

MINUTES OF REGULAR MEETING – MARCH 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 March 28, 2011 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Swan, Matheis, Reinhart, LaMar, and Withers (arrived at 5:08 p.m.)

Directors Absent: None

Also Present: General Manager Jones, Assistant General Manager Cook, Director of Planning/Water Resources Heiertz, Director of Engineering Burton, Treasurer Jacobson, Secretary Bonkowski, Legal Counsel Arneson, Director of Public Affairs Beeman, Director of Operations Pedersen, Director of Wastewater Operations Posey, Mr. Sat Tamaribuchi, Mr. Dean Kirk, Mr. Dan Miller, Mr. Christian Kessler, Mr. Mike Hoolihan, Mr. A. T. Kilani, Ms. Cheryl Carter, Mr. John Dayer, Mr. Henry Solis, Mr. Doug Lawson, Ms. Jaimie Davis, Mr. Glen Allen, Mr. Tony Vaccaro, Mr. Brian Probolsky, Mr. Jim Reed, Mr. Bruce Newell, and other members of the public and staff.

WRITTEN COMMUNICATION:

Secretary Bonkowski said that a letter had been received this evening from Ms. Jamie Davis relative to Action Item No. 13 (see pages 7 and 8).

ORAL COMMUNICATION:

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 C-8, C-9, 10, 11, 12, 15, 16, 17 and 18 will operate in accordance with the District's annual pumping plan. Wells 1, 2, 3, 4, 5, 6, 7, 13 and 14 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.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED – None.

PRESENTATIONS

PARTNER COMMENDATION

In celebration of the District's 50th anniversary, the IRWD Board of Directors recognizes key "Partners in Service" at each Board meeting. For this evening, General Manager Paul Jones presented a Certificate of Commendation to Mr. Dan Miller, Mr. Sat Tamaribuchi, and Mr. Dean Kirk of the Irvine Company.

CAL STATE FULLERTON PUBLIC SECTOR LEADERSHIP

Using a PowerPoint presentation, Ms. Sally Starr, Director, Corporate Relations and Workplace Solutions, provided a presentation on their series entitled "Leadership Development for Public Agencies". Ms. Cheryl Carter, Mr. John Dayer and Mr. Henry Solis were honored for being the first three employees to complete the program and identified as the future leaders of the District.

PUBLIC HEARING

2011 GENERAL OBLIGATION REFUNDING BOND ISSUANCE

General Manager Jones said that pursuant to the California Water Code, the Irvine Ranch Water District is required to hold a public hearing and make findings pertaining to the issuance of each series of consolidated Improvement District bonds, including findings related to the issuance of the bonds.

President LaMar declared this to be the time and place for a hearing of the Board of Directors of the Irvine Ranch Water District regarding the proposed Resolution of Issuance of Consolidated Refunding Bonds for Improvement District Nos. 105, 113, 213, and 250, and declared the hearing open. He asked the District Secretary how the hearing was noticed.

Secretary Bonkowski said that Resolution No. 2011-4, declaring the Board's intention to issue bonds, was published for two successive weeks in the Orange County Register on March 14, 2011 and March 21, 2011 and posted at the District office on March 14, 2011. She said that additionally, on March 5, 2011 Resolution No. 2011-4 was posted in three public places within each Improvement District. She presented the Proof of Publication and Affidavit of Posting to be received and filed.

On MOTION by Matheis, seconded and unanimously carried, THE PROOF OF PUBLICATION AND AFFIDAVIT OF POSTING WERE RECEIVED AND FILED.

President LaMar requested Legal Counsel to describe the nature of the proceedings.

Legal Counsel Arneson said that the public hearing would provide an opportunity for all persons interested, including any persons owning land in the Included Improvement Districts, and any persons otherwise interested in the Bonds, to be heard concerning any matters set forth in Resolution No. 2011-4 and the proposed resolution of issuance or any matters material thereto, including the question of whether the burden on the lands of any of the Included Improvement Districts would be increased over the burden that would be borne by such Included Improvement District were its refunding bonds sold separately. Ms. Arneson said that she had made certain minor changes in the form of resolution of issuance and presented the revised form. She also noted that in addition to the matters of which findings are recommended pursuant to the hearing, the Board will be considering the criteria ("SB 613") it had previously adopted in regard to the pledging of District revenues with respect to the Bonds.

President LaMar asked the Treasurer to provide a summary of the proposed bond issue and requested findings. Treasurer Jacobson that that Series 2011A bonds are being issued to refund the existing 2008B Variable Rate issue currently supported by a Letter of Credit from Landesbank Baden-Wuerttemberg. The new bonds are being issued as Index Tender Notes and are sold as variable rate bonds with the rate based on a spread to the seven-day municipal index with a mandatory tender in 12 months. With the passage of SB 613, the new issue will provide a *double-barrel pledge* as both Ad Valorem taxes and the net revenues of the District, and as such, will carry a rating reflecting the strength of the District. The new issuance will also reduce the District's dependence on Letter of Credit providers as well as associated fees, saving approximately \$500,000 per year. The lead manager for the new issue is Goldman Sacs, and the co-manager is Morgan Stanley. Pricing for the new issue is expected for April 12, 2011.

Mr. Jacobson said that as stated in the resolution, the Series 2011-A bonds are a consolidated issue and will not increase the cost that included Improvement Districts would pay had the bonds been issued separately, and using a negotiated sale with the features stated, will not increase the cost any included Improvement District will pay over what it would pay if the bonds were sold separately. Based on the criteria approved by the Board in November 2010 for the use of the District's revenue pledge, the planned issuance meets all four criteria with the requirement of at least one being met.

President LaMar inquired of the Secretary whether there have been any written communications. Secretary Bonkowski said that there were none.

President LaMar inquired whether there is anyone present who wishes to address the Board concerning the matter. There were none.

President LaMar inquired whether there are any comments or questions from members of the Board. There were none. He said that the hearing will be closed, and asked for a recommendation to close the hearing and adopt the resolutions. On MOTION by Matheis, seconded and unanimously carried, THE HEARING WAS CLOSED AND THE FOLLOWING RESOLUTIONS WERE ADOPTED BY TITLE:

RESOLUTION NO. 2011-9

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
IRVINE RANCH WATER DISTRICT MAKING FINDINGS
RELATIVE TO CONSOLIDATED REFUNDING BONDS
(REFUNDING SERIES 2011A-1 AND 2011A-2)

RESOLUTION NO. 2011- 10

RESOLUTION OF THE BOARD OF DIRECTORS OF THE IRVINE RANCH WATER
DISTRICT PROVIDING FOR THE ISSUANCE OF CONSOLIDATED BONDS OF SAID
DISTRICT, APPROVING DOCUMENTS AND AUTHORIZING AND RATIFYING
CERTAIN ACTIONS (CONSOLIDATED REFUNDING SERIES 2011A-1 AND 2011A-2)

CONSENT CALENDAR

On MOTION by Withers, seconded and unanimously carried, CONSENT CALENDAR ITEMS 6 THROUGH 10 WERE APPROVED AS FOLLOWS:

6. MINUTES OF REGULAR BOARD MEETING

Recommendation: That the minutes of the March 14, 2011 Regular Board Meeting be approved as presented.

7. FEBRUARY 2011 FINANCIAL REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for February 2011; approve the February 2011 Summary of Wire Transfers and ACE payments in the total amount of \$14,185,778.03; and approve the February 2011 Warrants Nos. 317699 through 318354, Workers' Compensation distributions and voided checks in the total amount of \$9,906,092.35.

8. STRATEGIC MEASURES DASHBOARD

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

9. MODIFICATION OF “APPLICATION FOR SERVICE AND AGREEMENT”

Recommendation: That the Board adopt the following resolution by title rescinding Resolution No. 2006-8 and revising the form of standard Application for Service and Agreement with the District subject to non-substantive changes.

RESOLUTION NO. 2011 - 11

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT, ORANGE COUNTY,
CALIFORNIA, RESCINDING RESOLUTION NO. 2006-8
AND REVISING THE FORM OF STANDARD APPLICATION
FOR SERVICE AND AGREEMENT WITH THE DISTRICT

10. SANTIAGO CANYON AREA BOOSTER PUMP STATION PERMANENT
GENERATORS – EXPENDITURE AUTHORIZATION

Recommendation: That the Board approve an Expenditure Authorization in the amount of \$49,500 for project 11476 to complete the CEQA documentation for the Santiago Permanent Generators.

ACTION CALENDAR

SAND CANYON AVENUE GRADE SEPARATION BUDGET ADDITION, EXPENDITURE
AUTHORIZATIONS, AND DESIGN VARIANCE

The Sand Canyon Grade Separation Project will realign and lower the road below the railroad tracks between Burt Road and Laguna Canyon Road and widen Sand Canyon Avenue from four to six lanes. The project includes the installation of a recycled water pipeline along with domestic and sewer pipeline relocations. The cost for this work will be shared with the City of Irvine (the City) due to prior rights, in accordance with the June 2010 Reimbursement Agreement between IRWD and the City. The Orange County Transportation Authority (OCTA), representing the City, will be contracting with CC Meyers to construct the road improvements, railroad work and pipeline relocations. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD AUTHORIZED THE ADDITION OF PROJECT 30366 IN THE AMOUNT OF \$731,500 TO THE FISCAL YEAR 2010-11 CAPITAL BUDGET; AUTHORIZED BUDGET INCREASES IN THE AMOUNT OF \$15,800, FROM \$1,743,100 TO \$1,758,900, FOR PROJECT 11455 AND IN THE AMOUNT OF \$5,500, FROM \$847,000 TO \$852,500, FOR PROJECT 21455; APPROVED EXPENDITURE AUTHORIZATIONS FOR PROJECT 11455 IN THE AMOUNT OF \$15,800, FOR PROJECT 21455 IN THE AMOUNT OF \$5,500, AND FOR PROJECT 30366 IN THE AMOUNT OF \$731,500; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE VARIANCE NO. 2 IN THE AMOUNT OF \$285,000 WITH TETRA TECH, INC. FOR ADDITIONAL DESIGN AND CONSTRUCTION PHASE SERVICES FOR THE IRWD UTILITY RELOCATIONS PROJECT FOR THE SAND CANYON GRADE SEPARATION, PROJECTS 11455, 21455, AND 30366.

AUTOMATION SUPPORT CONSULTANT SERVICES

Director of Engineering Burton reported that the District's automation staff consists of a small group of instrumentation and controls engineers, field technicians, and specialists who are responsible for keeping the hardware and software automation systems fully operational on a continuous basis, allowing the District to operate its water and wastewater facilities remotely and with minimal support off-hours. Mr. Burton said that this group is also responsible for the design and construction support for the automation systems required for all IRWD capital projects.

Mr. Burton said that the District is currently implementing an unprecedented number of large and complex capital projects, including: 1) the Michelson Water Recycling Plant (MWRP) Phase 2 expansion which includes a state-of-the-art membrane bioreactor treatment process and a full plant automation upgrade; 2) the Michelson Biosolids and Energy Recovery Facilities Project which will add advanced solids treatment and drying along with energy recovery processes to the MWRP; 3) the Well 21 and 22 Desalting Facility which is a design/build project that will desalt groundwater in the Tustin area utilizing reverse osmosis membranes; 4) the Baker Water Treatment Plant which is a large surface water treatment project using a microfiltration process that will require integration with the other participating agencies and Metropolitan Water District; and 5) various well projects including Well 78, Irvine Desalter Project Well 107, Lake Forest Wells 2, Well 21 and 22, and a new Orange Park Acres (OPA) well and chloramination facility. He said that all of these projects are schedule-driven for a number of reasons, including grant funding requirements, contractual renewal time limits in the Orange County Sanitation District solids handling contract, and commitments to IRWD's project partners. The automation staff will have critical involvement in the design, construction, system integration, and commissioning/startup of these facilities over the next 18 months. Based on the proposed project schedules, additional man-hours for the electrical and automation engineering disciplines are needed to keep pace with these project schedules.

Mr. Burton said that staff evaluated several engineering consulting firms and selected key individuals from these firms to engage as automation consultants. Staff identified individuals at three consulting firms as being highly qualified for performing the requested tasks on the current and upcoming capital projects. He said that the scope of work for the firms is defined as on-call services and that tasks will be assigned to individuals by IRWD staff on an as-needed basis. He said that that staff was able to negotiate very favorable hourly rates for the selected individuals, averaging \$93 per hour with a range of \$67 per hour to \$130 per hour. Staff recommends awarding on-call Professional Services Agreements with HDR Engineering, Inc. in the amount of \$536,200, EI&C Engineering in the amount of \$152,000, and Malcolm Pirnie in the amount of \$154,300.

Director Reinhart said that the Engineering and Operations Committee met on March 15, 2011 and concurs with the staff recommendation. Director Swan asked that staff submit quarterly reports on tasks and funding spent to the Engineering and Operations Committee. On MOTION by Reinhart, seconded and unanimously carried, **THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE ON-CALL PROFESSIONAL SERVICE AGREEMENTS WITH HDR ENGINEERING, INC. IN THE AMOUNT OF \$536,200, EI&C**

ENGINEERING IN THE AMOUNT OF \$152,000, AND MALCOLM PIRNIE IN THE AMOUNT OF \$154,300, FOR AUTOMATION SUPPORT CONSULTANT SERVICES.

WILLIAMS CANYON STORM DAMAGE REPAIR UPDATE

Director of Engineering Burton reported that District staff and Paulus Engineering completed emergency repairs and restored water service to all residents by December 29, 2010. The emergency repairs consisted of installing a buried permanent 200-foot segment of 12-inch PVC pipeline around Area "A" and installing a 500-foot segment of 6-inch temporary above-ground HDPE pipeline around Area "B". Additionally, a new gravel access road was constructed by the District through the washed-out portions of the roadway. This access road is passable with a passenger vehicle and remains the sole means of access for residents in the upper reaches of Williams Canyon. Permanent repair to the 8-inch PVC pipeline segment cannot be completed until the repair of the washed-out segments of the roadway are resolved.

Mr. Burton said that District and Orange County Public Works (OCPW) staff met with the Williams Canyon Residents Association on January 3, 2011 and agreed to work jointly to develop a plan and cost-sharing arrangement to repair the washed-out sections of roadway and to construct rock protection improvements along the Williams Canyon Creek to prevent future storm damage. OCPW indicated its willingness to participate with the District and the residents in the repair of the two sections of the washed-out roadway. He said that the District retained Hunsaker and Associates to survey the damaged areas, prepare preliminary design plans for the new pipeline and roadway, recommend rock protection improvements, and prepare a preliminary cost estimate.

Mr. Burton said that the estimated design and construction cost for the pipeline and roadway repairs, and rock protection improvements in accordance with the District's plan is \$269,100. The District proposed a cost-sharing arrangement where all pipeline and roadway repairs required to restore the facilities to a pre-flood damage condition would be covered 100% by the District and all rock protection improvements to prevent future damage to the pipeline and roadway would be divided evenly between OCPW and the residents. The District's portion of the cost is estimated at \$176,500 and the OCPW and residents' share is estimated at \$45,000 each. He said that staff met with Federal Emergency Management Agency (FEMA) and California Emergency Management Agency (CAL EMA) staff on March 2, 2011 and determined the District may be able to recover up to \$167,906 in reimbursement.

The District and OCPW staff met with the Williams Canyon Residents Association again on March 4, 2011 to present the District's plans for the pipeline, roadway and rock protection improvements along with the proposed cost-sharing arrangement. The District's pipeline and roadway repair plan was very well received, but OCPW and the residents could not commit to provide funds for the rock protection improvements. The District informed OCPW and the residents that the District was not going to participate in the final rock protection design or construction and that they should continue to work together to ensure the rock protection is installed. The District agreed to continue to support the residents in their effort to have OCPW fund the rock protection improvements.

Mr. Burton said that staff recommends the District proceed with the pipeline and roadway repairs based on the proposed cost-sharing, continue to work with FEMA and CAL EMA for reimbursement, and continue to help the residents coordinate with OCPW for the construction of the rock protection improvements. Construction of the Area "A" repairs was expedited and completed on March 10 to allow removal of the temporary access road from private property.

Mr. Doug Lawson, Acting President of the Williams Canyon Residents Association, thanked the District for its work to repair the pipeline as well as providing a gravel access road. He also asked staff to continue assisting with meeting with the OCPW to have the rock protection work done. Additionally, he said that second problem was the uncertainty around the easement and a lack of clarity on it.

Ms. Jaimie Davis, a resident of Williams Canyon, said that she had submitted a letter to the Board relative to the water main on her property which was located outside of the easement. She said that she has plans to build an RV garage and the District's pipeline would hinder any ability to build on this flat area of her property, and requested that it be relocated. She thanked Mr. A.T. Kilani and crews for all of their efforts during the December flooding period as they were very helpful to the residents. Mr. Paul Jones said that the District's right-of-way agent is currently working on the easement and that staff would provide her with a response within two weeks. He further said that staff will continue to coordinate with the OCPW on the permanent road and rip-rap work.

Director Reinhart said that this item was reviewed at the Engineering and Operations Committee on March 15, 2011. He said that the District took the lead on this project as it was an emergency situation; however, he said that the District needs to be careful how we proceed and to not overstep our boundaries. Also, he said he recommends that the District eventually relocate the pipe from the road and the creek. On MOTION by Reinhart, seconded and unanimously carried, **THE BOARD AUTHORIZED A BUDGET INCREASE IN THE AMOUNT OF \$170,500, FROM \$165,000 TO \$335,500 AND APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$170,500 FOR THE WILLIAMS CANYON STORM DAMAGE REPAIR, PROJECT 11570.**

PILOT EXCHANGE PROGRAM AGREEMENT WITH ANTELOPE VALLEY-EAST KERN WATER AGENCY

Water Resources Manager Weghorst reported that staff, in consultation with the Water Banking Ad Hoc Committee, has negotiated terms for a Pilot Exchange Program with the Antelope Valley-East Kern Water Agency (AVEK). Mr. Weghorst said that the proposed program would allow Irvine Ranch Water District (IRWD) to store up to 5,000 AF of AVEK's unused State Water Project (SWP) Table A water in IRWD's Strand Ranch Integrated Banking Project in Kern County on an unbalanced exchange basis.

Mr. Jones said that the consent of Metropolitan is required for IRWD to secure State Water Project water as specified in the Coordinated Operating, Water Storage, Exchange and Delivery Agreement (Metropolitan Agreement) between IRWD, Metropolitan and Municipal Water District of Orange County. Metropolitan has indicated that it intends to consent to the program if both the IRWD and AVEK Boards approve the Pilot Program. AVEK has expressed an interest in storing additional water up to a total amount of 10,000 AF. If Metropolitan decides to deliver half of the AVEK Exchange Water to its southern California reservoirs, IRWD will have the

option to expand the Pilot Program from 5,000 AF to 10,000 AF and still maintain storage capacity in the Water Bank for water from IRWD's exchange program with Buena Vista Water Storage District and IRWD's Jackson Ranch Water Supply Project.

Director Swan said that he would like to meet the AVEK Board, and asked staff to schedule an introductory meeting for him and any other interested Board members. On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE THE LETTER AGREEMENT FOR A PILOT EXCHANGE PROGRAM WITH ANTELOPE VALLEY-EAST KERN WATER AGENCY SUBJECT TO NON-SUBSTANTIVE CHANGES APPROVED BY THE GENERAL MANAGER AND LEGAL COUNSEL.

ASSET OPTIMIZATION – SAND CANYON OFFICE DEVELOPMENT MEDICAL OFFICE LEASE AGREEMENT

Treasurer Jacobson reported that in February 2008, the Board approved proceeding with Phase I of the Sand Canyon Office Project on IRWD's property adjacent to the Sand Canyon Headquarters Building. Phase I includes construction of a 16,700 square foot medical office building, a community meeting facility and the reconfiguration of the majority of the existing Sand Canyon Headquarters parking area. The master plan for the site also assumes the eventual construction of approximately 70,000 square feet of professional office space on the property in subsequent phases. Due to a weak office lease/sale market in the Irvine area and specifically with other medical office space in the immediate market area at that time, the Asset Management Committee agreed that the District should proceed with processing the building plan for the project; however, construction should be deferred until market conditions improved or a large tenant could be secured.

Mr. Jacobson said that in May 2010, staff and Voit began discussions with Coastal Fertility regarding their preliminary interest in leasing a portion of the planned medical office building as they have outgrown their existing facility in Irvine and had been searching for a new location. He said that in September 2010, the Asset Management Committee approved the recommended terms and conditions under which a Letter of Intent (LOI) for the office space could be negotiated. At the January 2011 Committee meeting, staff reported that Coastal Fertility had agreed to the District's proposed lease terms, and that a LOI to lease 12,031 square feet (approximately 74%) of the planned medical office building had been executed. Since that time, legal counsel for the District (Rutan & Tucker) and Coastal Fertility drafted lease documents based on terms included in the LOI.

Mr. Jacobson said that while detailed lease terms are included in the Lease Agreement, Build-to-Suit Work Letter and Guaranty, the key terms of the transaction are as follows: 1) space is a total of 12,031 square feet; 2) the 10-year lease commences upon completion of construction/issuance of the Certificate of Occupancy (projected for the summer of 2012); 3) the lease rate is \$3.15 per square foot (\$37,898) per month; rate increases will be 2.5% per year, months one and two abated; 4) the tenant improvement allowance will not exceed \$100 per square foot (additional improvements up to \$125 per square foot could be financed by IRWD at an interest rate of 8.00%); 5) a security deposit of \$110,000 will be held for the lease term. In addition to the security deposit, a Personal Guaranty from Dr. Lawrence Werlin and Dr. Werlin's Trust will

secure the lease for a minimum of the first five years of the lease term; and 6) the lease provides for life and disability insurance policies naming the District as beneficiary with premiums paid by IRWD. Based on the District's estimated project costs (including land cost) and projected lease income, assuming a fully-leased building at a starting lease rate of \$3.15 per square foot, the pro forma rate of return for the project during the first full year of the lease is 7.08%.

Mr. Jacobson said that the District's project manager for the Sand Canyon Office Development, Newport Real Estate Services (NRES), has prepared a bid package for construction of the Phase I building and site improvements and has identified a list of pre-qualified general contractors. Also, concurrent with the bidding process, staff and NRES will work with Coastal Fertility's architect to finalize tenant improvement design and construction costs. Staff will also continue to work with real estate brokers to market the remaining space in the Phase I medical office building during the construction process. Mr. Jacobson said that Mr. Glen Allen and Mr. Tony Vaccaro were in the audience if there were any questions from the Board. There were none.

Director Withers reported that this item was reviewed and approved by the Asset Management Committee meeting. Director Swan asked that additional tenant improvements be added to the insurance policy with Dr. Werlin. On MOTION by Withers, seconded and unanimously carried, THE BOARD APPROVED THE AIR STANDARD MULTI-TENANT LEASE AGREEMENT AND ADDENDUM TO LEASE INCLUDING THE RELATED BUILD-TO-SUIT WORK LETTER AND GUARANTY IN SUBSTANTIALLY THE FORM PROVIDED IN THE WRITE-UP, AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE ALL RELATED LEASE DOCUMENTS.

GENERAL MANAGER'S REPORT

General Manager Jones reported that he attended a MWDOC Manager's meeting last week where it was noted that to date, 16 of the 27 member agencies have approved the agreement relative to budget, activities, charges and other issues. He said that seven additional agencies will be submitting this item to their Boards within the next 30 days. He said that if the agreement is approved by the majority of member agencies, a meeting will be scheduled with a Board member and General Manager from each agency in late April or May.

Mr. Jones said that relative to Item No. 15 on the agenda, he and Mr. Rob Jacobson met with representatives from Snyder Langston and Hoag Hospital today as they are interested in the IRWD Sand Canyon property for assisted living and nursing care for a 220,000 sq. ft. three-story facility. He said that a follow-up meeting will be scheduled with them.

Mr. Jones said that April 4th will be the first official Orange Park Acres Community meeting relative to the sewer system and financing plan.

Mr. Jones placed before each Board member a memorandum relative to the Local Government Realignment proposals which includes a summary from California Forward along with exhibits from CSDA.

DIRECTORS' COMMENTS

Director Reinhart reported on his attendance at a WaterReuse Conference last week and thanked Mr. Jones and staff for their efforts in making it a successful event.

Director Withers reported on his attendance at the Children's Water Education Festival and presented to the Board several certificates of recognition for the District's support over the past 15 years.

Director Swan reported on today's meeting at SAWPA relative to the PPIC report. He said that tomorrow he will be attending ACWA's Region X meeting. He said he attended an OCWD/MWDOC meeting, an ACWA meeting, a Southern California Water Dialogue meeting relative to salt management, a MWDOC workshop on regulatory streamlining, and a Sea and Sage dinner event. He also said that he celebrated St. Patrick's Day with the Mayor of Costa Mesa at his establishment.

Director LaMar thanked Mr. Brian Probolsky, Board member of Moulton Niguel Water District, for attending our Board meeting.

Director Matheis reported on her attendance at a Water Education briefing and noted that during a silent auction, she won a lunch with Mr. Lester Snow. She suggested that he be invited to IRWD for a lunch meeting with her and staff.

Director LaMar reported on his attendance on a conference call relative to AB 403 for a new standard for Chromium 6, a MWDOC Board meeting, a MWDOC regulatory reform session, and a City of Irvine Council meeting with Mr. Jones where IRWD received a 40th anniversary Certificate of Recognition.

Director Swan asked that the Board meeting be adjourned in memory of Ms. Susan Trager and said that she will be missed.

ADJOURNMENT

Director LaMar adjourned the Board meeting to March 29, 2011 at 11:00 a.m. in the District's Board and Multi-purpose Rooms to hold a workshop relative to Business Outreach and also in memory of Susan Trager.

APPROVED and SIGNED this 11th day of April, 2011.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone