

MINUTES OF REGULAR MEETING – SEPTEMBER 28, 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 September 28, 2009 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None.

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, Legal Counsel Arneson, Mr. Jim Reed, Mr. Bruce Newell, Mr. Mike Hoolihan, Ms. Cheryl Woolard, Mr. Rob Jacobson, Ms. Fiona Sanchez, Ms. Kirsten McLaughlin, Mr. Rich Mori, Ms. Beth Beeman, Mr. Dean Kirk, and other members of the public and staff.

WRITTEN COMMUNICATION: None.

ORAL COMMUNICATION:

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, 4, 6, 7, C-8, C-9, 10, 11, 12, 14, 16 and 17 are in operation in accordance with the District's annual pumping plan. Wells 1, 5, 15 and 18 will operate a portion of the week. Wells 3 and 13 are inactive. The District's planned pumping for September is 3,390 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, 2009. 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 fiscal years 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

POSTER CONTEST WINNER

Ms. Cheryl Woolard presented a local student with her framed artwork whose water awareness poster was selected for inclusion in Metropolitan Water District's 2008 calendar.

WORKSHOP

GROUNDWATER WORK PLAN

General Manager Jones reported that staff has prepared a draft work plan for developing the groundwater resources of IRWD. Mr. Jones said that our Water Resources Master Plan describes a reliable water supply mix that includes developing sufficient groundwater production capacity to pump to the Basin Production Percentage (BPP) stipulated by the Orange County Water District (OCWD). Currently, IRWD can produce 28,000 AFY of clear potable groundwater from the Dyer Road Wellfield and approximately 600 AF of additional clear groundwater from the OPA well. In addition, IRWD produces another 13,000 AFY of treated groundwater from the Deep Aquifer Treatment System (DATS) and Irvine Desalter Project (IDP) system.

Using a PowerPoint presentation, Principle Engineer Hoolihan reported on the District's Groundwater Work plan and said the objectives included implementing groundwater projects that are cost effective; maximizing the capture of grant funding and other outside funding; the ability to meet or exceed a 70% Basin Production Percentage; matching the project delivery schedule to implement constraints; and minimizing cumulative operational impacts. He discussed project prioritization, project implementation terms, and groundwater requirements.

Mr. Hoolihan discussed potential groundwater projects being evaluated at this time as follows:

1. Wells 21 and 22 consisting of two wells, a treatment plant, and pipelines – cost is \$746/AF; estimated yield is 6,000 AF/year; can be in service by 2012; and considered a near-term project.
2. Well 106 consisting of Irvine Desalter Plant treatment plant modifications and pipelines – cost is \$527 AF; estimated yield is 1,300 AF/year; can be in service by 2011; and considered a near-term project.

3. Well 53 consisting of drilling a new well and installing a new pipeline – cost is \$541/AF; estimated yield is 3,200 AF/year; can be in service by 2012; and considered a near-term project.
4. Anaheim Well Field consisting of drilling two wells, pipelines and pump station, along with AMP turnout modifications with two alternatives – A) Cost is \$600/AF; estimated yield is 9,800 AF/year; can be constructed by 2015; considered a mid-term project; and requires a conveyance agreement with MWD; and B) Cost is \$700/AF; estimated yield is 4,900 AF/year; can be constructed by 2015; considered a mid-term project; and would be in-lieu only and would not a conveyance agreement with MWD. Following discussion, staff was asked to determine the cost differential for a larger pipe size for this project.
5. Well 51 and 52 consisting of drilling well 52, construction of pipelines and treatment plant – cost is \$982/AF; estimated yield is 4,900 AF/year; and considered a mid-term project depending on the treatment cost.
6. Tustin Legacy Wells consisting of drilling four wells, construction of pipelines and a treatment plant – cost is \$1,077/AF; estimated yield is 3,900 AF/year; can be in service by 2017; and considered a long-term project.
7. East Orange Wells consisting of drilling two wells, and construction pipelines – cost is \$509/AF; estimated yield is 4,350 AF/year; and considered a long term project.
8. Wells 109, 112, and 114 consisting of new pipelines and a treatment plant – cost is \$1,227/AF; estimated yield is 3,700 AF/year; can be constructed by 2016, and staff recommends deferring action for future consideration.

Mr. Hoolihan summarized staff recommendations to proceed with Wells 21, 22 and 106 projects; construct Well 53 and TL-1 test wells; continue negotiations with Anaheim, OCWD and MWD; and complete the Request for Proposal for the DRWF Impacts Analysis.

CONSENT CALENDAR

On MOTION by Withers, seconded and unanimously carried, CONSENT CALENDAR ITEMS 5 THROUGH 12 WERE APPROVED AS FOLLOWS:

5. MINUTES OF REGULAR BOARD MEETINGS

Recommendation: That the minutes of the September 14, 2009 Regular Board Meeting and September 21, 2009 Adjourned Regular Board Meeting be approved as presented.

CONSENT CALENDAR (CONTINUED)

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.

7. STRATEGIC MEASURES DASHBOARDS

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

8. AUGUST 2009 FINANCIAL REPORTS

Recommendation: Receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for August 2009; approve the August 2009 summary of wire transfers and ACH payments in the total amount of \$7,884,624.62; and approve the August 2009 Warrants Nos. 303151 through 303961, Workers' Compensation distributions and voided checks in the total amount of \$5,953,305.84.

9. 2009 STATE LEGISLATIVE UPDATE

Recommendation: Receive and file.

10. SCADA BACKBONE NETWORK UPGRADE DESIGN VARIANCE NO. 5

Recommendation: That the Board authorize the General Manager to execute Variance No. 5, in the amount of \$51,782, with Malcolm Pirnie for engineering services for the SCADA Backbone Network Upgrade Design Projects 10925, 20925 and 30925.

11. ORANGE COUNTY SANITATION DISTRICT FISCAL YEAR 2008/09 CORF EXPENDITURE AUTHORIZATION

Recommendation: That the Board approve an Expenditure Authorization for project 20109 for \$3,698,500 and authorize a budget reduction of \$2,218,500, bringing the final Expenditure Authorization and budget to \$15,676,500.

12. GREEN HOUSE INVENTORY PROJECT ADDITION, EXPENDITURE AUTHORIZATION AND CONSULTANT SELECTION

Recommendation: That the Board authorize the addition of project 11457 to the Fiscal Year 2009/10 Capital Budget in the amount of \$90,500; authorize the General Manager to execute a Professional Services Agreement with Brown and Caldwell in the amount of \$68,500; and approve an Expenditure Authorization in the amount of \$90,500 for the Green House Gas Inventory, project 11457.

ACTION CALENDAR

CONSERVATION BUSINESS PLAN TACTICAL INCENTIVES AND FUNDING

General Manager Jones reported that the Water Conservation Business Plan (Plan) includes a “Tactical Incentives” element to encourage customers to install water conservation devices. This Plan is typically co-funded by Metropolitan Water District (MWD) and incentive payments are based on the water and wastewater systems avoided costs for each device. Mr. Jones said that as a result of funding shortfall on the part of MWD, funding has not been available for the past six months. IRWD has maintained the programs for its customers by providing supplemental bridge funding from the FY 2009-10 Tactical Incentive budget. He said that MWD has announced its intent to resume funding the regional programs on September 21, 2009. He further said that staff is recommending an increase of \$480,000 in funding for FY 2009-10 in order to continue the program operation since the original budget was depleted due to the bridge funding requirements. The funding request is based on a savings evaluation of the measures which continue to show that the devices provide cost-effective savings to the District.

Director Mathis said that this item was reviewed and approved by the Water Resources Policy and Communications Committee on September 14, 2009. On **MOTION** by Matheis, seconded and unanimously carried, **THE BOARD AUTHORIZED ADDITIONAL FUNDING IN THE AMOUNT OF \$480,000 FOR COST-EFFECTIVE TACTICAL INCENTIVE RESIDENTIAL AND COMMERCIAL CONSERVATION MEASURES FOR FY 2009-10 USING AVAILABLE PENALTY REVENUE FUNDS, AND RECOMMENDED THAT TACTICAL INCENTIVE FUNDING FOR CONSERVATION DEVICES REMAIN UNCHANGED.**

EL MORRO RESERVOIR NO. 1 COVER AND LINER REPLACEMENT - BUDGET ADDITION AND EXPENDITURE AUTHORIZATION

General Manager Jones reported that in May 1984, the Irvine Company assigned, quitclaimed and transferred to IRWD all of its remaining rights, title and interest in and to the Coast Supply Line (CSL) and El Morro Reservoir No. 1. Mr. Jones said that per this agreement, reservoir ownership is set at 32.7% for IRWD and 67.3% for Laguna Beach County Water District (LBCWD). The pipeline and reservoir are managed and operated by LBCWD under a Joint Powers Agreement. The CSL and reservoir are located along Pacific Coast Highway between the cities of Newport Beach and Laguna Beach. IRWD utilizes the facilities to serve domestic water and provide fire flow to customers south of Pacific Coast Highway and as a back-up supply to the Newport Coast Zone 1 to 2 Booster Pump Station.

Mr. Jones said that the El Morro Reservoir No. 1 is a partially-buried five million gallon concrete tank with a hypalon geomembrane liner and floating cover. He said that the liner and cover are 19 years old and have reached the end of their useful lives. LBCWD investigated replacement options and decided to replace the liner in-kind and to replace the floating cover with an aluminum column supported fixed roof. The liner and roof were advertised as separate projects in June 2009. On July 7, 2009 the LBCWD Board of Directors awarded a contract for installation of the liner to Layfield, Inc. for \$267,954 and awarded a contract for installation of the fixed cover to Temcor, Inc. for \$1,769,700. LBCWD will also award Harper and Associates a professional services contract in the estimated amount of \$50,000 for construction management

and plan review of the roof. The total estimated project cost is \$2,087,654; IRWD's portion is \$682,663. Construction of the liner and cover commenced in late July 2009 and is expected to be completed in January 2010. LBCWD will invoice IRWD for its portion at the completion of the construction.

On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED THE ADDITION OF PROJECT 11450 FOR \$740,300 TO THE FY 2009-10 CAPITAL BUDGET; AND APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$740,300 FOR THE EL MORRO RESERVOIR NO. 1 COVER AND LINER REPLACEMENT, PROJECT 11450.

IRWD BAY-DELTA POLICY PRINCIPLES

Using a PowerPoint presentation, General Manager Jones provided an overview of the Bay-Delta Policy Principles. Mr. Jones reviewed the ecosystem restoration which includes establishing a high quality habitat, sustaining aquatic ecosystem health, providing stable water exports; expeditiously implementing Bay-Delta Conservation Plan (BDGP); phased implementation with adaptation; a NCCP/HCP approach, i.e. restoration and preservation actions taken equaling regulatory certainty for water exports; and transition to sustainable in-Delta agricultural uses.

Mr. Jones reviewed the Water Supply Infrastructure, including the construction of a new facility to provide "dual conveyance" and the design parameters of the conveyance. He then reviewed the Delta's physical environment, financing restoration and improvement, and governance.

Mr. Jones said that staff has prepared IRWD Bay-Delta Policy Principles which are intended to describe the District's ideal outcome for a Delta solution. He said that the proposed principles are designed to provide guidance to the Board in evaluating and providing input on proposed legislation. Discussion was held on the third paragraph of the document noting that the District recognizes that an acceptable Delta plan and legislative package may not necessarily include each and every aspect of the following principles and, as a result, any proposed Delta plan and legislative package shall be evaluated by the IRWD Board against the principles to determine whether they merit the District's support based upon overarching benefits.

President Reinhart thanked the Ad Hoc Committee consisting of Directors LaMar and Swan. Following discussion, it was the consensus of the Board to encourage other water agencies to use our principles as a guideline or to support these principles at their agencies.

Mr. Jones said that a Special Legislative Session on water may start the week of October 12, and if so, he, Director LaMar and staff will be traveling to Sacramento. He said that the IRWD Bay-Delta Roundtable policy briefing with local elected officials and/or staff is scheduled as a Board Workshop on October 14 at 11:30 a.m. at IRWD's Learning Center. Additionally, he said that letters to leadership and members of the Senate and Assembly water committees will be sent relative to IRWD's principles on the Day-Delta.

On MOTION by LaMar, seconded and unanimously carried, THE BOARD ADOPTED THE PROPOSED IRWD BAY-DELTA POLICY PRINCIPLES AS PRESENTED.

MICHELSON WATER RECLAMATION PLANT TERTIARY TREATMENT FACILITY
REHABILITATION PHASE 2 CHANGE ORDER NO. 3

General Manager Jones reported that the ERS Industrial Services, Inc. (ERS) was awarded a construction contract on June 10, 2009 to rehabilitate and restore the filter back wash efficiency and increase filter run times back to normal operating conditions in the seven Michelson Water Reclamation Plant (MWRP) tertiary treatment filter cells. The scope of work included removal of the media, inspection of the underdrain system, minor underdrain repair work, concrete crack and spall filling on each cell wall below the media level, application of a durable coating of the filter cell walls, and replacement of the filter media. He said that two change orders have been approved thus far for this project.

Director of Engineering Burton reported on Change Order No. 1, saying that after removal of the filter media from filter cell No. 1, staff determined that the 14 air scour lines had deteriorated and needed replacement and modifications to allow the coating contractor to score the concrete and perform the coating of the interior cell walls. He said that Change Order No. 1 for \$11,357.99 was issued to complete this additional work in all seven filter cells. Four days were added to the contract, extending the completion date to October 6, 2009.

Mr. Burton said that for Change Order No. 2, the contract required ERS to have the underdrain manufacturer, ITT Leopold, inspect its proprietary filter cell underdrains after removal of the media. Inspection of the underdrain in filter cell No. 1 revealed that a sealant failure had allowed sand to infiltrate into the underdrain system causing an uneven air distribution and more frequent backwash cycles. Change Order No. 2 in the amount of \$34,756.29 was issued to repair the underdrain in filter cell No. 1 only. This work included removal and cleaning of the underdrain caps, pressure washing, rinsing of sand, removal of the sealant from the caps, and re-installation of the caps with additional stainless steel fasteners. Also, 15 days were added to the contract, extending the completion date to October 21, 2009.

Mr. Burton said that a third change order is required to complete rehabilitation of the remaining six filter cells. Upon inspection of the underdrain in filter cell No. 2, staff found that the same sealant failure found in filter cell No. 1 had occurred and was expected to be present in all seven of the filter cells. Each of the remaining six filter cells will require the same repair and modifications as performed under Change Order No. 2 on filter cell No. 1. Change Order No. 3, in the amount of \$207,368.34 (\$34,561.39 per cell times six filter cells), is necessary to complete the repair work in filter cells No. 2 through No. 7. An additional 90 days are required to complete the additional work and the revised completion date will be January 19, 2010.

Director Withers said that this item was reviewed and approved by the Engineering and Operations Committee on September 22, 2009. On MOTION by Withers, seconded and unanimously carried, THE BOARD AUTHORIZED A BUDGET INCREASE TO THE FY 2009-10 CAPITAL BUDGET FOR PROJECT 20749 IN THE AMOUNT OF \$228,800, FROM \$720,500 TO \$949,300; APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$228,800; AND AUTHORIZED THE GENERAL MANAGER TO EXECUTE CHANGE ORDER NO. 3 IN THE AMOUNT OF \$207,368.34 WITH ERS INDUSTRIAL SERVICES, INC. FOR THE MICHELSON WATER RECLAMATION PLANT TERTIARY TREATMENT FACILITY REHABILITATION PHASE 2, PROJECT 20749.

MICHELSON WATER RECLAMATION PLANT PHASE 2 EXPANSION – CONSTRUCTION PHASE CONSULTANT SERVICES

Director of Engineering Burton reported that construction of the Michelson Water Reclamation Plant (MWRP) Phase 2 Expansion and Flood Protection Improvements project was awarded to J.R. Filanc Construction Company in July 2009. Mr. Burton said that during the bid phase of the project, staff directed HDR to prepare plans for adding an interim sodium hypochlorite system, and to incorporate the plans for the MWRP Flood Wall into the MWRP expansion project. The flood wall plans were prepared by VA Consulting Inc. under a separate contract with IRWD. HDR was required to coordinate the plans and specifications for the flood wall into the overall bid package for the MWRP Phase 2 expansion. Variance No. 7 is in the amount of \$51,800.

Mr. Burton said that staff requested HDR to submit a variance to increase its scope of work to include providing System Integration Management Support (SIMS) and additional construction phase field engineering support. The scope of work for the SIMS includes reviewing testing materials, attending meetings, reviewing testing sequencing and coordination, test observation and reporting, commissioning test reports, and operational readiness testing. Variance No. 1 is in the amount of \$249,800. Variance No. 1 also identifies additional construction phase field engineering support from HDR to replace IRWD's staff that was reassigned.

Mr. Burton said that proposals for geotechnical and concrete services were requested and received from NMG Geotechnical Inc., Ninyo and Moore, and GMU. He said that following review of the proposals, staff recommends approval of an agreement with NMG Geotechnical, Inc. in the amount of \$379,530.

Mr. Burton said that staff requested Ninyo and Moore to submit a sole source proposal for providing construction phase pile foundation services as this process relies heavily on experience with the site geology as well as the design process. He said that Ninyo and Moore's extensive design experience with the MWRP expansion and floodwall projects uniquely qualifies them to provide these construction services. Staff recommends approval of an agreement with them in the amount of \$304,900.

Mr. Burton said that proposals for surveying were requested and received from Bush & Associates, CNC Engineering, Guida Surveying and Borchard Surveying and Mapping, Inc. After reviewing the proposals, staff recommends approval of an agreement with Borchard Surveying in the amount of \$187,400.

Director Withers said that this item was reviewed in great detail during the Engineering and Operations Committee on September 22, 2009. On MOTION by Withers, seconded and unanimously carried, THE BOARD AUTHORIZED THE GENERAL MANAGER TO EXECUTE: 1) A DESIGN VARIANCE NO. 7 WITH HDR ENGINEERING, INC. IN THE AMOUNT OF \$51,800; 2) A CONSTRUCTION PHASE VARIANCE NO. 1 WITH HDR ENGINEERING, INC. IN THE AMOUNT OF \$249,800; 3) AN AGREEMENT WITH NMG GEOTECHNICAL INC. IN THE AMOUNT OF \$379,530 FOR CONSTRUCTION PHASE GEOTECHNICAL AND CONCRETE OBSERVATION AND TESTING SERVICES; 4) A SOLE SOURCE AGREEMENT WITH NINYO & MOORE IN THE AMOUNT OF \$304,944 FOR CONSTRUCTION PHASE PILE FOUNDATION SERVICES; AND 5) AN AGREEMENT WITH

BORCHARD SURVEYING AND MAPPING, INC. IN THE AMOUNT OF \$187,740 FOR CONSTRUCTION PHASE SURVEYING, ALL FOR CONSTRUCTION OF THE MICHELSON WATER RECLAMATION PLANT PHASE 2 EXPANSION, PROJECTS 20214 AND 30214, AND THE MWRP FLOOD PROTECTION IMPROVEMENTS, PROJECTS 20542 AND 30542.

GENERAL MANAGER'S REPORT – None.

DIRECTORS' COMMENTS

Director LaMar reported on his attendance at a MWDOC Board meeting on September 16; a tour with General Manager Jones and City of Tustin Council Member Deborah Gavello visiting the MWRP and Irvine Desalter Project; a Southern California Dialog meeting on ecosystem restoration; and an OCBC Governmental Affairs Committee meeting relative to Sacramento activities.

Director Matheis reported on her attendance at the Water Education Foundation's Colorado River Symposium and CSDA's annual conference in Indian Wells.

Vice President Swan reported on his attendance at the OCBC's Infrastructure and Governmental Relations Committee meetings; ACWA meetings relative to the Bay-Delta planning; and ACWA's Western Water Law Conference.

President Reinhart said that he and General Manager Jones attended a WateReuse Annual Symposium in Seattle, Washington, and that they are moving towards direct potable reuse.

CLOSED SESSION

President Reinhart said that a Closed Session would be held with Real Property Negotiator pursuant to Government Code Section 54956.8) as follows:

Property: Syphon Reservoir within Blocks 119& 120, Irvine's Subdivision.

Agency Negotiator: Paul Jones

Negotiating Parties: IRWD, Irvine Community Development Company LLC

Purpose of Negotiations: Price and terms of payment

OPEN SESSION

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

ADJOURNMENT

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

APPROVED and SIGNED this 12th day of October, 2009.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone