

JUNE 23, 2008 MINUTES FOR BOTH 5:00 P.M. AND 6 P.M. MEETINGS ARE ATTACHED.

MINUTES OF ADJOURNED REGULAR MEETING – JUNE 23, 2008

The adjourned regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order by President Miller at 5:00 p.m., June 23, 2008 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Miller, Swan, Withers, and Reinhart

Directors Absent: Matheis

Also Present: General Manager Jones, Legal Counsel Arneson, Ms. Debby Cherney, Mr. Greg Heiertz, Mr. Christopher Smithson, Mr. Sat Tamaribuchi, Mr. Dean Kirk, and other members of the public and staff.

COMMUNICATIONS TO THE BOARD - None

WORKSHOP

SETTING CONNECTION FEES AND PROPERTY TAXES FOR FISCAL YEAR 2008-09 – ASSUMPTIONS AND INITIAL MODEL RUNS

Using a PowerPoint presentation, Mr. Christopher Smithson said he would provide an overview of the fundamental objectives and the major assumptions included in the preliminary runs of the Enterprise Model. He said that each year the fundamental objectives set forth by the Board in setting connection fees and property taxes included: 1) minimizing and equitably allocating new capital costs; 2) maintaining the 50/50 split between connection fees and property taxes; 3) minimizing rate and fee “shock”; 4) maintaining a 75% debt service coverage ratio; and 5) maintaining the District’s Replacement Fund for its intended use.

Mr. Smithson said that in FY 2007-08: 1) the Board increased the average combined water and sewer connection fee by \$401, or 21%; 2) the property tax rate averaged \$.037/\$100 AV; 3) staff was asked to review the item on an annual basis; and 4) staff was asked to respond to the issues raised by The Irvine Company (TIC).

Mr. Smithson reviewed the: 1) FY 2007-08 model results; 2) response to issues raised by TIC; 3) assumptions for FY 2008-09; 4) changes in assumptions for user rate components included in the 2008-09 modeling; and 5) scenarios recommended by the Finance and Personnel Committee that provide variations with interest rates. He said that staff also developed scenarios providing variations with 1% future receipts and modeling scenarios.

Following discussion, it was the consensus of the Board to further discuss this item at a workshop on July 8, 2008 at 5:00 p.m.

ADJOURNMENT

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

APPROVED and SIGNED this 28th day of July, 2008.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone

MINUTES OF REGULAR MEETING – JUNE 23, 2008

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 6:12 p.m. by President Miller on June 23, 2008 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: Matheis.

Also Present: General Manager Jones, Director of Engineering Heiertz, Secretary Bonkowski, Legal Counsel Arneson, Ms. Debby Cherney, Ms. Fiona Sanchez, Ms. Beth Beeman, Mr. Paul Weghorst, Mr. Jim Reed, Mr. Carl Ballard, Mr. Jim Carter, Mr. Wayne Posey, Mr. Mike Hoolihan, Mr. Ergun Bakall, Ms. Marilyn Smith, 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 1, 2, 4, 7, C-8, C-9, 10, 11, 12, 13, 14, 15, 16, 17 and 18 are in operation in accordance with the District's annual pumping plan. Wells 3 and 6 are not in use at this time, but are anticipated to be operated in July as part of the District's annual pumping plan. Well 5 is currently undergoing rehabilitation work on the pump and casing and is scheduled to be operational in July. The District's planned pumping for June is 4,200 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), a Notice of Completion was approved by the OCWD Board of Directors on March 19, 2008. 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.

With respect to the OCWD annexation of certain IRWD lands, OCWD staff is evaluating IRWD's most current projections of the amount and general location of its future groundwater production for inclusion in OCWD's proposed update of the Long Term Facilities Plan and Annexation Environmental Impact Report. On Friday, March 14, 2008, Paul Jones met with Orange County Water District General Manager Mike Markus to further discuss the annexation process and the status of the EIR. At OCWD's request, IRWD staff has provided additional future groundwater production scenarios with annexation. 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 County in case of emergencies. IRWD is finalizing negotiations of an agreement with certain south Orange

County water agencies to fund the interconnection facilities needed to affect the emergency transfer of water. This was confirmed by Mr. Jones.

ITEMS TOO LATE TO BE AGENDIZED

General Manager Jones reported that an item came to staff's attention after the agenda was posted as a result of a meeting held on June 20, 2008 with Rosedale-Rio Bravo Water Storage District. He said staff has prepared an item relative to the First Amended Memorandum of Understanding regarding operation and monitoring of the Rosedale-Rio Bravo Water Storage District's groundwater banking program which requires Board approval. On MOTION by Swan, seconded and unanimously carried, IT WAS DETERMINED THAT THERE WAS A NEED TO TAKE IMMEDIATE ACTION ON THE FIRST AMENDED MEMORANDUM OF UNDERSTANDING REGARDING OPERATION AND MONITORING OF THE ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT GROUNDWATER BANKING PROGRAM WHICH CAME TO THE ATTENTION OF THE DISTRICT SUBSEQUENT TO THE AGENDA BEING POSTED, AND THIS MATTER WAS ADDED TO THE AGENDA AS ITEM 26A OF THE ACTION CALENDAR.

PRESENTATION

RESOLUTION COMMENDING MARILYN SMITH FOR HER SERVICE TO THE DISTRICT General Manager Jones reported that Ms. Marilyn Smith will be retiring from the District in early July 2008 following 15 years of dedicated and outstanding service. He read the resolution prepared by staff and presented it to Mrs. Smith. On MOTION by Swan, seconded and unanimously carried, THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2008-35

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT
RECOGNIZING MARILYN SMITH FOR HER
YEARS OF SERVICE

PUBLIC HEARING

PROPOSED CHANGES TO THE SCHEDULE OF RATES AND CHARGES EFFECTIVE
JULY 1, 2008

General Manager Jones reported that the fiscal year (FY) 2008-09 Operating Budget was adopted by this Board at the public workshop held on April 28, 2008. Mr. Jones said that the proposed changes to the rates and charges were publicly noticed by mail as required under Proposition 218 and protests to the implementation of those rates and charges were tallied by an independent accounting firm. He said that pursuant to the requirements of Proposition 218, a Public Hearing on the rates and charges is required.

President Miller declared this to be the time and place for a hearing on the proposed changes to the rates and charges. He asked the Secretary how the hearing was noticed.

Secretary Bonkowski said that the hearing was noticed by mail and presented an affidavit of mailing.

On MOTION by Swan, seconded and unanimously carried, THE AFFIDAVIT OF MAILING BY AN INDEPENDENT PROCESSING FIRM AS PRESENTED BY THE SECRETARY WAS RECEIVED AND FILED.

President Miller asked Legal Counsel to describe the nature of the proceedings.

Legal Counsel Arneson said that tonight's public hearing was to receive input on protests and to adopt changes to the Schedule of Rates and Charges as set forth in an exhibit to the Rules and Regulations of the Irvine Ranch Water District.

President Miller asked for a staff report from the Director of Finance on the proposed rates and charges, and inquired whether there had been any written protests tallied by the independent processing firm. Ms. Cherney said that customized notices of the proposed changes to the rates and charges had been mailed to the District's rate payers. She said that an independent service was hired that received protests at a post office box. She further said that eight protests were received which represents 0.0001% of the total customers, which was less than the 50% which would have been required to prevent the Board from adopting the proposed rates and charges.

President Miller inquired whether there was anyone present who wishes to address the Board regarding the proposed changes to the rates and charges. There was no one who wished to be heard.

President Miller inquired whether there are any comments or questions from members of the Board of Directors. On MOTION by Swan, seconded and unanimously carried, THE HEARING WAS CLOSED AND THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:
RESOLUTION NO. 2008- 36

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE
RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA
RESCINDING RESOLUTION NO. 2007-21 AND ADOPTING
CHANGES TO THE SCHEDULE OF RATES AND CHARGES AS
SET FORTH IN EXHIBIT "B" TO THE RULES AND
REGULATIONS OF IRVINE RANCH WATER DISTRICT
FOR WATER, SEWER AND RECLAIMED WATER
SERVICE AND EXHIBITS THERETO

CONSENT CALENDAR

On MOTION by Reinhart, seconded and unanimously carried, CONSENT CALENDAR ITEMS 5 THROUGH 19 WERE APPROVED AS FOLLOWS:

5. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the June 9, 2008 Regular Board Meeting be approved as presented.

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

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

7. DISTRICT STRATEGIC MEASURES DASHBOARD

Recommendation: Receive and file the Strategic Measures Dashboard and information items.

8. MAY 2008 FINANCIAL REPORTS

Recommendation: Receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for May 2008; approve the May 2008 Summary of Wire Transfers and Ach Payments in the total amount of \$9,312,605.61; and approve the May 2008 Warrants Nos. 290314 through 291450, Workers' Compensation distributions and voided checks in the total amount of \$14,537,996.96.

9. 2008 STATE LEGISLATIVE UPDATE

Recommendation: That the Board take a watch position on AB 2604 (Torrico); an oppose position on AB 983 (MA) and AB 2986 (Leno); and a support position on SB 1404 (Lowenthal).

10. 2008 SELECTION OF STATE LOBBYIST AND LOCAL GOVERNMENT CONSULTANT

Recommendation: That the Board approve a Professional Services Agreement for a term of six months with Isenberg/O'Haren in the amount of \$6,500 per month retainer plus reimbursable direct expenses for a total not-to-exceed \$42,900, and a Professional Services Agreement for a term of six months with Curt Pringle and Associates in the amount of \$7,500 per month retainer plus reimbursable direct expenses for a total not-to-exceed \$49,500.

CONSENT CALENDAR (CONTINUED)

11. MICHELSON WATER RECLAMATION PLANT (MWRP) FLOOD PROTECTION IMPROVEMENTS GRANT

Recommendation: That the Board adopt the following resolution by title authorizing staff to apply for a \$5 million grant with the Department of Water Resources for the purpose of constructing the urgently needed flood control improvements for the Michelson Water Reclamation Plant Flood Protection Improvements Project.

RESOLUTION NO. 2008 – 37

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT AUTHORIZING
STAFF TO APPLY FOR A GRANT APPLICATION FOR
THE MICHELSON WATER RECLAMATION PLANT
FLOOD PROTECTION IMPROVEMENTS WITH THE
DEPARTMENT OF WATER RESOURCES

12. WASTEWATER OPERATIONS FY 2008-09 EXPENDITURE AUTHORIZATIONS

Recommendation: That the Board approve Expenditure Authorizations for project 20551 for \$174,100; project 20571 for \$192,500; project 20887 for \$105,400; project 20891 for \$166,200; project 11267 for \$60,000; project 21267 for \$44,000; project 31267 for \$44,000; project 11272 for \$33,000; project 21272 for \$33,000; project 31272 for \$33,000; project 11315 for \$33,000; project 21315 for \$22,000; project 31315 for \$22,000; project 11283 for \$22,000; project 21283 for \$33,000; project 31283 for \$22,000; project 11293 for \$80,000; project 21293 for \$55,000, project 31293 for \$65,000; project 11296 for \$33,000; project 21296 for \$22,000; project 31296 for \$33,000; project 11298 for \$33,000; project 21298 for \$22,000; project 31298 for \$33,000; project 11317 for \$18,700; project 21317 for \$25,300; project 31317 for \$18,700; project 20560 for \$62,200; project 11235 for \$66,000; and project 11386 for \$65,100.

13. FISCAL YEAR 2008-09 EXPENDITURE AUTHORIZATIONS

Recommendation: That the Board approve Expenditure Authorizations for Fiscal Year 2008-09 for \$71,500 for project 10563, the engineering planning study reserve; \$11,978,000 for project 20109, OCSD CORF; \$249,700 for project 30323, on-site reclaimed water conversions; and \$145,800 for project 30322, off-site reclaimed water conversions.

CONSENT CALENDAR (CONTINUED)

14. WATER OPERATIONS FISCAL YEAR 2008-09 EXPENDITURE AUTHORIZATIONS

Recommendation: That the Board authorize the General Manager to approve Expenditure Authorizations for project 10385 for \$338,000; project 10909 for \$127,600; project 10993 for \$506,000; and project 30993 for \$187,000.

15. IRVINE DESALTER PROJECT POTABLE TREATMENT PLANT – FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Irvine Desalter Project – Potable Treatment Plant; 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.

16. CUSTOMER SERVICE REQUEST METER REPLACEMENT BUDGET INCREASE AND EXPENDITURE AUTHORIZATION

Recommendation: That the Board authorize a budget increase for project 10995 by \$126,500 from \$77,000 to \$203,500, and approve an Expenditure Authorization for project 10995 for \$107,200.

17. ADMINISTRATIVE CLAIM FOR DAMAGES

Recommendation: Receive the claim for damages from Thomas Parham and Davida Hopkins-Parham without action.

18. REIMBURSEMENT OF BOARD MEMBER FOR BUSINESS EXPENSES

Recommendation: That the Board approve expense reports from October 2007 to March 2008 submitted for reimbursement of Board of Director conference, travel and business expenses incurred by Director Peer Swan.

CONSENT CALENDAR (CONTINUED)

19. DISSOLUTION OF IRVINE RANCH WATER DISTRICT WATER SERVICE COMPANY, LLC

Recommendation: That the Board adopt the following resolution by title approving quitclaim of assets, liquidation and dissolution of Irvine Ranch Water District Water Service Company LLC.

RESOLUTION NO. 2008-38

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT APPROVING
QUITCLAIM OF ASSETS, LIQUIDATION AND
DISSOLUTION OF IRVINE RANCH WATER
DISTRICT WATER SERVICE COMPANY LLC

ACTION CALENDAR

FISCAL YEAR 2008-09 CAPITAL BUDGET

Using a PowerPoint presentation, Mr. Mike Hoolihan said that for FY 2007-08, projected expenditures were \$120 million (M) with actual expenditures at \$110 million. He said that the projected expenditures for FY 2008-09 were \$118.9 million. He reviewed the Capital Budget funding sources totaling \$46.6 million for domestic water and \$72.3 million for sewer/reclaimed projects. The top 10 project group summaries were reviewed as follows: 1) MWRP Improvements/floodwall (\$30.3 M); OCSD CORF (\$8.0 M); Tustin Legacy (\$6.9 M); Planning Area 1 (\$5.4 M); water banking (\$4.9 M); South County Reliability/Baker (\$4.5 M); University/Campus sewer, Phase II (\$3.1 M); Planning Area 18 (\$2.3 M); Culver Drive Sewer Rehabilitation (\$2.1 M); and Planning Areas 39 (\$1.9 M), for a total of \$69.4 million. Following discussion of the flagged projects, staff was asked to add the Anaheim Wells, Biosolids Handling, CalTrans Dewatering, Tustin Wells, any MWRP projects above 28 MGD to the current list.

Director Reinhart said that the fiscal impacts were reviewed by the Engineering and Operations Committee on May 20, 2008 and at the June 9, 2008 Board workshop. On MOTION by Reinhart, seconded and unanimously approved, THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE APPROVING THE CAPITAL BUDGET:

RESOLUTION NO. 2008 - 39

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT, ORANGE COUNTY
CALIFORNIA, APPROVING DISTRICT'S CAPITAL
BUDGET FOR FISCAL YEAR 2008-09

ACTION CALENDAR (CONTINUED)

WELLS 21 AND 22 DISCHARGE LATERALS

Director of Engineering Heiertz reported that the preliminary design and rehabilitation phase of the project was awarded to RBF Consulting (RBF) in December 2007. Mr. Heiertz said that RBF completed the rehabilitation specification for both wells and evaluated three alternative well rehabilitation and redevelopment discharge alternatives. These alternatives included connection to the existing City of Tustin storm drain, tying into a portion of the old Francis Mutual pipeline and routing to the storm drain, and construction of sewer lateral from the two wells to the Orange County Sanitation District (OCSD) sewer. The first two alternatives were dropped from consideration because video surveys of the storm drain and the Francis Mutual pipeline indicated that they were compromised structurally, leaving the sewer connections as the only viable and acceptable alternative.

Mr. Heiertz said that staff has worked with the City of Tustin and OCSD to coordinate the design and construction efforts for tying into the local sewer for well rehabilitation discharges. He said that bids were requested from three contractors that are currently under contract with IRWD to expedite the bid process and sewer lateral construction. Paulus Engineering, Inc. was the low bidder at \$147,469. The engineer's estimate was \$130,000.

In response to Director Swan's comment, staff will add an analysis of "wheeling" water to Tustin. On **MOTION** by Reinhart, seconded and unanimously carried, **THE BOARD APPROVED AN EXPENDITURE AUTHORIZATION FOR PROJECT 10285 IN THE AMOUNT OF \$57,700 AND CHANGE ORDER NO. 2 TO PAULUS ENGINEERING'S EXISTING CONTRACT IN THE AMOUNT OF \$147,469 FOR WELLS 21 AND 22 REHABILITATION AND PRELIMINARY DESIGN WORK.**

TACTICAL INCENTIVE REVIEW AND RECOMMENDATIONS

Tactical Incentives are one of the key elements of the Water Conservation Business Plan. The Tactical Incentives are cost-effective financial incentives provided by IRWD to supplement existing regional rebate programs administered by either Metropolitan Water District of Southern California (Metropolitan) and/or the Municipal Water District of Orange County (MWDOC). The incentives are based on IRWD's calculated avoided costs resulting from the installation of the various conservation devices.

Ms. Fiona Sanchez said that staff has reviewed the current incentive amounts and list of devices and recommends maintaining all incentives for FY 2008-09 with only two proposed modifications. She said that the first modification was the increase of the current incentive for multi-family high efficiency clothes washers (HEW) from \$200 to \$225. She said that by increasing the incentive, IRWD will offset the difference between single and multi-family incentives given by Metropolitan. She further said that the second modification was for the addition of commercial ice machines (ICE). This device

ACTION CALENDAR (CONTINUED)

has been on the market for several years and is currently eligible for an energy rebate. Metropolitan is planning to provide funding from \$250 to \$400 per ice machine that meets the Consortium for Energy Efficiency (CEE) Tier 3 standards, pending approval by Metropolitan's Board. Each device is expected to save 1.54 acre-feet over the life of the product. Staff recommends adding this device to IRWD's tactical incentive funding at a cost-effective level of \$250.

Director Miller reported that this item was reviewed and approved by the Water Resources Policy and Communications Committee on June 11, 2008. On MOTION by Miller, seconded and unanimously carried, THE BOARD APPROVED CHANGES IN THE TACTICAL INCENTIVE FUNDING LEVELS FOR IRVINE RANCH WATER DISTRICT'S CONSERVATION DEVICES TOTALING \$545,000 TO BECOME EFFECTIVE AUGUST 1, 2008.

WATER CONSERVATION CHALLENGE PROGRAM

Using a PowerPoint Presentation, Ms. Fiona Sanchez presented the water conservation challenge program to include: 1) statewide water supply constraints; 2) IRWD customer effort acknowledgements; 3) building upon Tactical Incentive Program; 4) motivating customers by rewarding extra effort by a \$120 credit for installing more than one device, and also a \$20 credit for referring a customer who installs a device; 5) long-term, cost effective savings; 6) \$160,00 in incentives; and 7) \$50,000 for a campaign effort.

Director of Public Affairs Beeman provided an outreach campaign overview, including 1) the July 1, 2008 official start of the IRWD water savings challenge; 2) press releases, ads in the local newspapers, and website notification; 3) postcard campaigns; 4) IRWD customer billing inserts articles; 5) coordinating efforts with cities; 6) posters; and 7) publicizing "IRWD's greatest water savers".

Director Miller reported that this item was reviewed and approved by the Water Resources Policy and Communications Committee on June 11, 2008. He also said he appreciated staff's proactive approach. In response to Director Swan's comment, staff was asked to submit an item to the Finance and Personnel Committee to tighten up the rate allocations for treated water. On MOTION by Miller, seconded and unanimously carried, STAFF WAS DIRECTED TO DEVELOP AND IMPLEMENT IRWD'S WATER SAVINGS CONSERVATION CHALLENGE PROGRAM AND AUTHORIZED AN INCREASE OF \$210,000 TO THE FISCAL YEAR 2008-09 OPERATING BUDGET.

CULVER DRIVE AND HARVARD AVENUE SEWER MAINTENANCE AND REHABILITATION PROJECT – CONSTRUCTION AWARD

Director of Engineering Heiertz reported that field inspections and closed circuit television monitoring were performed by staff on the Culver Drive and Harvard Avenue
ACTION CALENDAR (CONTINUED)

trunk sewers, and based on their findings, staff identified the need for rehabilitating approximately 10,000 feet of 24-inch asbestos cement gravity sewer from the intersection of Culver Drive and San Leandro Street to Worship Center near the corner of Harvard Avenue and University Drive, and 53 manholes on Culver Drive between Walnut Avenue and San Leandro Street.

Mr. Heiertz said that the project was advertised for bid to a select list of eight contractors. He said that a pre-bid meeting was held which was attended by three pipe lining contractors and two sub-contractors for bypass pumping. He said that the bid opening occurred with only one bid received from Insituform Technologies, Inc. in the amount of \$1,884,000. The engineer's estimate was \$2,665,197. Sancon Engineering and Repipe, Inc. attended the pre-bid meeting and expressed interest in the project, but did not submit bids. Upon an inquiry, Sancon Engineering indicated that it did not bid due to limited resources available to them at this point in time, and Repipe indicated that its cured-in-place liner did not meet IRWD's design specifications. As there are very few companies that are capable of lining large diameter sewers (Insituform being one of them), and the bid amount is less than the engineer's estimate, Mr. Heiertz said that staff recommended awarding the contract to Insituform.

On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED AN EXPENDITURE AUTHORIZATION FOR \$2,272,200 FOR PROJECT 20278, AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONTRACT WITH INSITUFORM TECHNOLOGIES, INC FOR \$1,884,000 FOR THE CULVER DRIVE AND HARVARD AVENUE SEWER MAINTENANCE AND REHABILITATION, PROJECT 20278.

PLANNING AREA 1 – ORCHARD HILLS CONTRACT 'F'

Director of Engineering Heiertz reported that the Irvine Community Development Company (ICDC) has continued developing the Orchard Hills area, i.e. Planning Area 1 (PA-1). Mr. Heiertz said that on February 28, 2006, the Board approved the Reimbursement Agreement with ICDC to design/construct IRWD Capital Facilities within PA-1. Subsequent to that, on November 27, 2006, an Expenditure Authorization was approved authorizing expenses relating to all related project numbers except Project 30244 as the construction contracts had not yet been awarded by ICDC. On September 4, 2007, IRWD approved a Letter of Concurrence awarding construction contracts to be administered by ICDC as follows:

Construction	Griffith (1061700)	\$903,393.76
Geotechnical	Leighton (344060118)	\$ 1,970.00
Survey/Staking	Penco (443053029)	\$ 6,425.00
Administration (1%)	ICDC	\$ 9,117.89
<hr/>		
	Total ICDC	\$920,906.65

ACTION CALENDAR (CONTINUED)

Director Reinhart reported that this item was reviewed and approved by the Engineering and Operations Committee on June 17, 2008. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD APPROVED AN EXPENDITURE AUTHORIZATION FOR PROJECT 30244 IN THE AMOUNT OF \$2,385,900 FOR CONSTRUCTION, DESIGN AND INSPECTION SERVICES FOR PA-1 ORCHARD HILLS CAPITAL FACILITIES WITHIN WOODY KNOLL, NEIGHBORHOOD 1, CONTRACT "F", IRVINE COMMUNITY DEVELOPMENT COMPANY CONTRACT NO. 1061700.

CALTRANS SR-261 SHALLOW GROUNDWATER DEWATERING ALTERNATIVES

Director of Engineering Heiertz reported that shallow groundwater exists along CalTran's eastern transportation corridor's (SR-261) toll road. Mr. Heiertz said that the pipes collect approximately 800,000 gallons per day of groundwater that contain high levels of total dissolved solids (TDS), nitrates, and selenium.

Mr. Heiertz said that as a result of more stringent water quality requirements from the Regional Water Quality Control Board regarding selenium, the shallow groundwater can no longer be discharged to the creek. Consequently, the CalTrans groundwater treatment plant is currently not used and the shallow groundwater is being pumped and discharged to IRWD's Harvard Avenue Trunk Sewer (HATS) for treatment at the Orange County Sanitation District's (OCSD) wastewater treatment plant.

Mr. Heiertz said that CalTrans has asked staff to assist in finding an alternative to its current practice of discharging the CalTrans shallow groundwater to HATS. Staff worked with Tetra Tech to identify four initial options for handling this water. Staff is proposing that IRWD undertake the preparation of this report, utilizing a consultant engineering firm, while addressing other implementation issues.

Mr. Heiertz said that staff received proposals for the CalTrans Shallow Groundwater Dewatering Alternatives Study from Tetra Tech, Carollo, and R. W. Beck. He said that Tetra Tech demonstrated a comprehensive understanding of the project issues and provided a strong project team.

Director Reinhart reported that this item was reviewed and approved by the Engineering and Operations Committee on June 17, 2008. Following discussion, Director Swan asked staff to also have the selected consultant examine a reclaimed water method as an alternative. On MOTION by Reinhart, seconded and unanimously carried, THE BOARD AUTHORIZED THE ADDITION OF PROJECT 11417, CALTRANS SHALLOW GROUNDWATER DEWATERING ALTERNATIVES, TO THE FY 2007-08 CAPITAL BUDGET IN THE AMOUNT OF \$231,000; APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$231,000; AND

ACTION CALENDAR (CONTINUED)

AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH TETRA TECH FOR \$194,870.

APPROVAL OF ROSEDALE-RIO BRAVO WATER STORAGE DISTRICT
MEMORANDUM OF UNDERSTANDING

General Manager Jones reported that a write-up had been placed before each Director. Mr. Jones said that on June 2, 2008, the Kern Water Bank Authority (KWBA) sent a letter to Rosedale-Rio Bravo Water Storage District (Rosedale) requesting a meeting to discuss three concerns that they had relative to the Strand Ranch Integrated Banking Project. Rosedale responded on June 10, 2008 (with IRWD's concurrence) that the KWBA issues be addressed in conjunction with the development of a Memorandum of Understanding (MOU).

Mr. Jones said that staff, legal counsel, and Director Swan met with staff and legal counsel of Rosedale, the KWBA and the Kern County Water Agency (KCWA) on June 20, 2008 to begin negotiations on an MOU. He said that in the meeting consensus was reached on all issues included in KWBA's letter. It was further agreed that the issues could satisfactorily be addressed through amending the existing water banking MOU covering Rosedale's current operations, and including the Strand Ranch project therein. The amended MOU would provide for future review of operating issues such as those raised by KWBA by inter-agency monitoring committee. As agreed in the meeting, the amended MOU would be standard in nature and impose no extraordinary operating restrictions on IRWD. The only concession given by Rosedale during the negotiation for inclusion in the amended MOU was to increase (until a study can be completed) the assumed losses applied to water Rosedale will recharge on the Strand Ranch for its "in-district" purposes which has no effect on IRWD. He said that IRWD will not be signatory to the MOU; however, because provisions of the amended MOU will affect IRWD's water banking program, Board approval of the amended MOU is necessary before Rosedale can approve and execute the document.

On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED THE MEMORANDUM OF UNDERSTANDING SUBJECT TO NON-SUBSTANTIVE CHANGES APPROVED BY THE GENERAL MANAGER AND LEGAL COUNSEL.

GENERAL MANAGER'S COMMENTS

General Manager Jones reported on today's LAFCO meeting where the Commissioners unanimously approved a contract with Winzler and Kelly for the completion of the MWDOC governance study whereby MWDOC will provide 50% of the funding and other agencies (who agreed to participate) will be assessed based on the number of connections.

Mr. Jones reported that AB 2882 (i.e. allocation-based conservation water pricing) will be heard tomorrow in Sacramento. He said that the bill was being analyzed by Dennis O'Conner and that he is recommending 10 amendments of which four are "deal killers" for IRWD. He said that Mr. O'Conner had a fundamental misunderstanding of tier rate structures, that he wants to see all costs on a tier-by-tier basis versus revenues received, and other language making it unacceptable. He said that IRWD should not continue to support this bill unless changes are made.

DIRECTORS' COMMENTS

Director Withers reported on the new City Member of LAFCO, Mr. Robert Bouer (of Laguna Woods), and asked staff to invite him to tour IRWD. He also asked staff to invite Council member Cheryl Brothers from the City of Fountain Valley along with Vice Chair Larry Crandell from OCSD. He asked staff to investigate UCI's new Urban Water Quality Management program where they are developing a new adult continuing education Certificate Program and are looking for individuals to be on its Advisory Committee to assist with developing it.

Director Reinhart reported on his attendance at the OCWD's 75th anniversary with Directors Swan and Miller. In response to his comment on an article he read on the internet whereby there is a movement for the public to drink tap water, General Manager Jones said that IRWD is phasing out our bottled water program, and that staff is investigating purchasing reusable water containers. He said IRWD will continue to bottle a smaller quantity of water for special uses only.

Director Swan reported on his attendance at MWDOC's Board and Committee meetings, OCBC, OCWD's anniversary celebration, a South Coast County Water District meeting, an OCWA meeting relative to rate structures, a Kern County Water Banking meeting, and a Southern California Water Dialog meeting.

ADJOURNMENT

There being no further business, President Miller adjourned the Board Meeting at 7:30 p.m.

APPROVED and SIGNED this 28th day of July, 2008.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone