

MINUTES OF REGULAR MEETING – FEBRUARY 27, 2006

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order by President Swan at 6:00 p.m., February 27, 2006 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Withers (arrived at 6:30 p.m.), Reinhart, Miller, and Swan

Directors Absent: Matheis

Also Present: General Manager Jones, Assistant General Manager Cook, Director of Engineering Heiertz, Treasurer Loomis, Secretary Bonkowski, Legal Counsel Arneson, Ms. Beth Beeman, Ms. Deborah Cherney, Mr. Christopher Smithson, Mr. Sat Tamaribuchi, Mr. Ergun Bakall, Mr. Jim Reed, Dr. Tom Bishop, and other members of the public and staff.

WRITTEN COMMUNICATIONS: None

ORAL COMMUNICATIONS:

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. MWD has terminated the in-lieu program offered through the Orange County Water District. The District will continue to pump only two wells except during MWD's shutdown scheduled for the week of March 13. 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 released the Environmental Impact report in early January 2006. 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.

ITEMS TOO LATE TO BE AGENDIZED – None

PRESENTATION

AMERICAN SOCIETY OF CIVIL ENGINEERS (ASCE) ORANGE COUNTY BRANCH PROJECT OF THE YEAR AWARD AND PROJECT ACHIEVEMENT AWARD

Mr. Greg Heiertz presented the American Society of Civil Engineers' Project of the Year-Land Development Award for the Shady Canyon /Quail Hill and a Project Achievement

Award for the Quail Hill Reservoirs and Pump Station to General Manager Jones as the Project Engineer, Mr. Steve Malloy, was absent.

CONSENT CALENDAR

On MOTION by Miller, seconded and unanimously carried (Withers absent), CONSENT CALENDAR ITEMS 5 THROUGH 14 WERE APPROVED AS FOLLOWS:

5. MINUTES OF BOARD MEETINGS

Recommendation: That the minutes of the February 13, 2006 Board of Directors' meeting be approved as presented.

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

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

7. STRATEGIC MEASURES DASHBOARDS

Recommendation: Receive and file.

8. JANUARY 2006 FINANCIAL REPORTS

Recommendation: That the Board receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate Swap Summary for January 2006; and approve the January 2006 Summary of Wire Transfers and ACH payments in the total amount of \$5,832,838,49 and the January 2006 Warrants Nos. 266788 through 267536, worker's compensation distributions and voided checks in the total amount of \$13,499,166.65.

9. UPCOMING PROJECTS STATUS REPORT

Recommendation: Receive and file.

10. VALUE ENGINEERING ANALYSIS FOR LAWRP 2005 UPGRADES

Recommendation: That the Board authorize the General Manager to execute an agreement with Malcolm Pirnie, Inc. for \$68,608 for the Value Engineering Analysis for the LAWRP 2005 upgrades, projects 20243 and 30134.

11. TWO-YEAR REIMBURSEMENT AGREEMENT BETWEEN IRWD AND THE CITY OF IRVINE FOR THE INSTALLATION OF MISCELLANEOUS FACILITIES (2006, 2007)

Recommendation: That the Board authorize the General Manager to execute the two-year reimbursement agreement with the City of Irvine for the installation of miscellaneous facilities (2006 and 2007).

12. NATURAL TREATMENT SYSTEM (NTS) MODIFICATION OF APPLICATION FOR SERVICE

Recommendation: That the Board adopt the following resolution by title modifying the District's Application for Service to include Natural Treatment System local/developer sites.

RESOLUTION NO. 2006-8

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE IRVINE RANCH WATER DISTRICT
RESCINDING RESOLUTION NO. 2005-53 AND
REVISING THE FORM OF STANDARD APPLICATION
FOR SERVICE AND AGREEMENT WITH THE DISTRICT

13. NEWPORT BAY WATERSHED TOTAL MAXIMUM DAILY LOAD (TMDL) PROGRAM – AMENDMENT TO COUNTY AGREEMENT D99-128 AND EXPENDITURE AUTHORIZATIONS

Recommendation: That the Board approve Amendment No. 1 to Agreement D99-128 (“agreement to fund nutrient, fecal coliform and toxics total maximum daily load (TMDL) studies in the Newport Bay Watershed”) subject to non-substantive changes approved by the General Manager and legal counsel, authorize the General Manager to execute the amended agreement, and approve additional expenditure authorizations for projects 10829, 20829, and 30829 in the respective amounts of \$30,800, \$308,00, and \$15,400 for IRWD's share of the Newport Bay Watershed TMDL program for the current fiscal year.

14. IRVINE RANCH WATER DISTRICT POLICY POSITION PAPER CALIFORNIA WATER INFRASTRUCTURE

Recommendation: That the Board approve policy position paper entitled “California Water Infrastructure,” as presented.

ACTION CALENDAR

WATER CONSERVATION BUSINESS PLAN TACTICAL INCENTIVES

General Manager Jones reported that in November 2005, staff began to promote Irvine Ranch Water District's (IRWD) financial incentives developed as a part of the Water Conservation Business Plan (Plan). Mr. Jones said that the incentives provided by IRWD are to supplement existing regional rebate programs administered by either Metropolitan Water District (MWD) and/or the Municipal Water District of Orange County (MWDOC). The incentives are based on IRWD's calculated avoided costs and the value of the benefits of the water savings to

IRWD resulting from the installation of the various conservation devices.

Mr. Jones said to promote the program, staff began a promotional campaign in November 2005, and the response from the residential customers to the program has exceeded expectations. He said that as of January 31, 2006, 145 ultra low flow toilets and 481 clothes washers have been or are in the process of being rebated by MWDOC. He said that staff has already instructed MWDOC to re-allocate \$44,300 from 'large landscape irrigation controllers' to the residential programs. Even with that reallocation, there appears to be a potential shortfall in funding. He said in order to maintain the program momentum and to prevent any lapses in the program, staff recommends that an additional \$200,000 be allocated for the current fiscal year.

Director Miller reported that this item was reviewed and approved by the Water Resources Policy and Communications Committee on February 14, 2006. In response to Vice President Reinhart's inquiry, staff was asked to include demographic data at a Committee meeting regarding the ULTF toilet rebates. On MOTION by Miller, seconded and unanimously carried (Withers absent), AN ADDITIONAL \$200,000 IN FUNDING FOR COST-EFFECTIVE TACTICAL INCENTIVE CONSERVATION MEASURES FOR FY 2005/06, USING AVAILABLE PENALTY REVENUE FUNDS, WAS APPROVED.

PLANNING AREA 6 CAPITAL FACILITIES, CHANGE ORDERS, BUDGET, AND EXPENDITURE AUTHORIZATIONS

Director of Engineering Heiertz reported that water, sewer and reclaimed facilities were currently being constructed for the Planning Area 6 (PA6) development by Irvine Community Development Company (ICDC) and that several construction change orders have been issued by ICDC for the projects. PA6 is bound generally by Sand Canyon Avenue, Irvine Boulevard, Portola Parkway, and future Alton Parkway. Mr. Heiertz then provided a brief overview of the necessity for change orders, including additional pipes, geotechnical testing, and traffic control requirements.

Vice President Reinhart reported that this item was reviewed and approved by the Engineering and Operations Committee on February 21, 2006. He said that their concern was focused on traffic control and last minute changes. On MOTION by Reinhart, seconded and unanimously carried (Withers absent), BUDGET INCREASES WERE APPROVED FOR FY 2005/06 FOR PROJECT 10778 BY \$189,000, FROM \$4,519,700 TO \$4,708,700; PROJECT 10781 BY \$148,500, FROM \$1,650,000 TO \$1,798,500; PROJECT 10827 BY \$99,700, FROM \$1,015,000 TO \$1,114,700; PROJECT 20386 BY \$147,000, FROM \$3,190,100 TO \$3,337,100; AND PROJECT 30778 BY \$126,000, FROM \$1,741,000 TO \$1,867,000; EXPENDITURE AUTHORIZATIONS WERE APPROVED FOR PROJECT 10778 FOR \$189,000, PROJECT 10781 FOR \$148,500, PROJECT 10827 FOR \$99,700, PROJECT 20349 FOR \$115,200, PROJECT 20352 FOR \$62,600, PROJECT 20355 FOR \$2,900, PROJECT 20386 FOR \$147,000, PROJECT 30778 FOR \$126,000, AND PROJECT 30781 FOR \$67,100 TO FUND CONSTRUCTION CHANGE ORDERS FOR PLANNING AREA 6 CAPITAL FACILITIES PROJECTS.

MICHELSON WATER RECLAMATION PLANT PHASE 2 AND 3 CAPACITY
EXPANSION PROJECT FINAL ENVIRONMENTAL IMPACT REPORT

General Manager Jones reported that the purpose of this item was to recommend that the Board approve the Michelson Water Reclamation Plant (MWRP) Capacity Expansion Phase 2 and 3 project, certify the Final Environmental Impact Report (FEIR), adopt the findings, and adopt the Mitigation Monitoring and Compliance Reporting Program (MMCRP) in conformance with the California Environmental Quality Act (CEQA).

Director of Water Resources Diamond, using a power point presentation, reported on the project which involves expanding the existing MWRP capacity using conventional activated sludge and gravity filtration processes to meet projected future IRWD recycled water needs. Director Withers arrived at 6:30 p.m. Mr. Diamond described the project objectives as follows: to expand the capacity to meet nonpotable water demands; enhance water supply reliability by reducing the need for imported water; meeting State goals to increase use of recycled water and also reduce demands for potable water; reduce the amount of wastewater diverted to OCSD, and to optimize life cycle economics.

Mr. Diamond reported on the CEQA process noting that an Environmental Impact Report (EIR) was prepared to analyze potential environmental impacts associated with the project. The notice of preparation (NOP) for the environmental impact report was circulated for public comment between May 31, 2005 and July 1, 2005, and a public scoping meeting was held on June 14, 2005. He said that the Draft EIR was circulated for public review from November 14 through December 28, 2005, and that a public information meeting was held on December 6. He said that primary written comments were received from the County of Orange and the City of Newport Beach and these comments were generally related to hydrology and flooding, trails and recreational access, growth, and the general distribution of recycled water. Responses have been prepared to all of the comments submitted, and are included in the Responses to Comments document. The responses to comments were distributed to the commenting agencies or persons on February 13, 2006. He said that the FEIR is comprised of the Draft EIR, comments, responses to those comments, and revisions made to the Draft EIR, either to reflect the responses to comments or to make minor corrections to the Draft EIR.

Legal Counsel Arneson then discussed the proceedings, noting that tonight the Board was considering the certification of the EIR, and in that process, adoption of findings for each potentially significant environmental effect that was identified within the EIR and the mitigation measures that were proposed. Ms. Arneson said that the District was required by CEQA to adopt one of three findings for each such identified effect, and in this instance, it is recommended that the Board adopt a finding that mitigation has been required and incorporated within the project which will reduce to less than significant or avoid those potential significant environmental effects. She said there were placed before the Board a series of proposed findings that contain each of these areas covered in the EIR, and the associated mitigation measures, along with the analysis of the factual reasons why those mitigation measures will mitigate the impacts. She also said that the Board is required by CEQA to adopt the mitigation monitoring program which has been

placed before the Board. She then asked for questions on proceedings. There was no one present who wished to be heard.

Director Miller reported that this item was reviewed and approved by the Water Resources Policy and Communications Committee on February 14, 2006. President Swan complimented Mr. Diamond and staff on their efforts on this project. On MOTION by Miller, seconded, and unanimously carried, THE ADDITION OF “MWRP EXPANSION PHASE 2” PROJECTS (PROJECT 20214 AND PROJECT 30214) TO THE FISCAL YEAR 2005/06 CAPITAL BUDGET FOR \$23,173,600 AND \$4,394,400 WERE APPROVED, EXPENDITURE AUTHORIZATIONS WERE APPROVED FOR \$10,500 FOR EACH PROJECT; AND STAFF WAS DIRECTED TO INCORPORATE INTO THE DRAFT FINDINGS AS PRESENTED AT THIS MEETING SUCH REVISIONS AS MAY BE NECESSARY TO CONFORM THE FINDINGS TO ANY INFORMATION RECEIVED AFTER PREPARATION OF SAID DRAFT AND PRIOR TO THIS ACTION, INCLUDING COMMENTS FROM THE BOARD AT THIS MEETING; DIRECT THAT THE FINDINGS, AS REVISED, SHALL ACCOMPANY THE RESOLUTION, AND ADOPT THE FOLLOWING RESOLUTION BY TITLE:

RESOLUTION NO. 2006 – 9

RESOLUTION OF THE BOARD OF DIRECTORS OF THE IRVINE RANCH WATER DISTRICT CERTIFYING THE FINAL ENVIRONMENTAL IMPACT REPORT FOR MICHELSON WATER RECLAMATION PLANT PHASE 2 AND 3 CAPACITY EXPANSION PROJECT; ADOPTING WRITTEN FINDINGS PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT; APPROVING THE PROJECT; AND AUTHORIZING THE FILING OF A NOTICE OF DETERMINATION.

WORKSHOP

ENTERPRISE MODEL PROTOTYPE REVIEW

General Manager Jones placed before each Director a revised power point presentation. Mr. Jones reported that staff has undertaken the development of a spreadsheet-based financial model that will integrate the District’s numerous financial and planning inputs into a single system, known as the Enterprise Model.

General Accounting Supervisor Smithson, using a power point presentation, provided a brief overview of the project, including goals and timelines; the status on the scope of work and each line item’s current level of completion; a conceptual view of the Enterprise Model; the model’s line of business approach; a brief sampling of some of the model’s key features; and a timeline for the next review and ultimate implementation of the model. Mr. Smithson said that a hands-on demonstration of the model would be presented at the next Strategic Planning meeting. Mr. Jones noted that this model would be used in several workshops with the Board during the annual budgetary process.

GENERAL MANAGER'S REPORT

General Manager Jones reported that 1,600 bills had been introduced and further noted those that impacted the water industry, including AB 371, SB 1317, SB 1640, AB 2496, and AB 1881. Mr. Jones said that as reported in his weekly report to the Board, that staff has been meeting with the County of Orange in regards to a proposal for the District to use Peters Canyon Reservoir for storing reclaimed water. He reported that he and Director Matheis would be in Washington DC this week to attend the ACWA Legislative conference.

DIRECTORS' COMMENTS

Director Miller reported on the OCSD's capital improvement program.

Vice President Reinhart reported that he and President Swan attended the OCBC infrastructure meeting last week.

President Swan reported on his attendance at the OCBC meeting; the State of the City address in Irvine; the City of Lake Forest Leadership breakfast, ACWA's Region 10 meeting; the WACO planning meeting; a MWDOC Joint Planning Meeting and a Southern California Dialog group meeting. He said that he and Director Matheis would be attending a WEF US/Mexican border water issues tour. He further said that he would be meeting with legislators in Washington DC on March 8.

ADJOURNMENT

There being no further business, President Swan adjourned the meeting at 7:15 p.m.

APPROVED and SIGNED this 13th day of March, 2006.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone