

MINUTES OF REGULAR MEETING – DECEMBER 12, 2005

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order by Vice President Matheis at 6:00 p.m., December 12, 2005 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Withers (arrived at 6:15 p.m.), Reinhart, Miller (arrived at 6:20 p.m.), Swan, and Matheis

Directors Absent: None

Also Present: General Manager Jones, Director of Engineering Heiertz, Treasurer Loomis, Secretary Bonkowski, Legal Counsel Arneson, Assistant General Manager Cook, Ms. Beth Beeman, Mr. Steve Malloy, Ms. Deborah Cherney, Mr. Dick Diamond, Mr. Norris Brandt, Mr. Rob Jacobson, Mr. Jim Reed, Mr. Tom Bishop, and other members of the public and staff.

WRITTEN COMMUNICATIONS: None

ITEMS TOO LATE TO BE AGENDIZED – None

ORAL COMMUNICATIONS:

1) Mrs. Joan Irvine Smith addressed the Board of Directors with respect to the Dyer Road Wellfield. Mrs. Smith said that it was her understanding that all wells are off except C-8 and C-9 at the DATS treatment facility to take advantage of the Metropolitan Water District (MWD) in-lieu program offered through the Orange County Water District (OCWD. 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), the agencies participating are the cities of Anaheim, Westminster, Santa Ana, Buena Park, and Garden Grove, Yorba Linda Water District and Southern California Water Company. Contracts have been awarded by OCWD to Beylik Engineering and Bakersfield Well & Pump, Inc. to construct a total of eight wells. The well drilling is complete and it will take an additional 18 months to complete the wellhead facilities. OCWD is required to have the wells operational by March 2008. Following well construction, each well will be owned by the individual participating agencies. This was confirmed by Mr. Jones. In response to Mrs. Smith's inquiry, Mr. Jones said that the OCWD will release the Environmental Impact report on December 22, 2005. Director Withers arrived at 6:15 p.m.

2) In response to Mr. Robert Knickrehn inquiry about the manhole covers located at Peters Canyon area, Director of Engineering Heiertz reported that these manholes were experimental in that area only, and were designed by Mr. John Morris, the former Director of Engineering. Mr. Knickrehn was then provided contact information for Mr. Morris.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED – None

PRESENTATION

AMERICAN PUBLIC WORKS ASSOCIATION (APWA) 2005 PROJECT OF THE YEAR AWARD

General Manager Jones said that the District received the American Public Works Association 2005 Project of the Year Award for the Quail Hill Zone 3 and Zone 4 Reservoirs and Zone 4 Booster Pump Station in the Water and Wastewater Category. Mr. Jones then presented this award to Mr. Greg Heiertz and Mr. Steve Malloy. The District's consultant, Mr. John Walter, was present and said he appreciated the opportunity to work on this project.

CONSENT CALENDAR

President Miller arrived at 6:20 p.m. Director Swan said relative to Consent Calendar item No. 9, "2006 INVESTMENT POLICY", that no changes had been implemented to the policy from the prior year. On MOTION by Swan, seconded and unanimously carried, CONSENT CALENDAR ITEMS 4 THROUGH 9 WERE APPROVED AS FOLLOWS:

4. APPROVAL OF BOARD OF DIRECTORS' ATTENDANCE AT MEETINGS AND EVENTS

Recommendation: Approve the meetings and events for Mary Aileen Matheis, Darryl Miller, Doug Reinhart, Peer Swan and John Withers.

5. MINUTES OF BOARD MEETINGS

Recommendation: That the minutes of the November 28, 2005 Board of Directors' Meetings be approved as presented.

6. NOVEMBER 2005 FINANCIAL REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for November 2005; and approve the November 2005 Summary of Wire Transfers and ACH Payments in the total amount of \$3,635,270.47 and the November 2005 Warrants Nos. 265291 through 265977, Worker's Compensation distributions and voided checks in the total amount of \$7,782,955.86.

7. STANDARD SPECIFICATION/NEW PRODUCT REVIEW BUDGET ADDITION AND EXPENDITURE AUTHORIZATION APPROVAL – FISCAL YEAR 2005/06

Recommendation: That the Board approve the addition of Projects 11034, 21034 and 31034 to the Fiscal Year 2005/06 Capital Budget for \$30,000 each for a Standard Specification/New Product Review project.

8. MWRP 2005 UPGRADES – VALUE ENGINEERING

Recommendation: That the Board approve an Expenditure Authorization for \$28,300 for the MWRP 2005 upgrades, Project 20276.

9. 2006 INVESTMENT POLICY

Recommendation: That the Board adopt the following resolution approving investment policy and authorizing the Treasurer and Assistant Treasurer to invest and reinvest funds of the District and of each of its improvement districts and to sell and exchange securities.

RESOLUTION NO. 2005-54

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
IRVINE RANCH WATER DISTRICT APPROVING INVESTMENT
POLICY AND AUTHORIZING THE TREASURER AND ASSISTANT
TREASURER TO INVEST AND REINVEST FUNDS OF THE DISTRICT
AND OF EACH OF ITS IMPROVEMENT DISTRICTS AND SELL AND
SELL AND EXCHANGE SECURITIES

ACTION CALENDAR

FY 2004-05 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Controller Cherney reported that that the 2nd annual Comprehensive Annual Financial Report (CAFR) is intended to provide a complete picture of the District's financial activities for banks, rating agencies and other interested parties. Ms. Cherney said that the standard requirements of the CAFR include three sections, Introductory Transmittal Letter, Financial Section, and Statistical Section. The CAFR is intended to present a thorough representation of the District, while still complying with the relatively rigid framework imposed by the standard requirements set forth by Government Accounting, Auditing and Financial Reporting. The FY 2004-05 CAFR will once again be submitted for awards, and the due date for submission is December 31, 2005. Consulting services (editing and graphic design) and printing expenses are not expected to exceed \$13,000.

Director Swan reported that the Finance and Personnel Committee reviewed this item on November 8, 2005 and December 6, 2005. On MOTION by Swan, seconded and unanimously carried, THE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2005 WAS RECEIVED AND APPROVED.

SANTIAGO HILLS II AND EAST ORANGE AREA I – REIMBURSEMENT AGREEMENT

The Santiago Hills II and East Orange I are located in the eastern Orange County foothills. The majority of this development is within the IRWD service area, with the exception that the

southeast corner of East Orange Area I is within Santiago County Water District (SCWD) and would require annexation to IRWD for service. In February, 2005, the Engineering and Operations Committee received and filed the Santiago Hills II/East Orange Area I Sub Area Master Plan. On November 14, 2005, the IRWD Board of Directors adopted Resolution 2005-45 to consolidate with SCWD, and discussions continue with SCWD regarding the pre-consolidation agreement.

General Manager Jones reported that the Irvine Community Development Company (ICDC) is proceeding with the development of the Santiago Hills II area. Capital domestic, non-potable and sewer facilities are to be incorporated with the development plans and designed and constructed by ICDC contractors under a Supplemental Reimbursement Agreement (SRA) between IRWD and ICDC.

Director of Engineering Heiertz reported that the ICDC has contracted with RBF Consulting (RBF) for engineering services, which includes the Tentative Tract Map, assessment district improvements, grading plans, non-capital pipelines, and the relocation of the Baker Aqueduct. Due to RBF's on-going design work for ICDC, ICDC requested that IRWD consider RBF as a sole source for design of the initial IRWD facilities, which was separated into three packages: Santiago Hills II North, Santiago Hills II South, and Jamboree/Chapman. Concurrence letters were sent to ICDC approving the award of the design contracts to RBF for \$325,354 (total).

Director Reinhart reported that this item was reviewed and approved by the Engineering and Operations Committee on December 8, 2005. On MOTION by Reinhart, seconded and unanimously carried, PROJECTS 12316, 22314 AND 32314 WERE ADDED TO THE FY 2005/06 CAPITAL BUDGET FOR \$278,300, \$168,300, AND \$416,900; EXPENDITURE AUTHORIZATIONS WERE APPROVED FOR \$107,800, \$85,800, AND \$279,400; AND THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE A SUPPLEMENTAL REIMBURSEMENT AGREEMENT WITH ICDC FOR THE DESIGN AND CONSTRUCTION OF THESE PROJECTS FOR SANTIAGO HILLS II AND EAST ORANGE AREA I.

CALIFORNIA'S WATER SERIES FOR PUBLIC TELEVISION

General Manager Jones reported that the Association of California Water Agencies (ACWA) Board of Directors has embarked on an effort to secure \$360,000 in funding from their membership for a 13-part public television (PBS) series entitled "California's Water" to be produced and hosted by Huell Howser. He said that staff recommends that the IRWD approve a \$30,000 sponsorship for this television series.

Mr. Jones said that the purpose of the proposed PBS television series "California's Water" is to bring the basic messages of ACWA's water policy document, "No Time to Waste: A Blueprint for California Water" to the public. The proposed series, "California's Water" will deal with all aspects of water in our state – from watersheds to recycling, from storage to flood control. He said that IRWD's sponsorship would include our logo and a 30-second IRWD message to run on the segment. Participation in this program as a sponsor is consistent with IRWD's practice of providing a leadership role in the water industry.

On MOTION by Matheis, seconded and unanimously carried, A \$30,000 SEGMENT SPONSOR CONTRIBUTION WAS APPROVED FOR THE ACWA HUELL HOWSER PBS TELEVISION SERIES "CALIFORNIA'S WATER."

AUTUMNWOOD SLOPE REPAIR

General Manager Jones reported that the purpose of this item was to recommend the approval of an agreement among IRWD, the County of Orange, the City of Lake Forest, and the Autumnwood Homeowners Association (AHOA) regarding the repair of a failed slope on the east bank of Serrano Creek across from the former Los Alisos Water District headquarters property. In 2001, IRWD assisted the Orange County Flood Control District, City of Lake Forest and AHOA in repairing an eroded slope directly across Serrano Creek from the former Los Alisos Water District headquarters site and below several houses in the Autumnwood tract. That slope repair has performed well and is still intact, even after last year's heavy rains. However, a 100-foot reach of the slope immediately upstream of the prior repair has failed and requires repair. As was the case in 2001, the benefit to IRWD of participating in the effort is to ensure IRWD's properties and facilities are protected from catastrophic failure of the slope adjacent to AHOA, which could in turn obstruct flow in the channel and potentially cause unpredictable patterns of erosion.

Environmental Water Quality Manager Brandt reported that the County of Orange is attempting to expedite the repair work to have it constructed before significant runoff further erodes the slope. The County and City have again asked IRWD to contribute to the repair by managing the construction work, recognizing IRWD's past success in responding quickly to emergency situations. He said that IRWD staff has proposed to provide in-kind services managing the construction of the work. Under the proposed agreement, IRWD would hire a contractor to construct the County-designed repairs. The repair work includes installation, maintenance and monitoring of habitat to be planted on the backfilled slope. All IRWD staff costs would be paid by IRWD. All other costs would be reimbursed by the County with funding from several other sources. AHOA has limited funds, but would contribute \$20,000 toward the project. AHOA would also hold the regulatory permits since it is the landowner. The agreement would indemnify and hold harmless IRWD from any damages or losses resulting from anything related to the work and not obligate IRWD to any future expenses. The indemnification and hold harmless provisions would be from the AHOA and all individual residents in AHOA abutting the Creek in the vicinity of the project.

IRWD will solicit informal bids from pre-qualified contractors using the OCFCD plans and IRWD's specifications/contract. Due to the urgent nature of the work and the lack of Board meetings in late December and early January, it is recommended that the Board authorize the General Manager to award the contract under IRWD's "urgency" procurement policy should the contract be ready for award prior to the first Board meeting in January. Staff would then report back to the Board at its next meeting any actions taken by staff.

Director Reinhart reported that this item was reviewed and approved by the Engineering and Operations Committee on December 8, 2005. He also noted that the indemnification issue was

reviewed by Committee. Director Swan reported on the previous repair in 2001 and complimented staff on their efforts. Following discussion, on MOTION by Reinhart, seconded and unanimously carried, SUBJECT TO NON-SUBSTANTIVE CHANGES APPROVED BY THE GENERAL MANAGER AND LEGAL COUNSEL, THE AGREEMENT WITH THE COUNTY OF ORANGE, CITY OF LAKE FOREST, AUTUMNWOOD HOMEOWNERS ASSOCIATION, AND IRVINE RANCH WATER DISTRICT WAS APPROVED REGARDING CONSTRUCTION OF SLOPE STABILIZATION ALONG SERRANO CREEK ADJACENT TO IRWD'S BAKER PROPERTY (FORMER LOS ALISOS WATER DISTRICT HEADQUARTERS), AND THE GENERAL MANAGER WAS AUTHORIZED TO AWARD AND EXECUTE PROFESSIONAL SERVICES AND CONSTRUCTION CONTRACTS UNDER IRWD'S PROCUREMENT POLICY URGENCY PROVISIONS.

ELECTION OF OFFICERS FOR 2006

President Miller said that it had been his pleasure to have been President for 2005. The Bylaws of the District provide that the President and Vice President shall be elected by the Board from among its members and shall serve for a term of one year or until the election and qualification of their successors. On MOTION by Miller, PEER SWAN WAS NOMINATED TO THE OFFICE OF PRESIDENT AND DOUG REINHART TO THE OFFICE OF VICE PRESIDENT. On MOTION by Miller, seconded and unanimously carried, THE NOMINATION FOR PRESIDENT AND VICE PRESIDENT WAS CLOSED AND PEER SWAN WAS ELECTED PRESIDENT AND DOUG REINHART WAS ELECTED VICE PRESIDENT FOR 2006. President Swan complimented past President Miller on all of his accomplishments and hard work in 2005.

GENERAL MANAGER'S REPORT

General Manager Jones reported that staff was working with MWDOC to ensure language is included in their Urban Water Master Plan prior to their Board's approval. He reported that the pre-consolidation agreement with SCWD was moving forward very well with submittal to the Board on January 9, 2006. He reported that there had been a thief at the District's headquarters building over the weekend and that two computers were stolen.

DIRECTORS' COMMENTS

Vice President Reinhart said that a lot of discussion was being held on biosolid disposal which he said will become more difficult and more expensive to process in the coming years, and that green waste (i.e. wood fiber) was necessary for this process.

Director Withers reported on the upcoming LAFCO meeting scheduled for next week. He reported that Ms. Mary Cramer and Deborah Neev were appointed to the SARWQCB. He asked staff to schedule a tour with the new appointees.

Director Matheis reported that she and President Swan attended the Colorado River Users Association conference. She said that she appreciated being Vice President this year and was looking for new challenges in 2006.

Director Miller asked staff to send a letter of congratulations to Congressman John Campbell.

President Swan reported on his attendance at the MWDOC event with Mr. Joe Grindstaff speaking on the spillage at the delta pumps. He said that he and Vice President Reinhart attended a recent OCBC event. He suggested that a manhole cover designed by Mr. Morris be displayed at the District.

ADJOURNMENT

There being no further business, President Swan adjourned the meeting at 7:10 p.m.

APPROVED and SIGNED this 9th day of January, 2006.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone