

MINUTES OF REGULAR MEETING – JUNE 8, 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 June 8, 2009 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Matheis, Reinhart, Withers, 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. Jim Carter, Mr. Mike Hoolihan, 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 5, C-8, C-9, 10, 15, and 17 are in operation in accordance with the District's annual pumping plan. Wells 2, 11, 13, 14 and 16 will operate a portion of the week. Wells 1, 3, 4, 6, 7, 12 and 18 are inactive. The District's planned pumping for June is 2,070 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.

ITEMS TOO LATE TO BE AGENDIZED: None.

WORKSHOP

FISCAL YEAR 2009-10 DRAFT CAPITAL BUDGET

Using a PowerPoint presentation, Mr. Eric Akiyoshi presented the 2009/10 Capital Budget. He responded to questions asked at the first budget workshop held on May 26, 2009 as follows: 1) Repair and Restoration Class Projects – Projects in this class are projects funded predominately from the Replacement Fund. The two types of replacement projects included in this Class: recurring annual projects for unplanned replacement (i.e. valve replacements, meter replacements, etc.) and scheduled replacement projects (i.e. MWRP Filter Concrete Repairs Project). The FY 2008-09 budgets for projects in this class were approximately \$15 million of which \$6.5 million was spent through April 2009. The proposed budget for the FY 2009-10 Capital Budget for projects in this class is approximately \$7.5 million; 2) Change Order Impacts to Tustin Legacy Connection Fees – Vestar Development Company has been building a number of capital facilities for IRWD at Tustin Legacy Development through reimbursement agreements. Change orders for these projects are all allocated back to IDs 113/213 through both resident and non-residential connection fees and are allocated fees based the findings from the Financial Requirements Study (Brown and Caldwell, 1977) and subsequent studies that have validated the original funding policies; and 3) FY 2008-09 Top Ten Projects List – The total budget was \$69.4 million (58.3% of the total budget) which is comparable to \$69.9 (72.9% of the total budget) for the proposed FY 2009-10 Capital Budget.

Mr. Akiyoshi reported on the following top 10 project groups for fiscal year 2009-10 as follows: 1) MWRP Improvements (\$30.3 M); 2) OCSD CORF/Solids Handlings (\$16.9M); 3) Water Banking (\$4.7M); 4) Alton Parkway Pipelines (\$4.3M); 5) South County Reliability (\$4.1M); 6) Portola Parkway Pipelines (\$3.0M); 7) Baker Water Treatment Plant (\$2.2M); 8) University Campus Sewer Replacement Phase II (\$1.6M); 9) Jeffrey Road Pipelines (\$1.5M); and 10) Orange Park Acres Improvements (\$1.3M), for a total of \$69.4 M.

Mr. Akiyoshi then reviewed the Capital Budget funding sources noting that \$3.6M would come from domestic water and \$64.3M from sewer/reclaimed water. He then reviewed the proposed “flagged” projects. Staff was asked to include any future wells located in Anaheim as well as the rehabilitation of any low production wells. Mr. Jones said that he spoke with the Irvine Company staff and they did not have any concerns or comments on the Capital Budget.

On MOTION by LaMar, seconded and unanimously carried, THE BOARD DIRECTED STAFF TO REVISE THE LIST OF FLAGGED PROJECTS, AND ADOPTED THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2009 -18

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT, ORANGE COUNTY
CALIFORNIA, APPROVING THE DISTRICT'S CAPITAL
BUDGET FOR FISCAL YEAR 2009-10

CONSENT CALENDAR

On MOTION by Matheis, seconded and unanimously carried, CONSENT CALENDAR ITEMS 4 THROUGH 6 WERE APPROVED AS FOLLOWS:

4. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the May 26, 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.

6. VARIANCE NO. 1 FOR BOWIE, ARNESON, WILES AND GIANNONE LEGAL FEES

Recommendation: That the Board approve Variance No. 1 in the amount of \$82,000 to cover additional legal fees from IRWD's General Counsel Bowie, Arneson, Wiles and Giannone.

ACTION CALENDAR

ADDITIONAL CONTRIBUTION TO THE CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Director of Finance Cherney reported that at its May 5, 2009 Finance and Personnel Committee meeting, the Committee directed staff to identify the process necessary for the District to contribute more than the annual required contribution (ARC) to the CalPERS employer portion in order to reduce the unfunded plan liability and potentially achieve a rate of return that exceeds current District investments. Ms. Cherney said that taking this action now would provide the District an opportunity to benefit from the CalPERS assumed return rate of 7.75% and potentially see a greater return as CalPERS assets regain a substantial loss in value since CalPERS losses are currently at 30% for FY 2008-

09. This creates an opportunity for the District to fund \$2 million in investments outside of its own investment authority and achieve a rate of return that is expected to exceed current market investments.

Vice President Swan said that this item was reviewed and approved by the Finance and Personnel Committee on June 2, 2009. On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED A \$3 MILLION PAYMENT TO CALPERS TO REDUCE THE OVERALL UNFUNDED LIABILITY AND REQUESTED THAT THIS PAYMENT BE MADE PRIOR TO JUNE 30, 2009 FISCAL YEAR-END FROM THE DISTRICT'S REPLACEMENT FUND.

SELF-INSURED WORKERS' COMPENSATION COVERAGE

General Manager Jones reported that the District has been a member of the CSAC Excess Workers' Compensation Program since 2003 and that the program has been running smoothly under the third-party administrator, SCRMA. Mr. Jones said that during Fiscal Year (FY) 2008-09 (through April 30, 2009), the District's self-insurance program has experienced a total of 25 reported injuries resulting in paid claims of \$116,980. During FY 2008-09 we had two employees who underwent surgery and nine who were out on temporary disability. These events raised our paid claims for FY 2008-09. Staff continues to administer internal safety programs that are very effective in minimizing injuries to employees and ultimately help control claims expenses and reduce costs.

Mr. Jones said that under the CSAC program the District is responsible for the first \$125,000 of each and every claim. Total Workers' Compensation premiums and fees for the FY 2009-10 are estimated at \$160,628. The total cost of the District's Workers' Compensation program, including the \$23,400 third-party administration (TPA) fee, is \$181,265.

Driver Alliant Insurance Services conducted a market study for the District's Workers' Compensation coverage for the FY 2009-10 and the study indicated that there were no viable alternatives to IRWD's current program at this time. Based on the results of this study, staff agrees with Alliant's recommendation to continue the Self-insured Workers' Compensation program with CSAC Excess Insurance Authority with an indication of \$160,628, maintain the District's SIR of \$125,000 and continue with the TPA, SCRMA, for an annual fee of \$23,400.

Vice President Swan reported that this item was reviewed and approved by the Finance and Personnel Committee on June 2, 2009. On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED STAFF TO RENEW THE DISTRICT'S SELF-INSURED WORKERS' COMPENSATION COVERAGE USING ITS CURRENT PROVIDERS; AUTHORIZED STAFF TO BIND COVERAGE WITH CALIFORNIA STATE ASSOCIATION OF COUNTIES (CSAC) EXCESS INSURANCE AUTHORITY AT THE \$125,000 SELF-INSURED RETENTION LEVEL; AND AUTHORIZED STAFF TO RENEW THE DISTRICT'S THIRD-PARTY ADMINISTRATOR CONTRACT

WITH SOUTHERN CALIFORNIA RISK MANAGEMENT ASSOCIATION (SCRMA)
FOR AN ANNUAL FEE OF \$23,400.

GENERAL MANAGER'S REPORT

General Manager Jones said he was saddened to learn that Beth Krom's son, Noah, had passed, and that services will be held on Thursday at 6:45 p.m.

Mr. Jones reported on AB 49 (Feuer/Huffman) and SB 261 (Dutton/Ducheny). He said that he heard Friday that ACWA is working with SAWPA and Western MWD to bring elements to the bill. He said that AB 49 is a simple path to reduce water use by 20%. He said that SB 261 has similar elements, but is a less developed bill and was concerned that it may not be credible. He will participate in a conference call with ACWA tomorrow and will bring an item to the Water Resources Policy and Communications Committee meeting, and then to the Board.

Mr. Jones reported that Governor Arnold Schwarzenegger signed Executive Order S-09-09 to cut funding for contracts entered into by state agencies and departments after March 1, 2009, for all goods and services excluding those necessary for public safety and to prohibit entering into any new contracts.

DIRECTORS' COMMENTS

Director LaMar reported on his attendance at: 1) MWDOC's Planning and Operations meeting and Board meeting; 2) Southern California Water Committee; 3) Orange County Business Council's Chairman's Leadership Breakfast; and 4) WACO.

Director Withers reported that a LAFCO meeting will be held on June 17th. He said that an item on the MWDOC Governance study will be submitted to the Commissions in September for receiving and filing. He said that he and Director Swan attended the Crystal Cove Alliance Underwriter's event.

Director Matheis reported on her attendance at the Urban Water Institutes water program last week and said it was a wise decision to hold the workshop at IRWD's facilities. She reported on Mr. George Skelton's article on California's budget cuts for the poor and disabled.

Vice President Swan reported on his attendance at: 1) WACO; 2) OCBC; 3) ACWA Board of Directors' meeting; 4) MWDOC Board meeting; and 5) Crystal Cove Alliance Underwriters event. He said that the Crystal Cove Alliance is taking over the State Park and there may be opportunities for the District to perhaps use one of the houses for conservation efforts.

President Reinhart reported that he attended a MWDOC workshop.

ADJOURNMENT

There being no further business, President Reinhart adjourned the meeting in memory of Charles Matheis.

APPROVED and SIGNED this 22nd day of June, 2009.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone