

MINUTES OF REGULAR MEETING – FEBRUARY 28, 2011

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 LaMar on February 28, 2011 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Reinhart, LaMar, and Withers

Directors Absent: Swan and Matheis

Also Present: General Manager Jones, Assistant General Manager Cook, Director of Planning/Water Resources Heiertz, Director of Engineering Burton, Director of Finance Cherney, Treasurer Jacobson, Secretary Bonkowski, Legal Counsel Arneson, Director of Public Affairs Beeman, Director of Operations Pedersen, Director of Wastewater Operations Posey, Mr. Paul Weghorst, Ms. Kirsten McLaughlin, Mr. Jim Reed, Ms. Paula Knott, Mr. and Mrs. Sarkissian, and other members of the public and staff.

WRITTEN COMMUNICATIONS:

Secretary Bonkowski reported that today she had received a letter from MSA Land Solutions, Inc., a letter from Price, Postel & Parma LLP, a letter from Ms. Sarah Sarkissian, and a letter from Mr. Geoffrey Sarkissian, all in regard to Action Calendar item No. 17 (see pages 3 through 5).

ORAL COMMUNICATIONS:

1) Ms. Paula Knott, a student from Santiago Canyon College, provided an overview of its intern program and the value of this program to IRWD and other local water agencies. President LaMar said that staff would follow up with Dr. Jim Gates, administrator of the program.

2) 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, 15 and 17 will operate in accordance with the District's annual pumping plan. Wells 2, 7, 13 and 14 will operate a portion of the week. Wells 1, 3, 4, 5, 6, 7, 11, 12, 16 and 18 will be off. The District's currently planned pumping for February is 2,940 AF. 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, 2009. Metropolitan Water District has given notice to OCWD to extract 22,000 acre feet in fiscal year 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, on June 5, 2009, IRWD received a letter from OCWD noting that OCWD has completed the formal responses to comments they previously received on the draft program Environmental Impact Report. The letter further noted that with this task completed, OCWD has exercised its right to terminate the 2004 Memorandum of Understanding (MOU) regarding annexation. OCWD also indicated that due to the lack of progress on the annexation issue, the draft program Environmental Impact Report will not be completed. On June 8, 2009, the OCWD completed the Long-Term Facilities Plan which was received and filed by the OCWD Board in July 2009. Staff has been coordinating with the City of Anaheim (Anaheim) and Yorba Linda Water District (YLWD) on their most recent annexation requests and has reinitiated the annexation process with OCWD. IRWD, YLWD and Anaheim have negotiated a joint MOU with OCWD to process and conduct environmental analysis of the annexation requests. The MOU was approved by the OCWD Board on July 21, 2010. 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 Orange 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.

CONSENT CALENDAR

On MOTION by Withers, seconded and unanimously carried, CONSENT CALENDAR ITEMS 5 THROUGH 11 WERE APPROVED AS FOLLOWS:

5. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the February 14, 2011 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 Steven LaMar, Mary Aileen Matheis, Douglas Reinhart, Peer Swan and John Withers.

7. UPCOMING PROJECTS STATUS REPORT

Recommendation: Receive and file.

8. JANUARY 2011 FINANCIAL REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for January 2011; approve the January 2011 Summary of Wire Transfers and ACH payments in the total amount of \$14,709,616.53;

and approve the January 2011 Warrants Nos. 317040 through 317698, Workers' Compensation Distributions and voided checks in the total amount of \$4,717,512.38.

9. DISTRICT STRATEGIC MEASURES DASHBOARDS

Recommendation: That the Board receive and file the Strategic Measures Dashboards and information items.

10. MICHELSON WATER RECYCLING PLANT PHASE 2 EXPANSION AND FLOOD PROTECTION IMPROVEMENTS - CONTRACT CHANGE ORDER NO. 33

Recommendation: That the Board approve Contract Change Order No. 33 with J. R. Filanc Construction Co., in the amount of \$282,840, for the MWRP Phase 2 Expansion and Flood Protection Improvements, projects 20214, 20542, 30214, and 30542.

11. EAST IRVINE ZONE 3 RESERVOIR COMPLEX SECURITY LIGHTING PROJECT

Recommendation: That the Board authorize an increase to the fiscal year 2010-11 Capital Budget in the amount of \$110,000, from \$2,032,800 to \$2,142,800; approve an Expenditure Authorization in the amount of \$110,000, and authorize the General Manager to execute a Contract Change Order with Halcyon Electric in the amount of \$85,700 for the East Irvine Zone 3 Reservoir Complex Lighting, project 11367.

ACTION CALENDAR

MODJESKA CANYON STORM DAMAGE REPAIR GRANT OF EASEMENT AND COMPROMISE AND RELEASE AGREEMENT

General Manager Jones reported that the intense rainstorms that swept through Orange County in December 2010 caused severe flooding and water system damage in the canyon and foothill areas of IRWD's service area. Mr. Jones said that the 12-inch raw water supply pipeline from Harding Canyon Dam to Manning Water Treatment Plant and an adjacent 8-inch potable water main were broken in Modjeska Canyon. The pipelines were damaged when the creek washed away a substantial portion of the rear yard at 28612 Markuson Road (Andrews Property) and undermined a concrete thrust restraint block, allowing the pipe joints to pull apart. Mr. Jones said that the District completed temporary repairs to the pipelines in late January 2011 and placed the pipelines back in service, but it remains vulnerable to future storm water damage. He said that staff coordinated with Mr. Andrews, the property owner where the thrust block was undermined, during construction of the temporary pipelines repairs. Mr. Andrews raised a concern with the pipelines not being installed in an easement. He also contended that inadequate design and construction of the pipelines to withstand breakage and release of water may have caused or contributed to the damage or loss of his property which staff disputed. Although staff found no evidence that the pipelines were improperly designed or constructed, discussions were initiated with Mr. Andrews to develop a mutually beneficial solution that would protect the pipelines and his property from future storm water damage.

Mr. Jones said that the pipelines crossing the Andrews' property were constructed in 1984 by the Santiago County Water District (SCWD). The pipelines were originally planned to be installed in an easement granted to SCWD through the property adjacent to the Andrews property, but during construction the pipelines alignment was altered to avoid several large oak trees. The revised pipelines alignment was selected with the knowledge and consent of the property owner at the time, but an easement for the revised pipelines alignment was never prepared and recorded by SCWD. In or about 1989, Mr. Andrews procured the property and claimed SCWD did not have a right to have the pipelines on his property. SCWD contended that the use of the pipelines on the Andrews property had been continuous and under a claim of right for 15 years or more and that a prescriptive right was established after five years of continuous use. SCWD unsuccessfully attempted to resolve the easement dispute with Mr. Andrews per a letter dated August 20, 2002.

Mr. Jones said that to properly protect the existing pipelines from future storm water damage, staff determined that approximately 200 linear feet of rock protection could be installed, leaving approximately 50 linear feet of slope along the Andrews property unprotected. Staff and Mr. Andrews determined it would be mutually beneficial to install rock protection for the entire property and settle all potential claims and disputes over the easement. The Grant of Easement and Compromise and Release Agreement has been reviewed by IRWD legal counsel, and Mr. Andrews has signed the document and submitted his 20% payment in the amount of \$15,000. Due to the desire of both the District and Mr. Andrews to rapidly install the rock protection and prevent future damage to both the pipelines and the Andrews Property, staff negotiated a sole source construction bid with Rock Structures Construction Company in the amount of \$61,200.

Using a PowerPoint presentation, Director of Engineering Burton provided photos of the pre-flood aerial view of Mr. Andrews' property which included the approximate creek location; photos of the storm flows on December 23, 2010; the District's pipeline repair during a low creek flow; completed pipeline repair; the storm flow on February 26, 2010; and a view from the rear of Mr. Andrews property. He then reviewed the completed coordination effort which included site visits with Mr. Andrews, a site visit with the flood protection specialty contractor, and the Army Corps of Engineers. He said that there was also coordination with the Fish and Game and the Regional Water Quality Control Board along with the County of Orange and National Resources Conservation Service. He said that site visits were also held with the downstream neighbors, Mr. and Mrs. Sarkissian, where staff staked the pre-flood extent of the creek bank. Additionally, he said that a certified arborist visited the site.

Mr. Burton then showed photos of the view towards the west side of Mr. Andrews' property noting the erosion and undermining of the trees at the property line and noted the northerly meander of the creek. He said that result of the coordinated effort concluded that the rip-rap will not extend off Mr. Andrews property nor extend into the creek past the pre-flood bank limits, and the termination of rip-rap will be keyed per the flood protection contractor/civil engineer's recommendations. He further said that the creek will be restored to the current alignment after construction.

Mr. Geoffrey Sarkissian thanked staff for their efforts and the willingness to work with him and his wife. He said he was concerned with planning process, requested that a hydrogeologist and arborist be involved, and that he would like the contract amended with Mr. Andrews and the

District in regard to the ending point of the rip-rap work. Mr. Jones said that the rip-rap work was necessary for the District to protect its assets. Mrs. Sarah Sarkissian raised concern with the rip-rap work as she felt that it did not qualify as an emergency. She said that she was in favor of the District making repairs on the pipeline, but opposed the rip-rap work as proposed, and requested that a hydrogeologist review the bank repair work. Mr. Jones recommended, in light of the discussion, that staff be authorized to work with Mr. Andrews to negotiate modifications of the proposed draft agreement in order to permit the District to determine the length of the protective work and the configuration of its endpoints in consultation with an engineer and to address the concerns of the Sarkissians with regard to risk to their downstream property. Mrs. Sarkissian requested an opportunity to submit comments on the draft agreement and she was invited to submit such comments to the District's legal counsel. Director Reinhart said that in his view, staff should look at alternatives for moving these pipelines farther away from the creek. Mr. Jones concurred, but recommended that this be pursued in parallel with measures protecting the pipelines in place as realignment alternatives may take some time to develop. Following discussion with the Board, staff was asked to submit an item to the Engineering and Operations Committee meeting to examine the pipeline alignment and long-term solutions. On MOTION by Withers, seconded and unanimously carried, THE BOARD AUTHORIZED THE ADDITION OF PROJECT 11585 IN THE AMOUNT OF \$90,200 TO THE FISCAL YEAR 2010-11 CAPITAL BUDGET; APPROVED AN EXPENDITURE AUTHORIZATION FOR PROJECT 11585 IN THE AMOUNT OF \$90,200; AND AUTHORIZED THE GENERAL MANAGER AND LEGAL COUNSEL TO FURTHER NEGOTIATE THE TERMS OF THE DRAFT GRANT OF EASEMENT AND COMPROMISE AND RELEASE AGREEMENT WITH MR. MARK ANDREWS, THE PROPERTY OWNER OF 28612 MARKUSON ROAD, MODJESKA, CALIFORNIA TO REFLECT THE GENERAL MANAGER'S RECOMMENDATION AS OUTLINED WITH REGARD TO DETERMINING THE CONFIGURATION OF THE PROTECTIVE WORK AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE THE AGREEMENT AS SO MODIFIED.

VARIANCE REQUEST FOR STRAND RANCH CONSTRUCTION MANAGEMENT

General Manager Jones reported that on October 2008, the Board approved a contract in the amount of \$214,300 with Dee Jaspar and Associates (DJA) for construction management of the Strand Ranch Recharge Facilities. Mr. Jones said that several variances to the contract have been previously approved.

Mr. Jones said that additional work has been requested of DJA and Wildermuth Environmental, Inc. (WEI) in support of the construction of the project recovery and recharge facilities. DJA has prepared a variance in support of this additional work for a total of \$171,550. The requested work includes: 1) WEI well construction oversight as a result of sequencing changes in the Strand Ranch well drilling. The original cost estimate and schedule was based on two wells being drilled simultaneously with well construction oversight being performed with one geologist observing two drill and/or development rigs. The well driller was unable to mobilize and begin drilling the first two wells at the same time because of conditions out of their control. As a result, WEI was required to spend more time on oversight of the construction of these two wells for a total additional cost of \$99,000; 2) Additional construction management work by DJA to provide daily inspection services that include reporting, project coordination, maintenance of records, progress payment preparation and quality control inspections during the processes of bore hole reaming, well construction and pump development. DJA's requested cost

is \$23,400; and 3) WEI groundwater flow modeling in support of the well field design and to assist the District with responses to comments received from the Kern Water Bank Authority and Kern County Water Agency related to Addendum No. 1 of the FEIR. The cost of this additional work is \$37,000; and 4) construction management by DJA to modify one of the transfer structures used to move water between the supply channel and recharge basins on the north side of the Cross Valley Canal. DJA prepared the change order and will provide construction inspection and testing services for the work for a cost of \$11,050.

On MOTION by Reinhart, seconded and unanimously carried, **THE BOARD APPROVED VARIANCE NO. 6 TO THE PROFESSIONAL SERVICES AGREEMENT WITH DEE JASPAR AND ASSOCIATES IN THE AMOUNT OF \$171,550 FOR ADDITIONAL WELL DRILLING CONSTRUCTION OVERSIGHT, GROUNDWATER FLOW MODELING AND CONSTRUCTION MANAGEMENT OF STEEL WORK MODIFICATIONS TO AN EXISTING TRANSFER STRUCTURE.**

OPERATIONS CENTER FACILITIES EXPANSION PHASE 1 MEZZANINE CONVERSION CONSTRUCTION AWARD

General Manager Jones reported that RRM Design Group (RRM) was retained to develop plans and specifications for additional office space within the Michelson Operations Center by converting storage space at the warehouse mezzanine into offices. RRM's design also included seismic upgrades to the existing warehouse. The mezzanine conversion will provide an additional 2,246 square feet of office space to accommodate present and future operations staffing levels.

Mr. Jones said that this project requires extensive coordination to minimize disruption to the Purchasing Department's office space, the IRWD warehouse, and administrative areas of the Michelson Operations Center. The project will also require ongoing coordination with the other current construction projects at MWRP, namely the Phase 2 Expansion and Operation Center Facilities Expansion Phase 1 Storage Building.

Mr. Jones said that staff requested a proposal from Malcolm Pirnie to provide construction management and inspection services for this project. Malcolm Pirnie is currently providing key personnel for construction management and inspection to augment the MWRP Phase 2 Expansion team. He said that staff recommends awarding a sole-source Professional Services Agreement to Malcolm Pirnie in the amount of \$92,748 to provide construction management and inspection for the project.

Mr. Jones said that the mezzanine conversion construction project was advertised for bid on December 2, 2010 to a select list of five contractors: Philco Construction, Snyder Langston, Spectra Company, Miller Contracting, and Lacy Construction. Four contractors, Philco Construction, Snyder Langston, Miller Contracting, and Lacy Construction, attended the mandatory pre-bid meeting on December 13, 2010. Lacy Construction subsequently declined to bid stating they were not able to meet the bonding requirements. The bid opening was held on February 2, 2011 with bids received from Philco Construction, Snyder Langston, and Miller Contracting. Snyder Langston is the apparent low bidder with a bid amount of \$722,361. The engineer's estimate was \$741,735.

Director Reinhart reported that the Construction Phase Consulting Services section of this item was reviewed at the Engineering and Operations Committee on February 15, 2011. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD APPROVED A BUDGET REDUCTION IN THE AMOUNT OF \$1,876,000 EACH FROM \$3,015,200 TO \$1,139,200 FOR PROJECTS 11422, 21422, AND 31422; APPROVED EXPENDITURE AUTHORIZATIONS IN THE AMOUNT OF \$496,400 EACH FOR PROJECTS 11422, 21422, AND 31422; AUTHORIZED THE GENERAL MANAGER TO EXECUTE A SOLE SOURCE PROFESSIONAL SERVICES AGREEMENT WITH MALCOLM PIRNIE IN THE AMOUNT OF \$92,748, FOR CONSTRUCTION MANAGEMENT AND INSPECTION SERVICES; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH SNYDER LANGSTON IN THE AMOUNT OF \$722,361 FOR THE OPERATIONS CENTER FACILITIES EXPANSION PHASE I MEZZANINE CONVERSION, PROJECTS 11422, 21422 AND 31422.

SAN JOAQUIN MARSH REGIONAL NATURAL TREATMENT SYSTEM FACILITY NO. 62 AND SMALL AREA MITIGATION SITE 1 CONSULTANT SELECTIONS

General Manager Jones reported that the Preliminary Design Report for the San Joaquin Marsh Regional Natural Treatment System (NTS) Facility No. 62 and Small Area Mitigation Site 1 (SAMS 1) has been completed by CH2M Hill and a viable project alternative has been determined.

Mr. Jones said that the purpose of the proposed project is to improve the quality of surface water runoff within the San Diego Creek watershed. By improving the water quality of San Diego Creek, NTS Site 62 will help meet the established Total Maximum Daily Load (TMDL) objectives for the watershed including nitrogen, sediment, phosphorus, pathogens, pesticides, and selenium. Additional goals of the project are to enhance the habitat and ecosystem of the existing SAMS 1 site and provide aesthetic improvement of the area for the community. The SAMS 1 is an area of interest for the permitting resource agencies due to its current deteriorated condition and need for an improved watering system.

Mr. Jones said that grant funding has been approved from the EPA for a 46.70% cost-share of the total project cost, up to \$992,800. This amount can be applied to the preliminary design, final design, and construction of the South San Joaquin Marsh Natural Treatment System for dry-weather flows diverted from San Diego Creek. The total project cost is estimated at \$2,350,000, and it is anticipated that the full \$992,800 EPA grant will be utilized.

Mr. Jones said that CH2M Hill was selected out of four consultants, based upon qualifications, for the PDR phase of the project in February 2010. Staff believes the design experience and skilled resource agency coordination that CH2M Hill possesses are unique to completing the final design of the project within the schedule stipulated by the EPA grant funding requirements. Staff recommends awarding Sole Source Professional Services Agreement to CH2M Hill in the amount of \$301,677 based on their understanding of the project, excellent qualifications, and performance in the PDR phase.

Mr. Jones said that staff requested proposals to provide environmental compliance and permitting services from three consultants; ICF International (ICFI), LSA, and Dudek, with ICFI declining to submit. Staff recommends awarding the project to Dudek in the amount of \$145,994 based on

their outstanding proposal, knowledge and understanding of key issues, and excellent qualifications of their project team.

Director Reinhart reported that this item was reviewed and approved by the Engineering and Operations Committee on February 15, 2011. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$528,000 FOR PROJECT 10835; AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT IN THE AMOUNT OF \$301,677 WITH CH2M HILL FOR THE PREPARATION OF CONSTRUCTION PLANS AND SPECIFICATIONS; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT IN THE AMOUNT OF \$145,994 WITH DUDEK FOR THE PERMITTING AND ENVIRONMENTAL COMPLIANCE OF THE SAN JOAQUIN MARSH REGIONAL NTS FACILITY NO. 62 AND SMALL AREA MITIGATION SITE 1, PROJECT 10835.

ORANGE PARK ACRES SEWER CONNECTION FEES

General Manager Jones reported that staff is recommending adoption of a resolution establishing sewer connection fees in the Orange Park Acres (OPA) area, both for Improvement District (ID) 256 to facilitate customers currently seeking sewer service and for the future Ridgeline Development. The purpose of setting sewer connection fees for OPA at this time is to: 1) establish a fee for individual homeowners that are interested in connecting to the public sewer system in advance of the proposed community sewer being constructed; 2) differentiate the sewer connection fee for the future Ridgeline Development which is expected to construct a sewer system for the development and subsequently dedicate that sewer system to IRWD; and 3) provide OPA residents with a cost basis for a sewer connection fee that can be compared to the cost obligation for a General Obligation (G.O.) bond to construct a community sewer system.

Mr. Jones said that staff recommends that sewer connection fees be escalated annually based on the Engineering News Record's Construction Cost Index for Los Angeles. Should the OPA community authorize G.O. bonds to construct a community sewer system, staff recommends that the connection fees be adjusted accordingly at that time.

Using a PowerPoint presentation, Principal Engineer Hoolihan provided an overview of the OPA Sewer Connection fees. He reviewed the sewer connection fees for ID 256 which would include all OPA residences requiring sewer service. He said that that the connection fees would be based on sewer cost, construction cost, Orange County Sanitation District's CORF buy-in, and sewer replacement buy-in. He reviewed the sewer connection fees for Planning Area OPA1 which includes the Ridgeline development property, the developer to build a sewer system, and the connection fee based on CORF buy-in and sewer replacement buy-in.

Mr. Hoolihan reviewed the sewer connection fees along with payment options. These options included a one time payment of \$24,500, consistent with IRWD's current rules and regulations for collection of a connection fee, and two, a deferred payment option allowing homeowners to pay only the sewer replacement fund buy-in (\$1,100) at the time service is requested and defer the payment of the remainder of the connection fee for two years. After the second year, the remainder of the connection fee (\$23,400) would be collected though 60 equal monthly

payments including interest. Option 2 would give the homeowner the opportunity to participate in a bond funding to pay the remaining \$23,400 of the connection fee if the G.O. bond authority is approved by the community to construct a sewer system in OPA. A customer choosing either Option 1 or 2 would be refunded any amount that is paid and is later determined to be reimbursable from bond proceeds.

President LaMar reported that this item was reviewed at the Finance and Personnel Committee on February 1, 2011, and the Committee concurred with the staff recommendation. On MOTION by LaMar, seconded and unanimously carried, THE BOARD APPROVED SETTING CONNECTION FEES OF \$24,500 FOR IMPROVEMENT DISTRICT 256; DESIGNATED THE RIDGELINE PROPERTY AS THE PLANNING AREA OPA1 AND SETTING CONNECTION FEES FOR OPA1 AT \$4,200, EFFECTIVE IMMEDIATELY; ADOPTED THE FOLLOWING RESOLUTION BY TITLE MAKING CHANGES TO THE CONNECTION FEES; AND APPROVED A FUTURE ESCALATION OF SUCH FEES IN THE AMOUNT THAT IS EFFECTIVE JULY 1 OF EACH FISCAL YEAR BASED ON THE ENGINEERING NEWS RECORD'S CONSTRUCTION COST INDEX FOR LOS ANGELES, UNLESS THE BOARD ACTS TO ADJUST THE CONNECTION FEES DIFFERENTLY.

RESOLUTION NO. 2011- 3

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

2011 REFUNDING BONDS AND VARIABLE RATED DEBT RESTRUCTURING

General Manager Jones reported that on February 14, 2011, the Board approved refunding the 2008-B bonds and reissuing as Index Tender Notes (ITN), extending the letters of credit (LOC) with Bank of America on the 1989, 1991 and 1993 issues, extending the LOC with US Bank on the 2009-A issue, and replacing the State Street LOC on the 1995 bonds and the Landesbank Baden-Wuerttemberg (LBBW) LOC on the 2008-A bonds with new LOCs from Sumitomo Mitsui (Sumitomo). Mr. Jones said that included in the restructuring was the staff recommendation and Board approval to replace Bank of America (B of A) as LOC provider and JP Morgan as remarketing agent for the 2009-B bonds with Barclays Capital for both services. He said that Barclay's has rescinded its proposal and staff will recommend to the Finance and Personnel Committee that the 2009-B issue remain with Bank of America as LOC provider and JP Morgan as remarketing agent. As part of the LOC proposal, Sumitomo requires the bonds be converted from daily variable rate mode to weekly variable rate mode.

On February 14, 2011, the Board approved refunding the 2008-B bonds and reissuing as Index Tender Notes (ITN). In connection with the refunding, legal counsel has prepared a resolution declaring intention to issue the consolidated refunding bonds, setting March 28, 2011 as the date for

a public hearing on the matter, and approval as to form a resolution of issuance. Additionally, staff recommends that Orrick, Herrington & Sutcliffe, and Bowie, Arneson, Wiles & Giannone be retained as co-bond counsel.

On MOTION by Withers, seconded and unanimously carried, THE BOARD APPROVED THE RETENTION OF ORRICK HERRINGTON & SUTCLIFFE, AND BOWIE, ARNESON, WILES AND GIANNONE AS CO-BOND COUNSEL, AND ADOPTED THE FOLLOWING RESOLUTIONS BY TITLE:

RESOLUTION NO.2011-4

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE IRVINE RANCH WATER DISTRICT
DECLARING INTENTION TO ISSUE CONSOLIDATED
REFUNDING BONDS OF SAID DISTRICT
(REFUNDING SERIES 2011A-1 AND 2011A-2)

RESOLUTION NO. 2011-5

RESOLUTION OF THE BOARD OF DIRECTORS OF
THE IRVINE RANCH WATER DISTRICT AUTHORIZING
CERTAIN ACTIONS IN CONNECTION WITH CONVERSIONS
OF INTEREST RATE MODES AND EXTENSIONS AND
REPLACEMENTS OF LETTERS OF CREDIT
(CONSOLIDATED SERIES 1989, CONSOLIDATED SERIES 1991,
CONSOLIDATED SERIES 1993, CONSOLIDATED SERIES 1995,
CONSOLIDATED REFUNDING SERIES 2008A, CONSOLIDATED
SERIES 2009A AND CONSOLIDATED SERIES 2009B)

GENERAL MANAGER'S REPORT

General Manager Jones reported that he met with Mr. Jan Scherfig from the Civil Engineering School at UCI as they are planning a conference on groundwater treatment and water recycling. Mr. Scherfig asked for IRWD's participation with tours of our facility along with presentations on water banking and integration. He said that he will be submitting an item to the Water Resources Policy and Communications Committee for a recommendation on participation along with a minimal financial donation.

DIRECTORS' COMMENTS

Director LaMar reported that he will be attending ACWA's Washington, DC conference on Federal Affairs. He said that last week he attended the Southern California Water Committee's Regional Task Force meeting and MWDOC's Water Policy Forum.

CLOSED SESSION

President LaMar said that two Closed Sessions would be held with legal counsel relative to: 1) existing litigation - **Government Code Section 54956.9(a) – SEMA Construction vs. the City of Tustin** and City of Tustin vs. IRWD; and 2) Existing litigation – Government Code 54956.9(a) - **United States, States of California, et al., ex rel. Hendrix v. J-M Manufacturing Company, Inc. et al.**

OPEN SESSION

Following the Closed Session, the meeting was reconvened with Directors Withers, Reinhart and LaMar present. No action was reported.

ADJOURNMENT

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

APPROVED and SIGNED this 14th day of March, 2011.

President
IRVINE RANCH WATER DISTRICT

Secretary
IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone