

MINUTES OF REGULAR MEETING – NOVEMBER 12, 2007

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 6:05 p.m. by President Reinhart on November 12, 2007 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Miller, Swan, Reinhart, and Withers

Directors Absent: Matheis

Also Present: General Manager Jones, Assistant General Manager Cook, Director of Engineering Heiertz, Director of Finance Cherney, Legal Counsel Arneson, Assistant Secretary Savedra, Mr. Jim Reed, Ms. Beth Beeman, Mr. Paul Weghorst, Mr. Kevin Burton, Mr. Bruce Newell and Maryann Brown and other members of the public and staff.

COMMUNICATIONS TO THE BOARD

Written Communications: None.

Oral Communications: Mrs. Joan Irvine Smith addressed the Board of Directors with respect to the Dyer Road Wellfield. Mrs. Smith said it was her understanding that currently wells 2, 5, C-8, 10, 15, 16, 17, 18 are in operation in accordance with the District's annual pumping plan. DATS Well C-9 is out of service and should be operational at the beginning of this week. The District's planned pumping for November is 2,200 AF per month. 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.

Relative to the OCWD annexation of certain IRWD lands, an OCWD Board workshop was held on September 24 to discuss the annexation status and issues. Both Director Miller and General Manager Jones attended the workshop. Director Miller reported that at the OCWD Board Workshop, OCWD staff and legal counsel were directed to work with IRWD on the Annexation Agreement. Staff and legal counsel of both agencies have come to consensus on several sections of the draft Annexation Agreement, and an additional meeting to address outstanding issues has been scheduled for October 23. Potential litigation in regard to the annexation matter was discussed in Closed Session during IRWD's Strategic Planning meeting held on October 26. Another meeting with OCWD staff and legal counsel is being scheduled this week, after the November 12 Regular Board meeting. This was confirmed by Mr. Jones.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED: None

CONSENT CALENDAR

In response to Director Swan's comment, Consent Calendar item No. 5 was moved on the Action Calendar. On MOTION by Miller, seconded and unanimously carried, CONSENT CALENDAR ITEMS 3 AND 4, AND ITEMS 6 THROUGH 11 WERE APPROVED AS FOLLOWS:

3. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the October 22, 2007 Regular Meeting be approved as presented.

4. RATIFY/APPROVE BOARD OF DIRECTORS' ATTENDANCE AT MEETINGS AND EVENTS

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

6. QUITCLAIM OF REAL PROPERTY

Recommendation: That the Board adopt the following resolution by title approving execution of the quitclaim deed to WL Homes LLC.

RESOLUTION NO. 2007 – 38

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT APPROVING
EXECUTION OF THE QUITCLAIM DEED TO
WL HOMES LLC

7. QUITCLAIM OF REAL PROPERTY

Recommendation: That the Board adopt the following resolution by title approving execution of the quitclaim deed to The Irvine Company LLC.

RESOLUTION NO. 2007 – 39

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT APPROVING
EXECUTION OF THE QUITCLAIM DEED TO
THE IRVINE COMPANY LLC

8. QUITCLAIM OF REAL PROPERTY

Recommendation: That the Board adopt the following resolution by title approving execution of the quitclaim deed to Irvine Center Partners III, LLC, Irvine Concourse Owners Association and 2040 Main, LLC.

RESOLUTION NO. 2007 – 40

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT APPROVING
EXECUTION OF THE QUITCLAIM DEED TO
IRVINE CENTER PARTNERS III, LLC, IRVINE CONCOURSE
OWNERS ASSOCIATION AND 2040 MAIN, LCC

9. DISSOLUTION OF CALIFORNIA PUBLIC ENTITY INSURANCE
AUTHORITY

Recommendation: That the Board adopt the following resolution by title terminating the California Public Entity Insurance Authority Joint Powers Agreement.

RESOLUTION NO. 2007 – 41

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT TERMINATING THE
CALIFORNIA PUBLIC ENTITY INSURANCE AUTHORITY
(CPEIA) JOINT POWERS AGREEMENT

10. VISION INSURANCE COVERAGE FOR CALENDAR YEAR 2008

Recommendation: That the Board authorize the General Manager to execute the contract with EyeMed for vision coverage for 2008 through 2011.

11. LONG-TERM DISABILITY, LIFE, AND DEPENDENT LIFE INSURANCE
COVERAGE FOR CALENDAR YEAR 2008

Recommendation: That the Board authorize the General Manager to contract for the calendar years 2008 through 2010 with Principal Financial for Life, Dependent Life and Long-Term Disability coverage.

ACTION CALENDAR

PETERS CANYON/SIPHON RESERVOIRS INTEGRATION STUDY – EXPENDITURE
AUTHORIZATION

Following discussion General Manager Jones said that staff would provide Director Swan with additional information on the study scope. On MOTION by Swan seconded and unanimously carried, THE BOARD APPROVED AN EXPENDITURE AUTHORIZATION FOR PROJECT 32315 FOR \$687,800 FOR THE PETERS CANYON AND SIPHON RESERVOIRS FEASIBILITY STUDY AND ENVIRONMENTAL IMPACT REPORT.

MWDOC MUNICIPAL SERVICE REVIEW

General Manager Jones reported at the October 26, 2007, Strategic Planning Meeting, as part of the Municipal Service Review (MSR) process, six south Orange County special district agencies met with MWDOC in a facilitated process designed to resolve concerns with MWDOC's services. A joint compromise proposal for addressing many on-going concerns was developed for consideration by MWDOC and the six south Orange County agencies. He said this proposal, which was distributed by MWDOC staff and recommended to the MWDOC Board for approval by staff at their October 17, 2007 meeting, was approved by IRWD on October 26, 2007, subject to non-substantive changes. The MWDOC Board deferred action on the proposal to their October 30, 2007 meeting. In addition, MWDOC desired to amend a key provision contained in the original version of the compromise proposal that was previously distributed by their staff and recommended by the MWDOC Board for approval. This change related to a provision in the proposal allowing a MWDOC member to not receive or pay for certain specified services if the agency did not want or need the service, and could demonstrate that its withdrawal did not compromise MWDOC's regional service approach.

Mr. Jones said that MWDOC revised this section of the compromise proposal by substituting in place of the arbitration a mediation process that could be subsequently overruled by MWDOC. The MWDOC Board approved the version of the compromise proposal with the mediation language on October 30, 2007. Director Miller inquired as to the intent of the original language, and President Reinhart and Mr. Jones said that the intent as discussed in the facilitated meetings of the six agencies and MWDOC was to have a third party review and resolve disputes between MWDOC and the agencies, which by definition would require an arbitration-type mechanism that would be binding.

Mr. Jones said that on November 14, 2007, LAFCO will conduct a hearing on the MWDOC MSR with a LAFCO staff recommendation to receive and file the document. Staff has reviewed the MSR and the nine determinations, and concurs with the report and its conclusions. He said given the lack of consensus and failure of the compromise proposal, staff believes a governance and cost-of-service study is necessary to determine if feasible options are available for improving wholesale imported water service and better allocating costs.

Following discussion relative to not approving the compromise proposal as amended and approved by MWDOC, and supporting LAFCO's action to receive and file the MWDOC MSR, staff was directed to work with LAFCO and interested south Orange County agencies to develop a scope, budget and schedule for a wholesale imported water service governance and cost of a service study. **ON MOTION** by Miller, seconded and unanimously carried, **THE BOARD DIRECTED THAT IRWD NOT APPROVE THE COMPROMISE PROPOSAL AS AMENDED AND APPROVED BY MWDOC; AND SUPPORTED THE LAFCO ACTION TO RECEIVE AND FILE THE MWDOC MSR. FOLLOWING DISCUSSION, ON MOTION BY SWAN, SECONDED AND UNANIMOUSLY CARRIED, THE BOARD DIRECTED STAFF TO WORK WITH LAFCO AND INTERESTED SOUTH ORANGE COUNTY AGENCIES TO DEVELOP A SCOPE, BUDGET AND SCHEDULE FOR A WHOLESAL IMPORTED WATER SERVICE GOVERNANCE AND COST OF SERVICE STUDY.**

ANNUAL BOARD OF DIRECTORS' FEES

General Manager reported the current compensation for the Board of Directors' is \$214.99 per meeting, not to exceed ten (10) meetings per month. General Manager Jones said that pursuant to the District's Ordinance, the Board's compensation increases automatically on January 1 of each year by 5%. Director Swan said that this item was reviewed by the Finance and Personnel Committee on November 6, 2007, and they recommended accepting the automatic increase. On MOTION by Swan, seconded and unanimously carried, THE 5% AUTOMATIC COMPENSATION INCREASE IN DIRECTOR FEES FOR CALENDAR YEAR 2008 WAS ACCEPTED, INCREASING THE FEES FROM \$214.99 PER MEETING TO \$225.00 PER MEETING, EFFECTIVE JANUARY 1, 2008.

PROPOSED CONSUMER PRICE INDEX CHANGES TO SALARY GRADE SCHEDULE AND EMPLOYEE COST OF LIVING ADJUSTMENTS

General Manager Jones reported that in 1999, the Board of Directors approved the separation of the Cost of Living (COLA) component from the overall employee merit increase and at that time the Board agreed to move salary ranges based on actual Consumer Price Index (CPI) movement for the September to September time period and implement automatic Cost of Living Adjustments (COLA) for each employee effective December 1 of each year. Mr. Jones said that based on the yearly changes in CPI, an adjustment of 2.25% would be appropriate for changes in salary ranges effective December 1, 2007. He said that during the budget process, staff included a 3.5% or approximately \$414,500 increase in salaries for COLA for Fiscal Year 2007/08; however, actual funds needed to implement this increase will be approximately \$266,500. He said the projected annual cost for Fiscal Year 2007/08 for COLA will be approximately \$148,000 (35.7%) under budget.

Director Swan reported that this item was reviewed and approved by the Finance and Personnel Committee on November 6, 2007. On MOTION by Swan, seconded and unanimously carried, A 2.25% INCREASE TO THE SALARY GRADE RANGES AND A COST OF LIVING ADJUSTMENT (COLA) FOR EACH ELIGIBLE EMPLOYEE WAS APPROVED, BOTH EFFECTIVE DECEMBER 1, 2007, AND THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION 2007- 42

RESOLUTION OF THE BOARD OF DIRECTORS
OF IRVINE RANCH WATER DISTRICT,
RESCINDING RESOLUTION NO. 2007-36
AND ESTABLISHING A REVISED SCHEDULE
OF POSITIONS AND SALARY RATE RANGES

STRAND RANCH (KERN COUNTY) CROSS VALLEY CANAL TURNOUTS – BUDGET INCREASE AND EXPENDITURE AUTHORIZATION

Director of Engineering Heiertz reported the Strand Ranch property in Kern County was purchased by Irvine Ranch Water District (IRWD) in 2004 for the purposes of developing a water banking program to enhance water supply reliability for IRWD customers. He said in September 2007, the District executed a letter of agreement with Rosedale-Rio Bravo Water Storage District (RRB) for development of a water banking project. This includes the construction of the Cross Valley Canal (CVC) turnout facilities at the Strand Ranch. The CVC, allows for the movement of water from the Westside of Kern County (California Aqueduct) to the eastside (Kern River and Friant-Kern Canal) and vice-versa, bisects the Strand Ranch property.

Mr. Heiertz said in May 2006, the Board authorized a contract with Boyle Engineering to design the turnouts for IRWD. Boyle Engineering is also under contract with the Kern County Water Agency (KCWA) to prepare the design of the CVC expansion which is underway. The CVC will be shut down effective November 1, 2007 through March 31, 2008 for the construction of the expansion project. Construction activities will include the Strand turnouts. He said IRWD staff has been coordinating with the KCWA regarding constructing these facilities. The KCWA Board of Directors, on September 26, 2007, approved an Addendum to the CVC Environmental Impact Report (EIR) to include these turnout structures in the overall project.

Mr. Heiertz said the estimated cost of the turnouts has increased as have the costs of the CVC project. This is largely due to the cost of the pipe, and the inclusion of metering. The original construction cost estimate was \$786,000. On October 12, 2007, the KCWA received three bids from CVC contractors for the turnout facilities. He said the low bid of \$1,062,000 is \$276,000 more than the original engineer's estimate. In addition to the construction costs, the KCWA added construction management and inspect services estimated at \$45,480, and contract administration costs of \$10,000, bringing the total direct construction phase costs to \$1,117,480. These costs combined with the low bid equal \$1,117,480 requires a budget increase of \$359,700. This budget request includes metering and related appurtenances for the turnouts which were not included in the initial estimate.

Mr. Heiertz also reported the tight time constraints restricted opportunity for Committee review. On MOTION by Swan, seconded and unanimously carried, **THE BOARD AUTHORIZED A BUDGET INCREASE TO THE FISCAL YEAR 2007/08 CAPITAL BUDGET FOR PROJECT 11136 BY \$359,000, FROM \$998,800 TO \$1,358,500; AND APPROVED AN EXPENDITURE AUTHORIZATION FOR PROJECT 11136 IN THE AMOUNT OF \$1,262,800.**

PORTOLA HILLS ZONE 9 BOOSTER PUMP STATION RECONSTRUCTION

General Manager Jones reported the Portola Hills Zone 9 Booster Pump Station (BPS) was severely damaged and rendered inoperable by the Santiago Fire on October 23, 2007. He said the pump station is the single source of domestic water supply to the Portola Hills Zone 9 reservoir which serves approximately 4,000 people.

Staff is working to reconstruct the permanent booster pump station and restore full operation by June 2008. Staff is accelerating re-design of the pump station, pre-purchasing long lead equipment and constructing portion of the pump station as the design is completed. Due to the extremely aggressive schedule, staff selected a team with previous knowledge of the Portola BPS. Boyle Engineering Corporation performed the design of the 1997 Portola BPS improvement project and their same key staff is available to participate in this design effort. Staff negotiated a scope of work and fee with Boyle for engineering design and construction support services for \$142,958.

Tekdraulics, the local Goulds Pump distributor and the low bid pump supplier is very familiar with the Portola PBS and has worked diligently with staff to analyze several pump scenarios and to select replacement pumps that will operate at peak efficiency. He said staff negotiated a sole source fee with Tekdraulics for the purchase of four replacement Goulds Pumps for \$159,754.

Mr. Jones said that due to the urgent nature of this item, it was not reviewed by Committee. Following discussion relative to the fuel modification zone, on MOTION by Miller, seconded and unanimously carried, THAT THE BOARD APPROVED THE ADDITION OF PROJECT 11350 TO THE FISCAL YEAR 2007/08 CAPITAL BUDGET FOR \$1,377,200; APPROVED AN EXPENDITURE AUTHORIZATION FOR \$794,200 FOR PROJECT 11350; AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PUMP PURCHASE CONTRACT WITH TEKDRAULICS FOR \$159,754; AND AUTHORIZE THE GENERAL MANAGER TO EXECUTE AN ENGINEERING SERVICES AGREEMENT WITH BOYLE ENGINEERING CORPORATION FOR \$142,958 FOR THE PORTOLA HILLS ZONE 9 BOOSTER PUMP STATION RECONSTRUCTION, PROJECT 11350.

General Manager's Comments

General Manager Jones reported on the loss of Booster 9 Pump Station to the recent Santiago Canyon wild fire and indicated there was fire damage at the Rattlesnake Recreation area at an estimated cost of \$1.2 million including staff time. He also reported on the loss of our Foothill weather station and said that the District was receiving data from another source. Staff is currently working with both FEMA and District's insurance company. Staff anticipates it an item to be submitted at the Finance and Personnel Committee Meeting on December 4, 2007.

Mr. Jones said that Standard & Poor raised IRWD's rating from AA to AA+ on the senior-lien 2002 Certificates of Participation (COPs) debt issue, and discontinued the reporting requirement of our 75% investments-to-debt ratio. Some of the factors cited for the rating upgrade included strong debt service coverage, flexibility to generate revenue by raising our low rates, well-integrated long-term capital planning, and our strong financial reserves. The 2002 COPs are now rated AA+ by Fitch and S&P, and Aa2 by Moody's.

Mr. Jones introduced Paul Weghorst, Principal Water Resources Manager who recently joined the District. Mr. Weghorst is a former resident of Colorado, who worked for many years at the Bureau of Reclamation. Mr. Jones also introduced Andrew Hamilton, the former CFO from Semi-Tropic Water Storage District, who recently joined DLC, Inc., a CPA firm in Costa Mesa.

DIRECTORS' COMMENTS

Director Swan reported he attended the OC Dialogue group meeting on desalination, a Santa Ana Watershed meeting, a South County Chamber of Commerce honoring Mr. Bill Wollett, a WACO meeting where Mr. Glenn MacDonald updated the participants on climate change. He reported he represented the District at the Newport Watershed Executive Committee and attended MWDOC Board and Committee meetings. He further said that a OCBC Infrastructure meeting is scheduled November 13th and Thursday and Friday. He will attend the ACWA Board meeting in Sacramento.

Bruce Newell former Board member of the Santiago Canyon Water District expressed his appreciation to IRWD crews working along side the fire department in the recent Santiago Canyon wildfire. He thanked the Directors, Managers and staff for their work performance and dedicated work during the fire.

CLOSED SESSION

President Reinhart said that the Closed session item, conference with legal counsel relative to anticipated litigation; Government Code Section 54956.9(b); significant exposure to litigation (two potential cases) would be held this evening.

OPEN SESSION

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

ADJOURNMENT

There being no further business the meeting was adjourned.

APPROVED and SIGNED this 26th day of November 2007.

President, IRVINE RANCH WATER DISTRICT

Assistant Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone