

## MINUTES OF REGULAR MEETING – FEBRUARY 25, 2008

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 6:00 p.m. on February 25, 2008 by President Miller in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Withers, Miller, Swan, and Reinhart.

Directors Absent: Matheis.

Also Present: General Manager Jones, Assistant General Manager Cook, Director of Engineering Heiertz, Mr. Rob Jacobson, Secretary Bonkowski, Legal Counsel Arneson, Mr. Jim Reed, Mr. Jim Carter, Mr. Terry Loomis, Mr. Kevin Burton, Ms. Mary Ann Brown, Mr. Bruce Newell, 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 C-8, C-9, 10, 13 and 15 are in operation in accordance with the District's annual pumping plan which is 1,400 AF per month for February. This was confirmed by Mr. Paul 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 Golden State Water Company. Contracts were awarded by OCWD to Layne Christensen Company and Bakersfield Well & Pump, Inc. to construct a total of eight wells. OCWD has reported that the project is being finalized at this time, and that a Notice of Completion should be issued in March 2008. Following well construction, each well will be owned by the individual participating agencies. Metropolitan Water District has given notice to OCWD that it will begin extracting a portion (i.e. 20,000 acre-feet) of its 50,000 acre-feet in storage beginning in fiscal year 2008-09. This was confirmed by Mr. Jones.

Relative to the OCWD annexation of certain IRWD lands, a meeting was held on December 19, 2007 with General Manager Jones, President Miller and OCWD's newly-elected Board President to discuss IRWD's current position. OCWD staff has requested IRWD's most current projections of the amount and general location of its future groundwater production. OCWD staff has indicated it would like the information to complete additional groundwater modeling of the impacts of production associated with annexation. A meeting was held on Tuesday, January 8, 2008 with OCWD staff to review future groundwater production scenarios associated with annexation for inclusion in OCWD's proposed update of the Long-Term Facilities Plan and Annexation Environmental Impact Report. This was confirmed by Mr. Jones.

ITEMS TOO LATE TO BE AGENDIZED: None.

WORKSHOP

ASSET OPTIMIZATION – SAND CANYON OFFICE PROJECT

Using a PowerPoint presentation, Mr. Jacobson and Mr. Sakahara of Lee & Sakahara Architects discussed a conceptual site plan for a proposed medical/general office development (Sand Canyon Office Project) on the District's property located adjacent to the Sand Canyon headquarters facility. The estimated project cost for the initial medical office phase of the project is \$7.3 million (including land cost of \$1.3 million), and is within the District's available real estate authority. The second scenario is based on development of the entire project in a single phase including the two general office buildings (totaling approximately 70,000 square feet). The estimated project cost for development of the entire Sand Canyon Office Project is \$32.3 million, which exceeds the District's available real estate authority and will eventually require third-party financing given current Replacement Fund balances.

Mr. Jacobson said that staff recommends the phased scenario due primarily to anticipated demand for medical office space in the immediate market area, as well as an uncertain general office market which may persist for an extended period of time. The first phase will also include a reconfiguration of a substantial portion of the headquarters parking area. Following discussion, staff was asked to submit an item to the Asset Management Committee to review the conceptual layout of the project.

The Asset Management Committee reviewed this item on a number of occasions and at the August 23, 2006 Committee meeting, the Committee recommended approval of the contract with Lee & Sakahara Architects. On MOTION by Swan seconded by Withers, THE BOARD AUTHORIZED AN INCREASE TO THE 2007/08 CAPITAL BUDGET FOR PROJECT 11118 FOR \$4,836,600, FROM \$1,441,000 TO \$6,277,600; APPROVED AN EXPENDITURE AUTHORIZATION FOR PROJECT 11118 FOR \$1,360,200; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH LEE & SAKAHARA ARCHITECTS TO PROVIDE ARCHITECTURAL SERVICES FOR PHASE 1 OF PROJECT 11118 FOR AN AMOUNT NOT TO EXCEED \$296,000.

CONSENT CALENDAR

In response to Director Swan's inquiry relative to Item No. 6, DISTRICT STRATEGIC MEASURES DASHBOARD, staff will provide him details of the January 1, 2008 Lake Forest sewage spill. In response to Director Swan's inquiry relative to Item No. 10, FACILITY FIRE PROTECTION IMPROVEMENTS BUDGET ADDITION, EXPENDITURE AUTHORIZATION AND CONSULTANT SELECTION, staff was asked to reevaluate Zone 4 as a potential fire hazard due to the tall pine trees around the reservoir. In response to Director Swan's inquiry relative to item No. 13, NATURAL TREATMENT SYSTEM IN-LINE BASINS AND EL MODENA BASIN VARIANCES EXPENDITURE AUTHORIZATIONS AND BUDGET INCREASE, staff was asked to provide him an update on the budget to actual for this project. On MOTION by Reinhart, seconded and unanimously carried, CONSENT CALENDAR ITEMS 4 THROUGH 18 WERE APPROVED AS FOLLOWS:

CONSENT CALENDAR (Continued)

4. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the February 11 and February 19, 2008 Regular Board Meetings be approved as presented.

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

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

6. DISTRICT STRATEGIC MEASURES DASHBOARD

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

7. JANUARY 2008 FINANCIAL REPORTS

Recommendation: Receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for January 2008; approve the January 2008 Summary of Wire Transfers and Ach Payments in the total amount of \$13,865,582.07; and approve the January 2008 Warrant Nos. 286951 through 287904, Workers' Compensation distributions and voided checks in the total amount of \$14,151,173.82.

8. UPCOMING PROJECTS STATUS REPORT

Recommendation: Receive and file.

9. SAND CANYON AVENUE PIPELINE LEAK REPAIR EXPENDITURE AUTHORIZATION

Recommendation: That the Board approve an Expenditure Authorization in the amount of \$43,000 for project 11219.

10. FACILITY FIRE PROTECTION IMPROVEMENTS BUDGET ADDITION, EXPENDITURE AUTHORIZATION AND CONSULTANT SELECTION

Recommendation: That the Board authorize the addition of project 11359 to the Fiscal Year 2007-08 Capital Budget for \$666,600; authorize the General Manager to approve an Expenditure Authorization in the amount of \$59,400 for project 11359; and authorize the General Manager to execute a Professional Services Agreement with RRM Design Group, Inc. in the amount of \$28,780.

CONSENT CALENDAR (Continued)

11. NATURAL TREATMENT SYSTEM IN-LINE BASIN PROJECT – FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Natural Treatment System In-line Basin project; 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, contingent upon Board approval of the corresponding Expenditure Authorization for the In-line Basin project 10834.

12. NATURAL TREATMENT SYSTEM URBAN WETLAND RETROFIT EL MODENA PROJECT REDUCTION OF RETENTION

Recommendation: That the Board find 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 Natural Treatment System Urban Wetland Retrofit, project 10836.

13. NATURAL TREATMENT SYSTEM IN-LINE BASINS AND EL MODENA BASIN VARIANCES EXPENDITURE AUTHORIZATIONS AND BUDGET INCREASE

Recommendation: That the Board authorize an increase to the Fiscal Year 2007-08 Capital budget for project 10836 for \$144,100, from \$1,895,600 to \$2,039,700; approve Expenditure Authorizations in the amount of \$144,500 for project 10834 and \$144,100 for project 10836, and authorize the General Manager to execute Variance No. 1 to VA Consulting for \$105,334 for the Natural Treatment System In-line Basins, project 10834, and the Urban Wetland Retrofit El Modena Basin, project 10836.

14. FISCAL YEAR 2007-08 PLANNING RESERVE EXPENDITURE AUTHORIZATION

Recommendation: That the Board approve additional Expenditure Authorizations for the Engineering/Planning Study Reserves in the amounts of \$71,500 for project 10562, \$58,300 for project 20562, and \$58,300 for project 30562.

15. QUITCLAIM OF REAL PROPERTY

Recommendation: That the Board adopt the following resolution by title approving execution of the quitclaim deed to Bethel Korean Church and American Baptist Churches of the Pacific Southwest or the current property owner(s) of record.

CONSENT CALENDAR (Continued)

RESOLUTION NO. 2008 – 7

RESOLUTION OF THE BOARD OF DIRECTORS  
OF IRVINE RANCH WATER DISTRICT APPROVING  
EXECUTION OF THE QUITCLAIM DEED TO BETHEL KOREAN  
CHURCH AND AMERICAN BAPTIST CHURCHES  
OF THE PACIFIC SOUTHWEST  
OR THE CURRENT PROPERTY OWNER OF RECORD

16. QUITCLAIM OF REAL PROPERTY

Recommendation: That the Board adopt the following resolution approving execution of the quitclaim deed to L&B/TCRA Lake Forest LLC or the current property owner of record.

RESOLUTION NO. 2008 – 8

RESOLUTION OF THE BOARD OF DIRECTORS  
OF IRVINE RANCH WATER DISTRICT APPROVING  
EXECUTION OF THE QUITCLAIM DEED TO L&B LAKE FOREST LLC  
OR THE CURRENT PROPERTY OWNER OF RECORD

17. ASSESSMENT OF WATER SUPPLY FOR HINES CALIFORNIA GREEN  
IRVINE PROJECT

Recommendation: That the Board approve the Assessment of Water Supply for Hines California Green Irvine (HCG) project.

18. WATER SUPPLY VERIFICATION FOR VESTING TENTATIVE TRACT  
MAP 17216, PLANNING AREA 39

Recommendation: That the Board approve the Water Supply Verification for Vesting Tentative Tract Map 17216, Planning Area 39.

ACTION CALENDAR

LOS ALISOS WATER RECLAMATION PLANT 2005 UPGRADES, BUDGET,  
EXPENDITURE AUTHORIZATION, CONSTRUCTION CHANGE ORDER AND  
REDUCTION OF RETENTION

General Manager Jones reported that in January 2007, the Board awarded the construction of the Los Alisos Water Reclamation Plant (LAWRP) 2005 Upgrades to W.M. Lyles Co. in the amount of \$11,820,034. This project is under construction with an estimated completion date of June 2008.

Director of Engineering Heiertz reported that staff is requesting approval of Construction Change Order No. 12 which includes: 1) concrete coating at the chlorine contact basin; 2) Pond 1 to Pond 2 isolation structure and a 24inch pipeline; and 3) LAW RP plant influent sewer connections in Muirlands Boulevard.

Director Reinhart reported that this item was reviewed and approved by the Engineering and Operations Committee on February 19, 2008. In response to Director Swan's inquiry, staff was asked to submit an item to the Engineering and Operations Committee relative to the economics of the LAW RP plant. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD AUTHORIZED AN INCREASE TO THE FY 2007-08 CAPITAL BUDGET FOR PROJECT 20243 IN THE AMOUNT OF \$1,232,700, FROM \$12,412,100 TO \$13,644,800, AND FOR PROJECT 30134 IN THE AMOUNT OF \$231,000, FROM \$7,134,900 TO \$7,365,900; APPROVED EXPENDITURE AUTHORIZATIONS FOR PROJECT 20243 IN THE AMOUNT OF \$1,239,000 AND FOR PROJECT 30134 IN THE AMOUNT OF \$369,400; AUTHORIZED THE GENERAL MANAGER TO EXECUTE CONTRACT CHANGE ORDER NO. 12 IN THE AMOUNT OF \$393,564 WITH W.M. LYLES CO.; AND AUTHORIZED A REDUCTION OF RETENTION FROM 10% TO 5% OF THE CONTRACT AMOUNT AND THE RELEASE OF FUNDS IN EXCESS OF 5% OF THE CONTRACT AMOUNT FROM THE RETENTION CURRENTLY HELD FOR THE LOS ALISOS WATER RECLAMATION PLANT 2005 UPGRADES, PROJECTS 20243 AND 30134.

JEFFREY ROAD SOUTH RECLAIMED WATER AND DOMESTIC WATER MAINS BUDGET INCREASE, EXPENDITURE AUTHORIZATION AND CONSTRUCTION CHANGE ORDER

The District's domestic, reclaimed and sewer lines in Jeffrey Road between Irvine Center Drive and Walnut Avenue need to be relocated due to the City of Irvine's Jeffrey Road Grade Separation and Roadway Widening Project. An additional 853 linear feet of 24-inch domestic waterline was installed to replace the existing 24-inch pipeline after it was discovered that the existing pipeline was very shallow.

On MOTION by Reinhart, seconded and unanimously carried, THE BOARD AUTHORIZED AN INCREASE TO THE FY 2007-08 CAPITAL BUDGET FOR PROJECT 10283 IN THE AMOUNT OF \$682,000, FROM \$1,667,200 TO \$2,349,200, AND FOR PROJECT 30189 IN THE AMOUNT OF \$105,000, FROM \$2,229,200 TO \$2,334,200; EXPENDITURE AUTHORIZATIONS WERE APPROVED FOR PROJECT 10283 IN THE AMOUNT OF \$682,000 AND FOR PROJECT 30189 IN THE AMOUNT OF \$105,000; AND THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE CONTRACT CHANGE ORDER NO. 4 IN THE AMOUNT OF \$329,867 WITH SEMA CONSTRUCTION FOR THE JEFFREY ROAD SOUTH RECLAIMED WATER AND DOMESTIC WATER MAINS, PROJECTS 10283 AND 30189.

LEGACY PARK CAPITAL IMPROVEMENTS – AUTHORIZATION OF PROJECTS –  
ADDITION TO THE FY 2007-08 CAPITAL BUDGET, APPROVAL OF EXPENDITURE  
AUTHORIZATIONS AND SUPPLEMENTAL REIMBURSEMENT AGREEMENT

Director of Engineering Heiertz reported that the Legacy Park development by Shea Properties is part of the planned urban reuse project proposed for the former Marine Corps Air Facility at Tustin (Base) and comprises approximately 820 acres with residential, commercial, school, and park land uses.

Mr. Heiertz said that Shea retained RBF Consulting and Hunsaker & Associates for the design of the capital pipelines while the construction of the capital facilities for the first phase of the development, Neighborhood E, will be performed by Southern California Pipeline. The design and construction of the pipelines will be completed under a Reimbursement Agreement between IRWD and the Tustin Legacy Community Partners LLC (TLCP).

Director Reinhart reported that this item was reviewed and approved by the Engineering and Operations Committee on February 19, 2008. In response to Director Swan's inquiry, staff was asked to submit an item to the Engineering and Operations Committee relative to drilling test wells and review pipeline diameter size for future use. On MOTION by Reinhart, seconded and unanimously carried, **THE BOARD AUTHORIZED THE ADDITION OF PROJECT 21376 IN THE AMOUNT OF \$142,700, PROJECT 31376 IN THE AMOUNT OF \$1,290,500, PROJECT 11353 IN THE AMOUNT OF \$379,200, PROJECT 21353 IN THE AMOUNT OF \$122,300, PROJECT 31353 IN THE AMOUNT OF \$609,600, PROJECT 11377 IN THE AMOUNT OF \$629,700, PROJECT 31377 IN THE AMOUNT OF \$250,400, PROJECT 11378 IN THE AMOUNT OF \$1,137,600, PROJECT 21378 IN THE AMOUNT OF \$1,503,400, PROJECT 31378 IN THE AMOUNT OF \$1,434,000, PROJECT 11379 IN THE AMOUNT OF \$686,700, PROJECT 21379 IN THE AMOUNT OF \$703,300, AND PROJECT 31379 IN THE AMOUNT OF \$884,600 TO THE FY 2007-08 CAPITAL BUDGET; APPROVED EXPENDITURE AUTHORIZATIONS FOR SAME AMOUNTS; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A REIMBURSEMENT AGREEMENT WITH THE TUSTIN LEGACY COMMUNITY PARTNERS LLC FOR THE DESIGN AND CONSTRUCTION OF THE IRVINE RANCH WATER DISTRICT CAPITAL DOMESTIC WATER, SEWER, AND RECLAIMED WATER PIPELINE FACILITIES LOCATED ON THE FORMER MARINE CORPS AIR FACILITY AT TUSTIN WITHIN THE DEVELOPMENT KNOWN AS LEGACY PARK.**

GENERAL MANAGER REPORT

General Manager Jones reported: 1) that the District received the 2007 Award for Electrical Excellence for the photovoltaic system at the Sand Canyon Administrative building from the National Electrical Contractors' Association; 2) Norris Brandt's father, Al Brandt, passed away; 3) on the yes votes for the OPAMWC shareholders' proxy count; and 4) that OCBC was holding a dinner relative to the state budget crisis on March 13, and that staff would forward a copy to the Board.

DIRECTORS' COMMENT

Director Swan reported that he attended Sam Johnson's memorial service celebrating his life. He said that Mr. Keith Lewinger was elected Chair of ACWA's Region 10 Board. He said that he attended the League of Cities dinner and will attend the Southern California Dialogue meeting on Wednesday.

President Miller reported that he and Director Withers attended the OCWA luncheon meeting and that the presentation was excellent. It was noted that the same presentation on MWD's Regional Water Supply and Proposed Supply Allocation Plan will be repeated at the March 7 WACO meeting. Director Withers asked staff to obtain a copy of the PowerPoint presentation.

CLOSED SESSION

President Miller said that a Closed Session would be held with legal counsel relative initiation of litigation-Government Code Section 54956.9(c) involving two potential cases - bond insurers.

OPEN SESSION

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

ADJOURNMENT

There being no further business, President Miller adjourned the meeting at 8:10 p.m.

APPROVED and SIGNED this 10th day of March, 2008.

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President, IRVINE RANCH WATER DISTRICT

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Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

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Legal Counsel - Bowie, Arneson, Wiles & Giannone