

## MINUTES OF REGULAR MEETING – MARCH 23, 2009

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 5:00 p.m. by President Reinhart on March 23, 2009 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Matheis, Reinhart, Withers (arrived at 5:10 p.m.), Swan, and LaMar.

Directors Absent: None.

Also Present: Acting General Manager Cook, Director of Engineering and Construction Burton, Director of Planning, Water Resources and Environmental Quality Heiertz, Director of Finance Cherney, Secretary Bonkowski, Legal Counsel Arneson, Mr. Ergun Bakall, Mr. Jim Reed, Ms. Mary Ann Brown, Mr. Paul Weghorst, Mr. Jeff Stanart, Ms. Beth Beeman, Mr. Rob Jacobson, Mr. Mike Hoolihan, Mr. Wayne Posey, Mr. Steve Malloy, Mr. Malcolm Cortez, and other members of the public and staff.

### COMMUNICATIONS TO THE BOARD

Oral Communications: 1) 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 4, C-8, C-9, 10, and 13 are in operation in accordance with the District's annual pumping plan. Wells 1, 6, 14 and 18 will operate a portion of the week. Well 2, 3, 5, 7, 11, 12, 15, 16 and 17 are inactive. The District's planned pumping for March is 3,270 acre-feet. This was confirmed by Mr. Cook, Acting 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. 22,000 acre-feet) of its 48,500 acre-feet in storage beginning in fiscal year 2008-09. It is expected that an additional 22,000 acre-feet will be extracted in FY 2009-10. The extraction is being performed by agencies that constructed conjunctive use wells under this program. IRWD is not a participant. This was confirmed by Mr. Cook.

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. OCWD has taken no further actions with respect to the annexation. At OCWD's request, IRWD staff has provided additional future groundwater production scenarios with annexation. This was confirmed by Mr. Cook.

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 has approved the operating agreement with certain south Orange County water agencies to fund the interconnection facilities needed to

affect the emergency transfer of water. MWDOC and OCWD have also both approved the operating agreement. This was confirmed by Mr. Cook.

Director Withers arrived at 5:10 p.m.

ITEMS TOO LATE TO BE AGENDIZED – None.

CONSENT CALENDAR

Vice President Swan asked that items 10 and 13 be moved to the Action Calendar for discussion. There being no objection, these items were moved to the Action Calendar. On MOTION by Swan, seconded and unanimously carried, CONSENT CALENDAR ITEMS 3 THROUGH 9 AND 11, 12, 14 AND 15 WERE APPROVED AS FOLLOWS:

3. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the March 9, 2009 Regular Board 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 Steve LaMar, Mary Aileen Matheis, Doug Reinhart, Peer Swan and John Withers as presented.

5. STRATEGIC MEASURES DASHBOARDS

Recommendation: Receive and file.

6. FEBRUARY 2009 FINANCIAL REPORTS

Recommendation: Receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for February 2009; approve the February 2009 Summary of Wire Transfers and ACH payments in the total amount of \$3,627,250.40; and approve the February 2009 Warrants Nos. 298263 through 298983 Workers' Compensation distributions and voided checks in the total amount of \$12,755,285.09.

7. DOMESTIC WATER INTERCONNECTION - FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Domestic Water Interconnection (IRWD Zone 4/LAWD Zone 1), Project 10303; 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.

CONSENT CALENDAR (CONTINUED)

8. PLANNING AREAS 1 AND 2 ORCHARD HILLS (1 MG) ZONE 5 RESERVOIR - FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Planning Areas 1 and 2 Orchard Hills (1 mg) Zone 5 Reservoir, Project 13162; authorize the General Manager to file a Notice of Completion; and authorize release of retention 35 days after the filing of the Notice of Completion.

9. MICHELSON WATER RECLAMATION PLANT FLOOD PROTECTION GEOTECHNICAL VARIANCE

Recommendation: That the Board approve Expenditure Authorizations for Project 20542 for \$39,500 and Project 30542 for \$39,500, and authorize the General Manager to execute Variance No. 5 with VA Consulting in the amount of \$75,200 for the Michelson Water Reclamation Plant Flood Protection Improvements, Projects 20542 and 30542.

11. SERVICE LINE, VALVE AND MAIN REPLACEMENT PROJECT - FISCAL YEAR 2008/09

Recommendation: That the Board authorize a budget increase for project 30993 by \$121,000, from \$187,000 to \$308,000, and approve an Expenditure Authorization for \$121,000 for Project 30993, Service Line, Valve and Main Replacement - Fiscal Year 2008/09.

12. CUSTOMER SERVICE REQUEST METER REPLACEMENT PROJECT FISCAL YEAR 2008/09

Recommendation: That the Board approve an Expenditure Authorization for \$143,500 for Project 10996, the Customer Service Request Meter Replacement Project Fiscal Year 2008/09.

14. RELOCATION OF BACKFLOW DEVICES WITHIN IRVINE BUSINESS COMPLEX – PROJECT ADDITION AND EXPENDITURE AUTHORIZATION

Recommendation: That the Board authorize the addition of Project 11449 to the Fiscal Year 2008/09 Capital budget; and approve an Expenditure Authorization in the amount of \$387,900 for Project 11449, the Replacement of Backflow Devices within the Irvine Business Complex Project.

CONSENT CALENDAR (CONTINUED)

15. FACILITY RELOCATIONS AT THE BARRANCA PARKWAY AND RED HILL AVENUE STREET INTERSECTION – PROJECT ADDITION AND EXPENDITURE AUTHORIZATION

Recommendation: That the Board authorize the addition of Project 11448 to the Fiscal Year 2008/09 Capital budget, and approve an Expenditure Authorization in the amount of \$244,900 for Project 11448 for the facility relocations at the Barranca Parkway and Red Hill Avenue Street Intersection Project.

ACTION CALENDAR

OFFICERS OF THE BOARD, COMMITTEE AND OTHER ASSIGNMENTS, APPROVAL/RATIFICATION OF BOARD OF DIRECTOR ATTENDANCE AT MEETINGS/EVENTS, AND ADOPTION OF REVISED COMMITTEE ASSIGNMENTS

Following Vice President Swan's verification of Committee assignments for Director LaMar, on MOTION by Swan, seconded and unanimously carried, THE BOARD RATIFIED THE MEMORANDUM DATED MARCH 16, 2009 ENTITLED OFFICERS OF THE BOARD, COMMITTEE AND OTHER ASSIGNMENTS, APPROVED ATTENDANCE FOR THE MEETINGS AND EVENTS FOR THE BOARD'S REPRESENTATION FOR CALENDAR YEAR 2009; AND ADOPTED THE FOLLOWING RESOLUTION BY TITLE RESCINDING RESOLUTION NO. 2009-2 AND REVISING THE ASSIGNMENT OF DIRECTORS TO COMMITTEES OF THE BOARD.

RESOLUTION NO. 2009-10

RESOLUTION OF THE BOARD OF DIRECTORS OF  
IRVINE RANCH WATER DISTRICT, RESCINDING  
RESOLUTION NO. 2009-2 AND REVISING THE ASSIGNMENT  
OF DIRECTORS TO COMMITTEES OF THE BOARD

APPRAISAL STUDY OF ALTERNATIVE RECHARGE METHODS FOR FUTURE WATER BANKING

Vice President Swan said following his review of staff's summary, he questioned the cost for the study. Principal Water Resources Manager Weghorst reported that in October 2008, the Engineering and Operations Committee approved IRWD's financial participation in the OCWD sediment removal testing study for the amount of \$50,000. Mr. Weghorst said that in return for IRWD's participation in the sediment removal study, OCWD was to provide IRWD with a technical memorandum that would provide estimated costs associated with pre-treatment ahead of subsurface recharge methods being evaluated by IRWD staff. He said that subsequent to Committee approval for IRWD's \$50,000 participation, OCWD management considered the requirement for the technical memorandum and requested that IRWD reserve \$10,000 and contract directly with HDR for the preparation of the technical memorandum.

Mr. Weghorst further said that to expedite the evaluation and to take advantage of information available from the OCWD/HDR sediment removal testing study, staff requested a work plan from HDR. The work plan request included requirements for appraisal-level engineering design and cost estimating work for alternative subsurface recharge methods as well as the requirement to incorporate results from the OCWD/HDR sediment removal study that would have been provided in a technical memorandum from OCWD.

Vice President Swan recommended that a pilot study be performed versus an evaluation. Following discussion, **SUBJECT TO REVIEW BY THE ENGINEERING COMMITTEE OF THE STUDY SCOPE AND ANY REVISION OF THE SCOPE AS DEEMED APPROPRIATE BY THE COMMITTEE TO CONFORM IT TO THE BOARD'S DISCUSSION, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH HDR ENGINEERING, INC. FOR AN APPRAISAL-LEVEL STUDY OF ALTERNATIVE RECHARGE METHODS IN THE AMOUNT OF \$81,764, AND APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$90,000 FOR WATER BANKING EXPANSION, PROJECT 11368.**

#### 2008 BOND ISSUANCE AND SELECTION OF LETTER OF CREDIT BANKS AND TRUSTEE

Director of Finance Cherney reported that the District issues general obligation bonds to finance new capital facilities. Ms. Cherney said that of the proposed \$150 million issuance, approximately \$58.8 million will reimburse advances from the Capital Funds and approximately \$91.2 million will fund expenditures expected over the next 18 months to two years. She said that legal counsel has prepared a resolution declaring intention to issue the consolidated bonds setting April 13, 2009 as the date for a public hearing, and approval as to form of a proposed Resolution of Issuance.

Ms. Cherney said that staff has been working with the underwriters to evaluate the most appropriate mode in which to issue the bonds. She said that both staff and the underwriters recommend that the 2009 bonds be issued in equal amounts in both a daily and weekly mode, with Direct Pay Letters of Credit providing credit enhancement. J.P. Morgan offered to provide a letter for credit for the full \$150 million at a fee of 195 basis points. State Street, U.S. Bank and Bank of America all proposed 125 basis points and a 10 basis point up front fee; however, State Street was unable to provide the needed \$75 million and meet the District's schedule, leaving U.S. Bank and Bank of America as the most cost-effective choice. Staff recommends selecting U.S. Bank and Bank of America to provide two-year letters of credit for \$75 million each to support the Consolidated Series 2009A and 2009B bonds, which will result in a one-time up front fee of \$150,000 (\$75,000 each bank) and an annual cost of \$1,875,000 for both issues (\$937,500 for each bank).

Ms. Cherney said that staff sent out a Request for Proposals for trustee services for the upcoming bond issuance. U.S. Bank provided the lowest bid at \$2,500 for annual administration. Additionally, over the past several months, staff has been very dissatisfied with the service provided by Deutsche Bank which acts as trustee on the 2008 COPs and the 2008-B Refunding Bonds.

Vice President Swan said that this item was reviewed and approved by the Finance and Personnel Committee at its meeting on March 3, 2009. In response to Vice President Swan's comment if the documents could be modified if SB 613 is passed, Treasurer Jacobson said that when IRWD's Letters of Credit expire, adjustments can be made to implement the District's credit enhancement authority under SB 613, in structuring the replacement credit facilities. Vice President Swan asked staff and counsel to review whether any changes are needed in the documents to allow for that restructuring. Mr. Swan then asked staff to add an item to the Special Finance and Personnel Committee relative to the new Federal Stimulus package and variable rates prior to issuing the bonds. He said he also would like to review a red-lined version of the reimbursement. On MOTION by Swan, seconded and unanimously carried, **THE BOARD APPROVED THE SELECTION OF U.S. BANK AND BANK OF AMERICA TO PROVIDE LETTERS OF CREDIT FOR \$75 MILLION EACH TO SUPPORT THE CONSOLIDATED SERIES 2009A AND 2009B BONDS, AND APPROVED THE SELECTION OF US BANK AS TRUSTEE ON THE SERIES 2009A AND 2009B BONDS AND SUBSTITUTE DEUTSCHE BANK WITH US BANK AS TRUSTEE ON THE 2008 REFUNDING COPS AND THE 2008B REFUNDING BONDS; AND ADOPTED THE FOLLOWING RESOLUTION BY TITLE:**

RESOLUTION NO. 2009 – 11

**RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE IRVINE RANCH WATER DISTRICT  
DECLARING INTENTION TO ISSUE CONSOLIDATED  
BONDS OF SAID DISTRICT  
(CONSOLIDATED SERIES 2009A AND 2009B)**

ORANGE PARK ACRES WATER TRANSMISSION MAIN FINAL DESIGN – EXPENDITURE  
AUTHORIZATION AND CONSULTANT SELECTION

In June 2008, the Irvine Ranch Water District (IRWD) completed the annexation of the Orange Park Acres Mutual Water Company (OPAMWC). To optimize the integration of water and sewer services in OPA, the Board awarded a contract to Stantec to prepare a Sub Area Master Plan (SAMP) and Water Transmission Main Preliminary Design Report (PDR). To provide a more secure and reliable water supply, staff recommends accelerating the completion of the pipeline PDR and moving directly into final design for the OPA Water Transmission Main. In February 2009, staff requested a proposal from Stantec for the pipeline final design and recommends awarding the design contract to Stantec because it has an excellent understanding of the project issues since it is already preparing the SAMP and PDR report and proposed a strong design team with extensive IRWD pipeline design experience. On MOTION by Swan, seconded and unanimously carried, **THE BOARD APPROVED EXPENDITURE AUTHORIZATIONS IN THE AMOUNT OF \$99,000 EACH; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE AN ENGINEERING SERVICES AGREEMENT WITH STANTEC CONSULTING, INC. IN THE AMOUNT OF \$250,910 FOR THE ORANGE PARK ACRES WATER TRANSMISSION MAIN FINAL DESIGN, PROJECTS 11407, 11408, 11409, AND 11410.**

In response to Vice President Swan's comment, Assistant General Manager Cook said that staff is holding a meeting with the Orange Park Acres Advisory Committee along with its homeowners' association to fully understand the project.

PORTOLA PARKWAY CAPITAL PIPELINES BUDGET ADJUSTMENTS, EXPENDITURE AUTHORIZATIONS, CONSTRUCTION AWARD, AND CONSTRUCTION PHASE ENGINEERING SERVICES AGREEMENTS

Director of Engineering Burton reported that the Portola Parkway Capital Pipelines Project includes the construction of four new pipelines and the conversion of an existing domestic water pipeline to reclaimed water. Mr. Burton said that the project satisfies the City of Irvine's request to consolidate IRWD's pipeline construction into one project as it will connect the capital facilities constructed with the Orchard Hills Development (Zone 5 Reservoir and Orchard Hills 3 to 5 and A to C Pump Station) to the capital facilities to the south in the PA-6 Tomato Springs area (Zone 3 Lomas Valley Reservoir, Tomato Springs Zone 4 & C Reservoirs) and beyond. In addition, the project will resolve low-pressure and low-flow problems with the reclaimed system in the Woodbury, Stone Gate and PA-9 areas now only served by the Zone B reclaimed system.

Mr. Burton said that the bid opening was held on March 5, 2009 with nine contractors submitting bids. Paulus Engineering was the apparent low bidder with a bid of \$4,719,618. The engineer's estimate was \$7,547,800. He said that subsequent analysis of Paulus' bid revealed a minor mathematic error, resulting in a corrected bid price of \$4,720,578. The error in multiplying the unit price times the quantity on bid item no. 31 did not affect or change the order of the bids and did not afford Paulus a material or competitive advantage. He further said that Paulus has successfully completed many previous District construction projects and is familiar with District plans, specifications, and requirements. Paulus' low bid amount reflects the current highly competitive construction market.

Mr. Burton said that due to the complexity of the work associated with this project, especially with the conversion of an existing domestic water pipeline to reclaimed water as well as the 450-day construction contract time, staff requested a sole-source proposal for construction phase engineering services from AECOM in their capacity as "engineer of record" for the project. Staff will administer the construction project and perform project management duties. AECOM submitted a fee which staff negotiated down to \$118,444. Staff believes the proposed scope and negotiated fee are priced competitively.

Mr. Burton said that staff also requested proposals from three geotechnical engineering and four construction survey consultants with only two of the three geotechnical consultants submitting proposals. Following a review by staff, GMU Geotechnical, Inc. was selected for geotechnical engineering and materials testing in the amount of \$73,720, and Bush & Associates, Inc. for survey and staking in the amount of \$47,284.

On MOTION by Matheis, seconded and unanimously carried, THE BOARD APPROVED BUDGET ADJUSTMENTS FOR PROJECTS 10782, 30276, AND 30782 IN THE AMOUNTS OF \$288,700, FROM \$4,589,700 TO \$4,878,400; (\$329,400), FROM \$1,027,400 TO \$698,000; AND \$73,700, FROM \$368,500 TO \$442,200; APPROVED EXPENDITURE AUTHORIZATIONS IN THE AMOUNTS OF \$4,613,700 FOR PROJECT 10782; \$610,000 FOR PROJECT 30276; AND \$335,500 FOR PROJECT 30782; FOUND THAT THE

IRREGULARITY IN THE BID FROM PAULUS ENGINEERING DID NOT GIVE THE BIDDER A COMPETITIVE ADVANTAGE OVER THE OTHER BIDDERS AND WAIVED THE IRREGULARITY; AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONSTRUCTION CONTRACT WITH PAULUS ENGINEERING IN THE AMOUNT OF \$4,720,578; AUTHORIZED THE GENERAL MANAGER TO EXECUTE THREE SEPARATE CONSTRUCTION PHASE ENGINEERING SERVICES AGREEMENTS WITH AECOM IN THE AMOUNT OF \$118,444; WITH GMU GEOTECHNICAL, INC. IN THE AMOUNT OF \$73,720; AND WITH BUSH & ASSOCIATES, INC. IN THE AMOUNT OF \$47,284 FOR PROJECTS 10782, 30276, AND 30782, PORTOLA PARKWAY CAPITAL PIPELINES.

GENERAL MANAGER'S REPORT – None.

### DIRECTORS' COMMENTS

Director LaMar reported on his attendance at the Orange County Forum and the Southern California Water Committee with Director Matheis. He said that he will be touring IRWD on March 31 with General Manager Jones.

Director Withers reported that he attended a tour of IRWD facilities with Mr. Rich Freschi, the newly appointed Board member to the Santa Ana Regional Water Quality Control Board, along with General Manager Jones and staff. He attended the NWRI Operations Committee meeting and noted that Mr. Patrick Sheilds is the new Director from Inland Empire Utilities Agency. He further said he attended a LAFCO meeting.

Director Matheis reported on her attendance at: 1) the Water Education Foundation briefing in Sacramento, 2) ACWA Legislative Symposium, and 3) ACWA meeting regarding a Centennial Committee.

Vice President Swan reported on his attendance at: 1) OCWD Board meeting, 2) OCWA luncheon meeting, and 3) ACWA Water Management Committee meeting in Sacramento relative to bonds.

President Reinhart reported that he and General Manager Jones were in Washington, DC last week meeting with various representatives and they also attended a WaterReuse Board of Directors meeting. He said that he and Vice President Swan met with Moulton Niguel Water District's new Board members last week relative to south county issues.

### ADJOURNMENT

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



APPROVED and SIGNED this 13th day of April, 2009.

---

President, IRVINE RANCH WATER DISTRICT

---

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

---

Legal Counsel - Bowie, Arneson, Wiles & Giannone