

MINUTES OF REGULAR MEETING – MAY 22, 2006

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order by President Swan at 6:00 p.m., May 22, 2006 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Miller, Matheis, Reinhart, and Swan

Directors Absent: Withers

Also Present: General Manager Jones, Assistant General Manager Cook, Acting Director of Engineering Malloy, Treasurer Loomis, Secretary Bonkowski, Legal Counsel Arneson, Ms. Beth Beeman, Mr. Carl Ballard, Mr. Wayne Posey, Mr. Dick Diamond, Ms. Deborah Cherney, Dr. Tom Bishop, and other members of the public and staff.

WRITTEN COMMUNICATIONS: None

ORAL COMMUNICATIONS:

1) Mrs. Joan Irvine Smith addressed the Board of Directors with respect to the Dyer Road Wellfield. Mrs. Smith said that it was her understanding that currently the deep aquifer treatment system wells C-8 and C-9 and wells 1, 2, 4, 5, 7, 10, 11, 12, 13, 14, and 16 are in operation. Wells 15, 17, and 18 are currently undergoing rehabilitation work. Wells 3 and 6 will not be put into production until July 2006. 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), the agencies participating are the cities of Anaheim, Westminster, Santa Ana, Buena Park, and Garden Grove, Yorba Linda Water District and Southern California Water Company. Contracts have been awarded by OCWD to Layne Christensen Company and Bakersfield Well & Pump, Inc. to construct a total of eight wells. Well drilling activities are complete and it will take an additional 18 months to complete the well head facilities. OCWD is required to have the wells operational by March 2008. Following well construction, each well will be owned by the individual participating agencies. This was confirmed by Mr. Jones.

With respect to the OCWD annexation of certain IRWD lands, OCWD released the Environmental Impact Report (EIR) in early January 2006. The extended comment period for the EIR closed March 17. Staff has been working with OCWD to review comments on the EIR, and anticipates responses to be prepared and an OCWD Board action on the EIR and annexation in June. This was confirmed by Mr. Jones.

2) Several individuals asked to speak to the Board in regards to Item No. 22, IRVINE LAKE GREEN WASTE COMPOSTING FACILITY PROJECT MITIGATED NEGATIVE DECLARATION AND IRWD/SWD/TVI GROUND LEASE: President Swan said that since the public wished to address the Board relative to Item No. 22, that without any Board objection,

this item would be moved as the next order of business following the presentation. There being no objection, this item was placed on the agenda following the presentation.

PRESENTATION

AMERICAN SOCIETY OF IRRIGATION CONSULTANTS (ASIC) ROY WILLIAMS AWARD FOR 2006

ASIC's past President David Pagano presented the Board and staff with the American Society of Irrigation Roy Williams Award for 2006 in recognition of our substantial and significant contribution to the irrigation industry. Mr. Pagano said that the District deserved this award due to several factors, including being a *pioneer* for reclaimed water for landscape, the development of our tiered rate billing structure for water usage, our Operation Outreach program, and our ET controller study.

ACTION CALENDAR

IRVINE LAKE GREEN WASTE COMPOSTING FACILITY PROJECT MITIGATED NEGATIVE DECLARATION AND IRWD/SWD/TVI GROUND LEASE

General Manager Jones said that as indicated in the write-up, staff intended to recommend consideration of the Mitigated Negative Declaration, findings, and a Mitigation Monitoring and Reporting Program, followed by consideration of the Ground Lease with Tierra Verde Industries. Mr. Jones said that given the comments received, it appears that there are some key areas where staff will want to take the opportunity to provide the public with more information on the project requirements. He said that staff recommended that the Board review this item with the staff report and public communications as planned, but have staff complete the Final Mitigated Negative Declaration, make it available to interested persons at the end of the week, and then carry the actions to the next Board meeting scheduled for June 12, 2006.

Using a power point presentation, Director of Operations Ballard reviewed the proposed green waste composting site showing the elevations and distance from the lake. Mr. Ballard then described the purpose of the proposed project, indicating that the project would provide composting services for local cities, county and commercial gardeners, provide a site for TVI as their long-term site at the Great Park was not available for approximately three years, provide an economic benefit to the Districts, and offset ongoing site maintenance costs. He said that the project principals were both the Serrano Water District and the Irvine Ranch Water District.

Mr. Ballard provided a brief history of TVI noting that it was family owned business, that they currently recycle over 30,000 tons/month of green waste, wood waste and mixed construction and demolition, and have diverted over 1.5 million tons from landfill disposal.

Mr. Ballard described the project scope which included receiving pre-ground green waste materials from cities, county and commercial gardeners. He said there would be no curbside green waste. He said that the green waste would be composted in windrows for up to 120 days, and that the waste would be turned and watered periodically. Upon completion of the

composting cycle, the material would be trucked off site. Mr. Ballard said that Mr. Art Kasarian of TVI and their consultants were in the audience this evening to answer questions, if necessary.

Director of Water Resources Diamond discussed the project environmental controls, including the site lease, permits from regulatory agencies, and the mitigation measures. Mr. Diamond said that the key lease provisions included that all permits to be in place prior to starting the composting operations; that the composting area would be confined to a 150 foot setback from the high water mark of the lake (29.2 acres maximum); that drainage must be managed on the site; that chipping and grinding operations would be prohibited; and that all green waste would be only from the city, county and commercial operations; that no toxic materials, chemicals, organic additives could be brought onto the property; that the lease terminates on December 31, 2008; and that the lease provides for a 90 day early termination by the District.

Mr. Diamond noted that regulatory permits would be required from the Regional Water Quality Control Board, the Orange County Fire Authority, the California Integrated Waste Management Board, along with others. He said that mitigation measures for the Mitigated Negative Declaration included aesthetics, air quality, hazards and hazardous materials, hydrology and water quality, noise, and permitting requirements. He said that the comments received were primarily related to air quality (odor control), fire hazard protection, water seepage control, and storm water runoff.

President Swan commented on the AB 939 mandate. He then said that the public comment period ended Friday, May 19, staff has reviewed those comments, and staff will be preparing the responses to those comments. The following individuals were then given the opportunity to address the Board.

1) Mr. Chip Clements and Mr. Mike Stockstill said they would be available to answer questions for the applicant.

2) Mr. Mark Ferguson (of 26986 Baker Canyon Road in Silverado Canyon) said that he was the General Manager of the Baker Canyon Green Recycling center and the proposed facility would be located between two existing facilities, one of which is a transferring facility, and the other being his own company. He said that President Swan was correct in referring to the AB 939 diversion mandate, and that we need to keep recyclable material out of the landfill. He commented that his income would be adversely impacted if the TVI facility became operational as he felt his customers would take compost to this closer proposed site. He said he felt it was a wise decision not to have grinding operations at this site. He said that it was his understanding that the TVI lease with the Great Park was for a total term of four years, and was currently in effect. He said that he made comments on the Mitigated Negative Declaration, and urged that a full Environmental Impact Report be performed so as not to jeopardize Irvine Lakes' drinking water supply. He said that he needed clarification on curbside waste. He commented on the 25 year storm event accounted for, and wanted to know what would happen if a 50 year storm event occurred. He raised concern about the feasibility of grinding the compost at another location. He said that his site was in direct view of the proposed site, and that his view would be impacted.

2) Mr. Dan Dulac (of 26982 Baker Canyon Road in Silverado Canyon) said he resides near the proposed site. He raised concern relative to the noticed time on the Notice of Intent to Adopt a Negative Declaration which said the meeting would be held at 6:30 p.m. He said he missed the staff presentation as it was made earlier than 6:30 p.m. He inquired why IRWD would have composting at the site as it is adjacent to his drinking water supply. He said that TVI was no longer located on "N" Street, but is now at a site at Portola which was an unpermitted site as well as another site at Marine Way. He said that he was also aware of another site in south Orange County. He inquired how TVI was going to grind compost beforehand. He said that it was his understanding that this project began as a grinding operation, but was changed as the Negative Declaration was being prepared, and now the project has completely changed, and asked that a new Negative Declaration be prepared. He asked if this was worth the income versus the drinking water risk. He then recommended that at a minimum, that an EIR be performed. He inquired why IRWD was the lead agency, and why the County was not involved, and why there was not a Conditional Use Permit for the site.

3) Mr. Richard Bozek (of 12806 Panoramic View, an unincorporated area in the County), said that he was approached by a number of individuals relative to this project. He commented that the written notice he received said a start time at 6:30 p.m., not 6:00 p.m., and that he was not in attendance for staff's presentation, and would be interested in hearing it. He noted a petition from 20 individuals requesting a complete EIR as they are concerned about the drinking water, the aesthetics, and complete failure of the Negative Declaration to address certain issues. He said he felt that the project was self serving, and did not want to see the composting operation at that site. He said he uses the lake personally, and does not want to see this operation at that site, and that the proposed project was personally appalling to him. He said fencing would not be adequate mitigation. He said that relative to air quality, that the composting would smell like a landfill and does not believe the public should be infringed upon when at the lake relaxing. He asked the Board to take a serious look at this project. He said he had a conversation with Mr. Dave Noyes, and then learned that this project would also give Serrano Water District additional revenue, so neither District should be deciding on the project. He said that the 150 foot buffer did not make sense to him, and that not having a liner would contaminate the soil. He asked that the Board deny the Negative Declaration, and at a minimum do a full EIR. He also suggested that the applicant post a bond to cover any injuries that occur.

President Swan asked if there was anyone else who wished to be heard. There were none. At 6:50 p.m., President Swan asked the staff to repeat the power point presentation for the benefit of the individuals who were not present earlier in the meeting. Both Mr. Ballard and Mr. Diamond repeated their presentations. Following this presentation, Mr. Swan said that staff was developing responses to the comments that will be distributed to the public within the next week and that the Board would not act tonight, but would continue this item at the June 12, 2006 Board meeting so that staff may review and respond to comments.

RECESS AND RECONVENE

President Swan declared a recess at 7:20 p.m. The meeting was reconvened at 7:30 p.m. with Directors Miller, Matheis, Reinhart, and Swan present.

ITEMS TOO LATE TO BE AGENDIZED: None

CONSENT CALENDAR

On MOTION by Matheis, seconded and unanimously carried, CONSENT CALENDAR ITEMS 5 THROUGH 21 WERE APPROVED AS FOLLOWS:

5. MINUTES OF BOARD MEETINGS

Recommendation: That the minutes of the May 8, 2006 Board of Directors' meeting be approved as presented.

6. APPROVAL OF BOARD OF DIRECTORS' ATTENDANCE AT MEETINGS AND EVENTS

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

7. STRATEGIC MEASURES DASHBOARDS

Recommendation: Receive and file the Strategic Measure Dashboard and Information items.

8. STATE LEGISLATIVE UPDATE

Recommendation: That the Board take an oppose position on AB 2402 (Ruskin) Public Water Systems: Treatment and AB 1612 (Pavley) Public Agency attorney disclosures.

9. SELECTION OF LOCAL AGENCY FORMATION COMMISSION (LAFCO) SPECIAL DISTRICT COMMISSIONER

Recommendation: That the Board nominate Director John Withers as the Regular Special District Commissioner and Director Charles Wilson of the Santa Margarita Water District as the alternate Special District Commissioner for the upcoming seats on the Local Agency Formation Commission; and that the Board designate Director Mary Aileen Matheis as the representative to Independent Special Districts of Orange County (ISDOC) to cast the IRWD vote at the ISDOC meeting on June 29, 2006. and name Director Doug Reinhart the interim alternate designee should Director Mary Aileen Matheis be unable to vote.

10. DENTAL INSURANCE COVERAGE FOR FISCAL YEAR 2006/07

Recommendation: That the Board authorize the General Manager to contract with ACWA Benefits Services Corporation for Fiscal Year 2006/07 for Delta Dental Plan Option (DPO) Plan A with child and adult orthodontics.

11. UPCOMING PROJECTS STATUS REPORT

Recommendation: Receive and file.

12. IRVINE DESALTER PROJECT PRINCIPAL AQUIFER PLANT, SHALLOW GROUNDWATER UNIT, AND WELLS ET-2 AND 78 REDUCTION OF RETENTION

Recommendation: That the Board find that 70% of the work has been completed and satisfactory progress has been made on the contract; authorize the reduction of retention from 10% to 5% of the contract amount; and release funds in excess of 5% of the contract amount from retention currently held for the Irvine Desalter Project Principal Aquifer Plant, Shallow Groundwater Unit, and Wells ET-2 and 78, projects 10376 and 30376.

13. JAMBOREE 16-INCH ZONE 5 DOMESTIC WATER PIPELINE PROJECT EXPENDITURE AUTHORIZATION APPROVAL

Recommendation: That the Board approve an Expenditure Authorization for \$88,000 for project 12316 to fund the design of the Jamboree 16-inch Zone 5 Pipeline.

14. IRVINE DESALTER PROJECT PIPELINES REDUCTION OF RETENTION

Recommendation: That the Board find that 75% of the work has been completed and that satisfactory progress has been made on the contract, authorize the reduction of retention from 10% to 5% of the contract amount; and release funds in excess of 5% of the contract amount from retention currently held for the Irvine Desalter Project pipelines, projects 10376 and 30376.

15. IRVINE RANCH WATER DISTRICT AND ORANGE COUNTY SANITATION DISTRICT AGREEMENT FOR FATS, OILS, AND GREASE BMP INSPECTION SERVICES BY ORANGE COUNTY HEALTH CARE AGENCY

Recommendation: That the Board approve the Orange County Sanitation District (OCSD) Fats Oils and Grease (FOG) Service Agreement with IRWD for the purpose of utilizing the services of the Orange County Health Care Agency (OCHCA) to conduct the kitchen best management practices (BMPS) screening inspections for IRWD's FOG program

16. SOUTH ORANGE COUNTY WASTEWATER AUTHORITY (SOCWA) OUTFALL PUMPING STATION AT LOS ALISOS WATER RECLAMATION PLANT – FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the SOCWA Outfall Pumping Station Los Alisos Water Reclamation Plant, projects 10376 and 20243; 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.

17. NATIONAL WATER RESEARCH INSTITUTE (NWRI) DESIGNATING REPRESENTATION ON THE BOARD OF DIRECTORS AND REVISING MEMORANDUM OF OFFICERS OF THE BOARD, COMMITTEE AND OTHER ASSIGNMENTS

Recommendation: That the Board rescind Resolution No. 2001-18 and adopt the following resolution by title designating Darryl Miller as representative and Paul Jones as alternate representative of the National Water Research Institute, and ratify the memorandum dated May 10, 2006 from President Swan relative to Officers of the Board, Committee, and Other Assignments.

RESOLUTION NO. 2006 – 14

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT,
RESCINDING RESOLUTION NO. 2001-18 AND
DESIGNATING REPRESENTATIVES ON THE BOARD
OF DIRECTORS OF THE NATIONAL WATER
RESEARCH INSTITUTE (NWRI)

18. GIS CONVERSION PROJECT – VARIANCE

Recommendation: That the Board authorize the General Manager to execute Variance No. 1 with DCSE for \$100,000 for plan set backlog conversion and additional miscellaneous support tasks.

19. WATER SUPPLY VERIFICATION FOR TENTATIVE TRACT MAP 16872 (BOSA RESIDENTIAL CONDOMINIUMS - PARK PLACE)

Recommendation: That the Board approve the water supply verification for Tentative Tract Map 16872 (Bosa Residential Condominiums – Park Place).

20. PLANNING AREA 6 PHASE II, ZONES 6 AND D DOMESTIC AND RECLAIMED WATER IMPROVEMENTS PROJECT ADDITION TO FY 2005/06 CAPITAL BUDGET AND EXPENDITURE AUTHORIZATIONS APPROVAL

Recommendation: That the Board authorize the addition of project 10798 for \$728,200, and project 30798 for \$513,700, to the Fiscal Year 2005/06 Capital Budget, and approve Expenditure Authorizations for project 10798 for \$84,700 and project 30798 for \$79,200 for funding the design of the Planning Area 6 Phase II Domestic and Reclaimed Water Improvement project.

21. PLANNING AREA 9B, PHASE I, RECLAIMED WATER PIPELINE PROJECT
ADDITION TO FY 2005/06 CAPITAL BUDGET AND EXPENDITURE
AUTHORIZATION APPROVAL

Recommendation: That the Board authorize the addition of project 30012 to the Fiscal Year 2005/06 Capital Budget for \$655,600, and approve an Expenditure Authorization for project 30012 for \$75,900 for funding the design of the Reclaimed Water Improvements.

ACTION CALENDAR

RECYCLED WATER ISSUES AT GOLF COURSES

General Manager Jones reported that this item was to make adjustments to allow the Oak Creek Golf Course to use potable water to irrigate the greens and surroundings for three years while continuing to use recycled water to irrigate the remainder of the course; and to allow the Shady Canyon Golf Course to temporarily use potable water on the entire golf course for a portion of the year over the next four years while modifications are made at the golf courses to allow the transition back to full recycled water use.

Mr. Mark Tetterer reported that both the Oak Creek Golf Course and Shady Canyon Golf Course are asking for temporary relief to use potable water on their golf courses. The greens at Oak Creek were established with bent grass, which is fairly salt tolerant turf. He said that over time, poa annua, which is less salt tolerant, has worked its way into the greens. He said that to mitigate the salts that accumulate in the greens from irrigation, they have instituted a leaching program, and would like to use potable water instead of reclaimed water. Leaching uses more water, uses additional chemicals and involves labor to change irrigation heads around the greens so lower water application rates can be applied. After leaching is completed, the heads are changed back to the normal irrigation heads.

Mr. Tetterer said that recycled water is not intended to be a financial hardship on the end user. He said that staff has prepared a cost comparison for Oak Creek under the current condition as compared with the use of potable water on the greens. He said that for reference, staff also included the cost of water assuming the course was irrigated entirely with potable water. The cost to purchase recycled water for the entire course is essentially equal to the cost to purchase recycled water for the fairways and potable water for the "greens and surrounds." The cost savings enjoyed by using recycled water is offset by the need to purchase more water for leaching (approximately six acre-feet per year). The significant cost savings for the Irvine Company associated with using potable on the greens and surrounds results from fewer chemicals and labor associated with disease control and leaching.

Mr. Tetterer said that Shady Canyon Golf Course, which opened in 2002, was established and has been primarily irrigated with recycled water on the greens as well as the fairways. The irrigation system gets the water from a "wet well" that is hydraulically connected to a nearby lake that is supplied with recycled water. Over the past several years, the operators of the golf

course have observed higher salt levels in the soils, which results in part from the use of recycled water. Because the Shady Canyon Golf Course is ryegrass, which is less salt tolerant, the grass becomes stressed and is susceptible to disease. As a result of soil conditions, drainage is less than optimal leading to operational challenges. To reduce the impact of higher salts from the recycled water, leaching is regularly performed to push accumulated salts down past the root zone.

Mr. Tetteimer said that Shady Canyon is taking steps to better monitor the golf course and plan for the continued long term use of recycled water throughout the course. During the past year, sand “topdressing” has been applied to the most impacted areas. This process involves gradually applying sand, typically during the growing periods, eventually creating a sand layer that will allow for improved drainage of higher salt level recycled water. This process is expected to take four to five years to achieve the needed six inches of sand base and will cost hundreds of thousands of dollars in time and materials as well as modifications to periodically raise the irrigation system. Shady Canyon Golf Course has contacted IRWD about the temporary use of potable water during the warmer months while the topdressing program is being implemented. Given that the Shady Canyon is making improvements at the course to use recycled water in the future and has invested in the technology to monitor the soil and turf conditions, staff believes the request has merit and has drafted an arrangement for the consideration.

Director Swan reported that this item was reviewed at the Water Resources Policy and Communications Committee on May 15, 2006. Following discussion, it was recommended that the term of potable water at Oak Creek Golf course be amended to two years and request The Irvine Company to submit a Mitigation Plan in one year. On MOTION BY Swan, seconded and unanimously carried, **THE GENERAL MANAGER WAS AUTHORIZED TO: EXECUTE LETTER AGREEMENTS WITH THE IRVINE COMPANY ALLOWING THE USE OF POTABLE WATER TO IRRIGATE GREENS AND SURROUNDS AT OAK CREEK GOLF COURSE FOR THE NEXT TWO YEARS WHILE CONTINUING TO USE RECYCLED WATER TO IRRIGATE THE REMAINDER OF THE PROPERTY AND ALLOWING USE OF POTABLE WATER TO IRRIGATE THE ALL OF SHADY CANYON GOLF COURSE FOR A PORTION OF THE YEAR UNTIL DECEMBER 31, 2009 SUBJECT TO THE REQUIREMENT TO HAVE A MITIGATION PLAN IN EFFECT FOR THE OAK CREEK GOLF COURSE WITHIN A ONE YEAR TIME FRAME.**

Director Miller left at 8:00 p.m.

POLLUTION INSURANCE – IRVINE DESALTER PROJECT

General Manager Jones reported that at a previous Board meeting, binding pollution coverage for the Irvine Desalter project was authorized subject to subsequent ratification by the Board of Directors. Mr. Jones said that substantive changes in the proposed policy premiums and term have occurred since that meeting as a result of AIG Environmental’s determination not to provide the District’s requested coverage. The District changed brokers and authorized Metro/Risk, Inc. to remarket the required coverage.

Mr. Mike Bray reported that as described in Metro/Risk, Inc.'s letter, the remarketing resulted in a single response from XL Capital (XL). Mr. Bray said that XL's proposal, for both potable and non-potable water, provides for \$20 million of coverage for third party liability, \$250,000 deductible, and a three year term at a premium of \$437,394 plus taxes and fees of 3.175%. The total estimated premium is \$451,281.26 and includes Metro/Risk Inc.'s broker commission of 7.5%. This coverage is in addition to \$15 million of coverage provided for potable water under IRWD's existing liability policy.

Premiums and deductibles, in addition to other project costs, are subject to reimbursement from the \$7.25 million contingency fund set aside by the Department of the Navy for use over the estimated 40-year life of the project as provided for in the Settlement Agreement.

Director Reinhart reported that this item was reviewed and approved by the Engineering and Operations Committee on May 16, 2006. He said that the one possible disadvantage to this policy was that it was for a three year term and that staff is banking that rates will not go up significantly. On MOTION by Reinhart, seconded and unanimously carried (Miller absent), **THE GENERAL MANAGER WAS AUTHORIZED TO BIND THE PROPOSED INSURANCE COVERAGE FOR THREE YEARS IN AN AMOUNT NOT TO EXCEED \$460,000.**

STRAND RANCH (KERN COUNTY) CROSS VALLEY CANAL TURNOUTS – DESIGN CONTACT, BUDGET ADDITION AND EXPENDITURE AUTHORIZATION

General Manager Jones reported that staff has been in discussions with the Kern County Water Agency (KCWA) regarding the coordination of facilities necessary to convey water on to and off of the Strand Ranch from the Cross Valley Canal (CVC). Mr. Jones said that KCWA staff has indicated they are open to this proposal based on the completion of CEQA and other conditions, and are also open to IRWD working with the local office of Boyle Engineering on a proposal to evaluate and design these facilities. The scope of work developed with Boyle Engineering only contemplates the design of turn out facilities, which are much more "invasive" and critical to coordinate with construction of the CVC expansion project; turn-in facilities are typically simple pipe outlets into the canal and can be constructed later with little disruption. To meet the timing requirements for the construction of these turnouts to be coordinated with the CVC expansion project, staff believes it will be necessary for IRWD to commit to constructing "non-operational" turnouts that will be plugged, and only equipped and used after the completion of additional CEQA that addresses the potential impacts associated with large scale recharge on the Strand Ranch. These turnouts are not necessary for the interim banking program with Rosedale.

Staff has worked with Boyle Engineering in Bakersfield to develop a scope of work to evaluate and design CVC turnout facilities. This scope includes evaluating existing site grades and the development of a conceptual recharge pond layout as the basis for locating the CVC turnouts to maximize gravity flow to the property, design of two turnouts (one on each side of the canal), and assistance on CEQA. Boyle's proposed total fee of \$66,117 is 13.6% of the preliminary estimated construction costs for two turnouts (\$500,000 in total/\$250,000 per turnout). Staff believes these fees are reasonable and responsive to IRWD's needs, and reflect Boyle's unique

position related to the design of the CVC expansion project, including several other turnout facilities.

Director Reinhart reported that this item was reviewed at the Engineering and Operations Committee on May 16, 2006, and that the Committee concurs with the staff recommendation. On MOTION by Reinhart, seconded and unanimously carried (Miller absent), THE ADDITION OF PROJECT 11136 TO THE FY 2005/06 CAPITAL BUDGET WAS AUTHORIZED FOR \$662,200; AN EXPENDITURE AUTHORIZATION WAS APPROVED FOR PROJECT 10798 FOR \$95,700; AND THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE A CONTRACT WITH BOYLE ENGINEERING CORPORATION IN AN AMOUNT NOT-TO-EXCEED \$68,117 FOR THE DESIGN OF TURNOUTS FROM THE CROSS VALLEY CANAL IN KERN COUNTY.

IRVINE DESALTER PROJECT WELLHEADS 76, 77, AND 110 – CONTRACT CHANGE ORDER NO. 1 TO ADD WELLHEAD 115 TO THE CONTRACT

General Manager Jones reported that staff recommends approval of Contract Change Order No. 1 to Pascal & Ludwig Constructors' construction contract for the Irvine Desalter Project (IDP) Wellhead Facilities at Wells 76, 77 and 110. This change order will add Wellhead 115 to the construction contract.

Acting Director of Engineering Malloy reported adding Well 115 to the IDP has a low incremental cost so that plumbing Well 115 into the system lowers the unit cost of the product water. This well will provide approximately 1,250 acre-feet per year additional IDP potable water production, which will lower the combined unit cost of IDP water by about \$30 per acre-foot and therefore, there is an incentive to bringing Well 115 on-line as soon as possible. Staff has reviewed the costs and negotiated changes with the contractor for CCO No. 1 in the amount of \$488,854.

Director Reinhart reported that item was reviewed and approved by the Engineering and Operations Committee on May 16, 2006. On MOTION by Reinhart, seconded and unanimously carried (Miller absent), CONTRACT CHANGE ORDER NO. 1 TO PASCAL & LUDWIG CONTRACTORS, INC., FOR \$488,854 WAS APPROVED FOR ADDING WELLHEAD 115 TO THE CONSTRUCTION CONTRACT, PROJECT 10376.

WORKSHOP

FISCAL YEAR 2006/07 DRAFT CAPITAL BUDGET

Using a power point presentation, Mr. Mike Hoolihan provided a brief overview on the fiscal year 2006/07 Capital budget. He described the major project groups of the budget accounting for \$78.5M, or 56%, of the total \$140.7M budget. The flagged projects were not discussed at this meeting and were carried over to the June 12, 2006 Board of Directors meeting.

GENERAL MANAGER'S REPORT

General Manager Jones announced that the first operating budget workshop was scheduled for June 12, 2006.

DIRECTORS' COMMENTS

Director Matheis reported on attendance at the ACWA conference and the Orange County Outdoor Science Foundation.

Vice President Reinhart reported on his attendance at the ACWA conference as well as the 45th anniversary of the El Toro Water District.

President Swan reported on his attendance at the ACWA conference; the Irvine Junior Games; the El Toro Water District's 45th Anniversary event; UCI's Urban Water Research Center meeting with General Manager Jones, and that evening a dinner event with their New Executive Director; the Southern California Dialog Group meeting; and MWDOC's Committee meeting this morning.

CLOSED SESSION

President Swan said that the Closed Session item relative to Government Code Section 54957 would not be held this evening.

ADJOURNMENT

There being no further business, President Swan adjourned the meeting at 8:25 p.m.

APPROVED and SIGNED this 12th day of June, 2006.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone