

MINUTES OF REGULAR MEETING – JULY 13, 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 July 13, 2009 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Matheis, Reinhart, Swan, and LaMar.

Directors Absent: Withers.

Also Present: General Manager Jones, Assistant General Manager Cook, Director of Engineering and Construction Burton, Director of Planning and Water Resources Heiertz, Director of Finance Cherney, Secretary Bonkowski, Assistant Secretary Savedra, Legal Counsel Arneson, Mr. Jim Reed, Mr. Bruce Newell, Mr. Dan Miller, Mr. Dean Kirk, Ms. Kirsten McLaughlin, Mr. Kevin Hunt, Mr. Christopher Smithson, Mr. John Hills, Mr. Paul Weghorst, and other members of the public and staff.

COMMUNICATIONS TO THE BOARD

Written Communications: Secretary Bonkowski reported that letters were received from the Building Industry Association of Southern California's Orange County Chapter, the Orange County Taxpayers Association, and the NAIOP Commercial Real Estate Development Association, all in regard to Workshop Item No. 4, setting connection fees and property taxes for fiscal year 2009-10.

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 4, C-8, C-9, 10, 11, 13, 14, 17 and 18 are in operation in accordance with the District's annual pumping plan. Wells 1, 5, 6, 7, 15 and 16 will operate a portion of the week. Wells 2, 3 and 12 are inactive. The District's planned pumping for July is 2,350 acre-feet. 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. 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. Jones.

With respect to the OCWD annexation of certain IRWD lands, on June 5, 2009, IRWD received a letter from OCWD noting that within the past 30 days, OCWD has completed the formal responses to comments they previously received on the draft program environmental impact report. The letter further noted that with this task completed, OCWD has exercised its right to

terminate the 2004 Memorandum of Understanding regarding annexation. OCWD also indicated that due to the lack of progress on the annexation issue, the draft program environmental impact report will not be completed. On June 8, 2009, OCWD completed the Long-Term Facilities Plan which will be recommended to the OCWD Board to be received and filed in July 2009. OCWD will continue to work with IRWD on the annexation issue to determine if a satisfactory arrangement can be developed with both parties. 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 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. Jones.

ITEMS TOO LATE TO BE AGENDIZED: None.

PRESENTATION

MWDOC PARTICIPATION IN POTENTIAL WATER PURCHASE AND TRANSFER FROM PLUMAS PINES

MWDOC General Manager Kevin Hunt provided a presentation on MWDOC's potential participation with other agencies in a water purchase transaction with Plumas Pines in Plumas County, CA.

WORKSHOP

SETTING CONNECTION FEES AND PROPERTY TAXES FOR FY 2009-10 ASSUMPTIONS AND INITIAL MODEL RUNS

President Reinhart reported that originally staff recommended adopting connection fees and property taxes for this evening; however, staff received a letter from BIA requesting two weeks' notice prior to setting connection fees. He said that BIA representatives may be addressing the Board following the workshop. He said that staff will be scheduling meetings with Building Industry Association of Southern California's Orange County Chapter, the Orange County Taxpayers Association, and the NAIOP Commercial Real Estate Development Association.

Using a PowerPoint presentation, Director of Finance Cherney said that each year the Board considers connection fees and property tax rates, and makes adjustments as a result of changing assumptions and capital needs. She reviewed the overview of the process, noting that the primary assumptions associated with setting connection fees and property taxes were initially brought to the Committee on June 2, 2009. At its workshop on June 22, 2009, the Board reviewed a matrix of 15 scenarios with alternate 1% property tax revenue assumptions and earnings spreads.

Ms. Cherney reviewed the key assumptions, including the Board-directed 1% property tax revenue transition and staff's recommended assumptions. She said that the fees and taxes are increasing due to the Orange County Sanitation District's capital costs that were increased by net \$128 million; financial factors, and Board-directed revenue transition of 1% property taxes to benefit ratepayers.

Ms. Cherney reviewed the Finance and Personnel Committee's reviewed scenarios for connection fees and property taxes, and the historic relationship to home prices.

Vice President Swan said that staff has worked diligently through the Enterprise model every year. He said that meetings have also been held with developers, including the Irvine Company, Lennar, and others on the connection fees and taxes. President Reinhart asked the audience if anyone wished to address the Board. No one wished to be heard. He said that this item will be agendaized for adoption at the July 27 Board meeting.

CONSENT CALENDAR

Director Matheis asked that item No. 7 be moved to the Action Calendar for discussion. There being no objection, this item was moved to the Action Calendar. On MOTION by Matheis, seconded and unanimously carried, CONSENT CALENDAR ITEMS 5, 6, 8, 9, AND 10 WERE APPROVED AS FOLLOWS:

5. MINUTES OF BOARD MEETINGS

Recommendation: That the minutes of the June 22, 2009 Regular Board Meeting and the June 26, 2009 Adjourned 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 Steven LaMar, Mary Aileen Matheis, Douglas Reinhart, Peer Swan and John Withers.

8. 2009 STATE LEGISLATIVE UPDATE

Recommendation: That the Board take a *support* position on AB 234 (Huffman) and SB 310 (Duchenev); a *support if amended* position on AB 565 (Pavely); a *watch* position on AB 1405 (DeLeon); and an *oppose* position on AB 1404 (DeLeon).

9. FY 2009/10 GENERAL COUNSEL SERVICES FOR BOWIE, ARNESON, WILES, AND GIANNONE

Recommendation: That the Board authorize the General Manager to execute the engagement agreement with Bowie, Arneson, Wiles, and Giannone effective July 1, 2009 for general counsel services in the amount not to exceed \$355,000.

10. ZONE A-C BOOSTER PUMP STATION RECLAIMED WATER INTERCONNECTION TO THE IRVINE LAKE PIPELINE FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Zone A-C Booster Pump Station Reclaimed Water Interconnection to Irvine Lake Pipeline, project 30328; 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.

ACTION CALENDAR

PLACING NOMINATION OF PEER A. SWAN AS VICE PRESIDENT OF ACWA

Director Matheis asked staff to include additional language in the resolution noting Vice President Swan's leadership and accomplishments in the water industry. She also recommended that the resolution be sent to other agencies promoting his nomination. On MOTION by LaMar, seconded and unanimously carried, THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE, AND STAFF WAS DIRECTED TO ADD LANGUAGE TO THE RESOLUTION TO LIST VICE PRESIDENT SWAN'S ACCOMPLISHMENTS AND TO ALSO SEND LETTERS TO WATER AGENCIES ASKING FOR SUPPORT OF HIS NOMINATION.

RESOLUTION NO. 2009-22

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
IRVINE RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA
PLACING IN NOMINATION PEER A. SWAN AS VICE PRESIDENT OF THE
ASSOCIATION OF CALIFORNIA WATER AGENCIES

UNIVERSITY CAMPUS SEWER REPLACEMENT CONSTRUCTION AWARD

Director of Engineering Burton reported that the District pumps sewage from the University Lift Station through an existing 15-inch sewer force main located in University Drive between MacArthur Boulevard and the intersection of University Drive and Campus Drive. Mr. Burton said that in August 2003, a leak in the force main required an emergency repair, and a decision was made to construct a parallel force main from the University Lift Station to provide redundancy and greater reliability against leaks. Along with the new force main, the project included construction of a parallel gravity main along the west side of San Diego Creek levee between Campus Drive and MWRP, replacement of 400 feet of deteriorating sewer gravity mains and manholes at the intersection of University Drive and Campus Drive, and rehabilitation of sewers and manholes in the Bethel Korean Church parking lot upstream of the San Diego Creek siphon.

Mr. Burton said that in 2005, the design of the University Campus Sewer Replacement Project was completed, and the project went out to construction bid; however, the construction bidding environment was not competitive, and only one bid was received which was 79% over the engineer's estimate. The construction project was not awarded, and different options for completing the project were evaluated. He said that in the revised project, staff negotiated

improved traffic control plans with the City of Irvine, the force main size was decreased from 20-inch to 16-inch, and the parallel gravity main along the San Diego Creek was removed from the project as ultimate sewage flow projections from the University Lift Station service area are now lower than what was projected ten years ago. In addition, the sewer rehabilitation work in the Bethel Korean Church parking lot was removed from the project and completed as part of another project, the Culver Harvard Sewer Rehabilitation Project. The revised project includes installation of a new force main from the University Lift Station to the existing gravity main near the intersection of University Drive and Campus Drive and replacement of 400 feet of a deteriorating gravity main and sewer manholes in Campus Drive.

Mr. Burton said that on June 30, 2009, the bid opening was held, and nine contractors submitted responsive bids. The apparent low bidder is Leatherwood Construction, Inc. (Leatherwood) with a low bid of \$1,993,710. The engineer's estimate was \$2,790,000.

Mr. Burton said that staff received a proposal for \$27,995 from the design engineer, Tetra Tech, for engineering services during construction including submittal review, answering contractor questions, attending meetings, and preparing record drawings.

Following discussion, staff was asked to review the flow monitoring data from IRWD's collection crew and provide results to the Board. Staff was also asked to revisit the redundancy study and provide updated findings at an Engineering and Operations Committee meeting. On **MOTION** by LaMar, seconded and unanimously carried, **THE BOARD APPROVED A BUDGET REDUCTION FOR PROJECT 20378 BY \$1,981,500, FROM \$4,518,400 TO \$2,536,900; APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$2,126,300 FOR PROJECT 20378; AUTHORIZED THE GENERAL MANAGER TO EXECUTE A CONTRACT WITH LEATHERWOOD CONSTRUCTION, INC. FOR \$1,993,710; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH TETRA TECH FOR \$27,995 FOR ENGINEERING SERVICES DURING CONSTRUCTION OF THE UNIVERSITY CAMPUS SEWER REPLACEMENT, PROJECT 20378.**

2010 MEDICAL INSURANCE COVERAGE RENEWAL

General Manager Jones reported that an amended recommendation had been placed before each Director making corrections in the employee contribution levels for Kaiser Permanente, Blue Shield Access+ and PERS Care PPO. Mr. Jones then reviewed the medical insurance premiums, high-performance network health plans, CalPERS administrative fees and reserves, and proposed changes to employee and employer contributions.

Vice President Swan said that this item was reviewed by the Finance and Personnel Committee on July 7, 2009. He further recommended approval of the amended motion. On **MOTION** by Swan, seconded and unanimously carried, **THE BOARD APPROVED THE CONTINUANCE OF THE DISTRICT'S HEALTH CARE COVERAGE WITH CALPERS FOR CALENDAR YEAR 2010 AS REFLECTED IN THE FOLLOWING TABLE, INCLUDING CHANGES IN EMPLOYEE CONTRIBUTION LEVELS FOR KAISER PERMANENTE, BLUE SHIELD**

ACCESS+ AND PERS CARE PPO FOR TOTAL PROJECTED EXPENSES OF \$3,206,994
FOR FISCAL YEAR 2009-10.

Plan Providers	2010 Premium Change	2009 Employee Contribution (Emp/Emp+1/Fam)	2009 District Contribution (Emp/Emp+1/Fam)	Proposed 2010 Employee Contribution (Emp/Emp+1/Fam)	Proposed 2010 District Contribution (Emp/Emp+1/Fam)	Total 2010 Premium (Emp/Emp+1/Fam)
Kaiser Permanente	7.03%	\$0 / \$10/ \$20	\$425 / \$840 / \$1085	\$14 / \$28/ \$50	\$441 / \$882 / \$1133	\$455 / \$910 / \$1183
Blue Shield Access+	2.99%	\$32/ \$64 / \$96	\$439/ \$878 / \$1129	\$44/ \$88 / \$128	\$441/ \$882 / \$1133	\$485/ \$970 / \$1261
PERS Choice PPO	3.11%	\$32 / \$64 / \$96	\$427 / \$853/ \$1096	\$32 / \$64 / \$96	\$441 / \$882/ \$1133	\$473 / \$946 / \$1229
Blue Shield NetValue	0.98%	\$0 / \$10 / \$20	\$416/ \$823 / \$1062	\$0 / \$10 / \$20	\$421/ \$831 / \$1073	\$421/ \$841 / \$1093
PERS Select PPO	2.48%	\$20 / \$40 / \$60	\$411 / \$821 / \$1060	\$20 / \$40 / \$60	\$421 / \$842 / \$1088	\$441 / \$882 / \$1148
PERS Care PPO	13.21%	\$300 / \$600 / \$800	\$413 / \$825 / \$1053	\$366 / \$732 / \$964	\$441 / \$882 / \$1133	\$807 / \$1614/ \$2098

JPA BOND BANK ISSUE 1 – TENDER OFFER STRATEGY

Using a PowerPoint presentation, Director of Finance Cherney reported on the Joint Power Authority’s (JPA) Bond Bank – Issue 1 highlighting that the outstanding bonds equal \$286.1 million at 7.705%; the issue is secured solely by a Guaranteed Investment Contract (“GIC”) with AIG and pay 7.705%; and the District has the opportunity to extract value and provide current bondholders with a change to tender their bonds and reduce their AIG credit risk exposure.

Ms. Cherney reported on the tender advantages and disadvantages. She said advantages include: 1) ability to withdraw from the AIG Guaranteed Investment Contract at par, coupled with anticipated tender price on bonds at less than par; 2) potential financial upside to the District could be significant; 3) if AIG fails to perform under contract, bondholders will have had an opportunity to tender some possible protection for the District against “headline risk”, and 4) balance sheet restructuring – JPA consolidate into IERWD. She said that the disadvantages would be the minor costs involved if the tender was unsuccessful.

Ms. Cherney said that the tender process included: identify bondholders (in progress); selecting the dealer/manager; select the process – modified (Dutch Auction preferred); prepare tender materials; launch tender offer; received tender bids; and settle tender subject to yield compliance restrictions.

Ms. Cherney said that on July 10, 2009, Goldman Sachs disclosed a material conflict which prevents them from serving as dealer/manager. She said that staff is now seeking dealer/manager proposals from De La Rose, Citibank, Merrill Lynch, Stone & Youngberg, along with others which staff is recommending that the Finance and Personnel will approve. She said that the final tender offer will be approved by both IRWD and the JPA.

Vice President Swan said that this item was reviewed by the Finance and Personnel Committee on July 7, 2009. He further recommended approval of the amended motion. On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED STAFF TO PROCEED WITH THE TENDER OFFER PROCESS FOR THE OUTSTANDING 1998 ISSUE-1 BONDS OF THE IRVINE RANCH WATER DISTRICT JOINT POWERS AUTHORITY, AND AUTHORIZED THE FINANCE AND PERSONNEL COMMITTEE TO APPROVE THE DEALER MANAGER FOR THE 1998 ISSUE-1 BONDS OF THE IRVINE RANCH WATER DISTRICT JOINT

POWERS AUTHORITY WITH THE FINAL TENDER OFFER TO BE APPROVED BY THE IRWD AND THE JPA AT A FUTURE BOARD MEETING.

GENERAL MANAGER'S REPORT

General Manager Jones reported that the District is attempting to get recycled water to Construction Circle and has put a line in place for Robertson's Ready Mix. He said that this will be a great opportunity to visit other customers in the area for recycled water use. Mr. Jones said that staff submitted an offer to the Irvine Company to purchase the Syphon Reservoir site. He further said that staff is working rapidly for the District's three projects to receive the Title XVI ARRA funding from the U.S. Bureau of Reclamation. He said the projects will be Wells 21 and 22, and Tustin Legacy Well 1, and that Mr. Paul Weghorst will be working on this project. In response to President Reinhart's inquiry, General Manager Jones will provide him a schedule when these projects will be "shovel ready". Mr. Jones then introduced Mr. Ray Bennett, the District's new Water and Energy Resources Planner.

DIRECTORS' COMMENTS

Director LaMar reported on his attendance at: 1) the San Joaquin Marsh dedication event; 2) MWDOC workshop and Committee meetings; and 3) NWRI Clark Prize awards dinner. He also said he met with staff relative to the District's Enterprise Model.

Director Matheis reported on her attendance at both the Great Park Anniversary and dedication event.

Director Swan reported on his attendance at: 1) the San Joaquin Marsh dedication event and complimented Mr. Kevin Burton, Project Manager of the campus project; 2) NWRI Clark Prize awards dinner; and 3) the Newport Executive Committee meeting. He asked staff for an update on the Natural Treatment System projects.

Director Reinhart complimented staff for their efforts on the Marsh dedication event. He reported on his attendance at the MWDOC Governance study with General Managers and Board of Directors where all entities approved the "White Paper". He said that he spoke with Joyce Crosthwaite of LAFCO and they are planning to receive and file the Governance Study in September. He said that Paul Jones will be recalculating the table on the White Paper.

ADJOURNMENT

President Reinhart adjourned the meeting at 6:55 p.m.

APPROVED and SIGNED this 27th day of July, 2009.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone