT 30882 FOR \$61,200; AND THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE A LIABILITY RELEASE WITH THE CITY OF TUSTIN AND THE DEVELOPER IN A FORM APPROVED BY IRWD'S LEGAL COUNSEL.

MICHELSON WATER RECLAMATION PLANT FLOOD PROTECTION IMPROVEMENTS STATUS REPORT, VARIANCE NO. 6 AND EXPENDITURE AUTHORIZATIONS

Using a PowerPoint presentation, Ms. Patty Uematsu provided an overview of the Michelson Reclamation Plant's Flood Protection improvements. She said that as part of the FEMA accreditation, a geotechnical investigation is being conducted for the existing levees, which include not only the San Diego Creek levee but also the "backside" levees along MWRP's side and back areas. Based on recent mid-May analyses, the geotechnical report will conclude that all existing levees, in conjunction with the proposed flood protection improvements, should meet the geotechnical requirements for FEMA certification. Also as a part of the FEMA work, the backside flood protection will need to be redesigned to provide the full three-foot FEMA freeboard requirement.

Ms. Uematsu reported that at the 90% design stage, Value Engineering (VE) was performed to reduce project costs. These VE recommendations were then further analyzed by VA Consulting. She said that the following project components are being recommended: 1) Along San Diego Creek – changes to the pile foundation design including double-battered piles, smaller diameter piles, larger pile spacings, and a larger wall footing; 2) Along MWRP side and back areas – changes to the pile foundation design including double-battered piles, smaller diameter piles, larger pile spacings, and a larger wall footing. VA analyses of the VE options of higher berms or sheet piles found these options were less suitable or desirable; 3) Duck Club – provide a three-foot block wall around the perimeter; and 4) Duck Club and San Joaquin Marsh Pump Station – utilize the District's flood insurance, as needed. Ms. Uematsu said that the VE recommendations resulted in changes to the 90% plans. Also as a part of the FEMA work, the backside flood protection will need to be redesigned to meet FEMA standards. Variance No. 6 is required to redesign and modify the plans and specifications with a proposed fee of \$156,200.

Ms. Uematsu said that the floodwall alignment along the San Diego Creek was dictated by the numerous conflicting utilities within Riparian View and constructability issues related to the pile foundation design. The majority of the floodwall will be located between Riparian View and the County's levee along the San Diego Creek. This will eliminate the \$1 million utility protection measures, risks related to pipe breaks and creek spills, potential construction change orders for unforeseen utility issues, and construction delays. The floodwall is being designed as a split-faced block wall to match the color and texture of other block walls within the MWRP complex.

Ms. Uematsu said that the District's existing insurance policy includes \$10 million flood protection insurance of which the entire \$10 million may be used for flood damages within the MWRP and surrounding facilities. This flood insurance coverage allows staff to reconsider the flood protection options for the smaller structures, such as the University Lift Station, San Joaquin Marsh Pump Station, and the Duck Club. The original design for flood protection at the University Lift Station consisted of pile foundations and block walls. This design is intended to

address minor wave action concerns and included freeboard. Staff evaluated this design, which had an estimated construction cost of approximately \$250,000, and determined that space constraints and the pile-foundation design would significantly increase this construction cost estimate. Because the University Lift Station is not within the critical flood plain and the wall will not have to retain water, it was decided that an earthen berm (without freeboard) would be sufficient.

President Reinhart said that this item was reviewed very closely by the Engineering and Operations Committee on May 19, 2009. Following discussion, staff was asked to: 1) prepare a letter to the County of Orange to share the cost of the project and to also request that the County monitor the creek for tree removals when the base is larger than 3” in diameter; 2) determine how to protect the wall from potential graffiti; and 3) include this project (at 90% design) with the MWRP expansion project.

On **MOTION** by Reinhart, seconded and unanimously carried, **THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE VARIANCE NO. 6 WITH VA CONSULTING, INC. IN THE AMOUNT OF \$156,200 TO COMPLETE THE DESIGN OF THE FLOOD PROTECTION IMPROVEMENTS AND APPROVED EXPENDITURE AUTHORIZATIONS FOR PROJECTS 20542 AND 30542 IN THE AMOUNTS OF \$393,800 AND \$136,500 FOR THE MWRP FLOOD PROTECTION IMPROVEMENTS, PROJECTS 20542 AND 30542.**

FINANCIAL MANAGEMENT SYSTEM NEEDS ASSESSMENT – FINDINGS AND PHASE 2 RECOMMENDATIONS

The District currently uses a custom-developed accounting, billing, project management, and payroll system (“legacy system”) first developed over 20 years ago and lacks the foundation to support modern accounting practices and reporting needs. Limitations in this system also cause staff to use ancillary systems and spreadsheets to track and maintain information.

Director of Finance Cherney reported that in October 2008, staff recommended that the District retain a consultant to perform an assessment focused on whether to continue with the existing system or replace the current system, possible alternatives and costs, including integration with existing non-accounting systems used by the District, and a potential phasing approach. Pacific Technologies, Inc. (PTI), along with staff, has completed the Needs Assessment, and recommends that the District procure and implement a commercial off-the-shelf enterprise resource planning (ERP) solution. Staff is also recommending that PTI be retained to provide consulting services required for developing a Request for Proposals (RFP) for and providing assistance in evaluating proposals from ERP vendors.

Ms. Cherney said that staff solicited a proposal from PTI to assist with the Phase 2 portion of this project which includes assistance with developing a RFP, conducting vendor evaluations and workshops, and assisting staff with the final vendor selection process. PTI has proposed a project fee of \$67,201 plus estimated costs of \$8,855, for a total of \$76,056 for Phase 2, plus contract negotiations on a time and materials basis at \$150 per hour. For purposes of budgeting, staff estimates 100 hours of PTI’s time for a total of \$15,000. The procurement process is expected to begin in June 2009 with vendor selection by December 2009.

Director Swan reported that this item was reviewed and approved by the Finance and Personnel Committee on May 5, 2009. On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED THE FINANCIAL MANAGEMENT SYSTEM NEEDS ASSESSMENT FINDINGS, AUTHORIZED THE GENERAL MANAGER TO EXECUTE A VARIANCE TO THE EXISTING SERVICES AGREEMENT WITH PACIFIC TECHNOLOGIES, INC. FOR UP TO \$91,056, AUTHORIZED A BUDGET INCREASE OF \$75,300 EACH FOR PROJECTS 11420 AND 21420, APPROVED EXPENDITURE AUTHORIZATIONS FOR \$75,300 EACH FOR PROJECTS 11420 AND 21420, AND URGED STAFF TO EXPEDITE THIS PROJECT.

GENERAL MANAGER'S REPORT

General Manager Jones reported that comments are due on Thursday for the draft MWDOC Governance Study. The major conclusion is that the establishment of a Water Authority would be feasible for six to nine agencies. LAFCO will finalize the report in June with an item to be submitted to its Commissioners for receiving and filing in September. Mr. Jones said that he has been meeting with South County agencies and they have created a "White Paper" and will be providing a copy to our Board in the near future.

Mr. Jones reported on MWDOC's proposed \$6.075 million budget. He said that MWDOC is holding a meeting later this week, and he will be submitting comments.

Mr. Jones said that he and staff have been meeting with OCSD and that the major items have been resolved with the outstanding issues pertaining to internal solids handling. He said that an item will be submitted to the Board on June 26, 2009.

Mr. Jones said that Director of Operations Ballard is now at home recovering following this surgery.

DIRECTORS' COMMENTS

Director LaMar reported on his attendance at the ACWA conference held in Sacramento where he attended Committee meetings and panel discussions.

Director Withers reported that as a LAFCO Commissioner, he received MWDOC's response letter relative to governance. He further said that in January 2010, Mr. Gerry Thibeault of the SARWQCB will be retiring, and a subcommittee has been formed to interview candidates.

Director Matheis reported on her attendance at: 1) Women in Water event sponsored by UCI's Research Center; 2) Orange County Summit in Anaheim; and 3) City of Irvine's Memorial Day Program.

Director Swan reported on his attendance at ACWA's Board meeting as well as the conference last week. He noted that Mr. Dave Hayes was recently appointed to the Republican Congress. He said he continues to work with DXV regarding an Irvine Lake pilot test proposal.

He further said that there will be positions open for the ACWA Region X Board and would appreciate a resolution of support by the Board.

He asked staff to provide him a copy of the draft LAFCO Governance report along with comment letters.

President Reinhart reported on his attendance at: 1) City of Irvine on May 23, 2009 relative to water supply; 2) Orange County Summit; 3) WateReuse Board meeting and conference; and 4) ACWA conference.

ADJOURNMENT

There being no further business, President Reinhart adjourned the meeting at 7:15 p.m.

APPROVED and SIGNED this 8th day of June, 2009.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone