

## MINUTES OF REGULAR MEETING – APRIL 30, 2007

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order by President Reinhart at 6:00 p.m., April 30, 2007 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Matheis, Miller (arrived at 6:08 p.m.), Withers (arrived at 6:08 p.m.), Swan, and Reinhart

Directors Absent: None

Also Present: General Manager Jones, Director of Engineering Heiertz, Assistant Treasurer Jacobson, Assistant General Manager Cook, Secretary Bonkowski, Legal Counsel Arneson, Ms. Beth Beeman, Mr. Carl Ballard, Mr. Dave Lochridge, Ms. Mary Ann Brown, Mr. Jim Carter, Mr. Dick Diamond, Mr. Christopher Smithson, Mr. Ergun Bakall, and other members of the public and staff.

### COMMUNICATIONS TO THE BOARD

Written Communications: None

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 the DATS wells C-8 and C-9, and well 10, are in operation in accordance with the District's annual pumping plan. Staff has received communications from OCWD indicating that in-lieu recharge deliveries from MWD are currently available; however, IRWD is not participating at this time in order to maintain eligibility for MWD's seasonal shift program. Wells 1, 2, 4, 5, 12, 13, 14, 15, 16, 17, and 18 have been started and are on operational standby until required to meet demands. The District's planned pumping for both May and June is 4,200 AF per month. 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 Layne Christensen Company and Bakersfield Well & Pump, Inc. to construct a total of eight wells. Well drilling activities are complete and it will take an additional 18 months to complete the well head 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.

With respect to the OCWD annexation of certain IRWD lands, OCWD released the Environmental Impact Report (EIR) in early January 2006. The extended comment period for the EIR closed March 17, 2006, and OCWD is now completing the response to comments. On January 17, 2007, the OCWD Board approved proposed terms and conditions for annexation and directed staff to prepare an annexation agreement for OCWD and IRWD approval. On April 11, 2007, a draft annexation agreement was submitted to OCWD's Water Issues

Committee with the recommendation to transmit to IRWD for review and consideration. Staff anticipates the OCWD Board will take action on the EIR and annexation agreement in the spring of 2007. This was confirmed by Mr. Jones. He also said that staff received the draft agreement this evening and that a joint OCWD/IRWD Ad Hoc Committee was scheduled for May 4, 2007.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED - None

RECONVENE PUBLIC HEARING – 2007 BOND ISSUANCE

General Manager Jones said that staff recommended reconvening the public hearing to issue 2007 bonds as insured auction rate securities.

Acting Treasurer Jacobson said that on April 9, 2007, the Board of Directors continued the public hearing on the proposed 2007 consolidated bond issue pending further discussion with the Finance and Personnel Committee regarding the ability to issue variable rate bonds using the District's own credit, rather than third party credit enhancement. Directors Withers and Miller arrived at 6:08 p.m. Mr. Jacobson said that on April 26, 2007, staff and representatives from Merrill Lynch provided additional information to the Committee addressing this issue, and following extensive discussions, the Committee: 1) Agreed that there was a low probability that the District could achieve any material economic benefit by eliminating third-party credit support for the proposed 2007 general obligation bond issue; 2) Approved proceeding with the public hearing process at the Board meeting on April 30, 2007, and issuing the 2007 bonds as insured auction rate securities; 3) Directed staff to develop a schedule and presentation materials for meetings with the rating agencies to request upgrading the Aa2/AA/AA+ credit ratings on the 2002 Certificates of Participation. He further said that staff will present a proposed schedule for the rating agency meetings at the Finance and Personnel Committee meeting scheduled for May 1, 2007.

Director Swan reported that the bond issuance was reviewed by the Finance and Personnel Committee on February 6, 2007, and that on April 26, 2007 the Committee approved proceeding with the rating agency and taking steps to reduce debt.

President Reinhart reconvened the hearing. He inquired whether there is anyone present who wished to address the Board concerning the matter. There were none. President Reinhart then inquired whether there were any comments or questions from members of the Board. There were none. He then said that the hearing would be closed, and asked for a recommendation to close the hearing and to also adopt resolutions.

On MOTION by Swan, seconded and unanimously carried, THE HEARING WAS CLOSED AND THE FOLLOWING RESOLUTIONS WERE ADOPTED BY TITLE:

RESOLUTION NO. 2007- 9

RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
IRVINE RANCH WATER DISTRICT MAKING FINDINGS  
RELATIVE TO CONSOLIDATED BONDS (SERIES 2007)

## RESOLUTION NO. 2007-10

### RESOLUTION OF THE BOARD OF DIRECTORS OF THE IRVINE RANCH WATER DISTRICT PROVIDING FOR THE ISSUANCE OF CONSOLIDATED BONDS OF SAID DISTRICT, APPROVING DOCUMENTS AND AUTHORIZING AND RATIFYING CERTAIN ACTIONS (CONSOLIDATED SERIES 2007)

#### WORKSHOP

#### SELENIUM IN THE SAN DIEGO CREEK WATERSHED

General Manager Jones reported that staff from IRWD, the Santa Ana Regional Water Quality Control Board (Regional Board), and the County of Orange would update the Board on activities related to elevated levels of selenium in surface waters in the San Diego Creek Watershed. Mr. Jones said that these activities focus on the County-led “Nitrogen Selenium Management Program” and IRWD’s proposed “Cienega” selenium treatment project.

Mr. Norris Brandt reported on the background on the selenium issue, including the concentration of selenium in the San Diego Creek, challenges for the removal of selenium, the Nitrogen Selenium Management Program (NSMP), and the NSMP progress to date.

Ms. Terri Reeder of the Regional Board reported on the EPA’s technical total maximum daily loads for selenium; revisions to California toxics rule – chronic criteria for selenium; selenium in the San Diego Creek/Newport Bay watershed; NSMP site-specific objectives development; revision of the selenium TMDLS, and the IRWD’s Cienega filtration project. Mr. Gerard Thibeault of the Regional Board said that late last year Mr. Jones attended its Board meeting and summarized the Cienega project. He said that the Regional Board was very positive about this effort and encouraged the District to move forward.

Mr. Larry McKenney of the County of Orange said that the County was very enthusiastic about the project. He then reported on the County’s perspective of removing selenium.

Mr. Norris Brandt reported on the phased approach on the Cienega filtration project, the proposed IRWD/City of Irvine Partnership, and the Cienega implementation schedule.

General Manager Jones said that the Cienega project construction award would be submitted to the Board on May 14, 2007, and the District hopes to have an agreement for a partnership on this project by then with the City of Irvine.

#### PROPOSED FISCAL YEAR 2007-08 OPERATING BUDGET

General Manager Jones reported that the proposed Fiscal Year (FY) 2007-08 Operating Budget had been reviewed by the Finance and Personnel Committee on three occasions, by the Board at the public workshop held on April 9, 2007, and was now being presented for adoption. Mr. Jones said that public notice of this workshop was given by publication in the Register on April 16, 2007. He said that upon the Board’s adoption of the budget, the

District will be mailing out notices to property owners, informing them of the proposed rate changes as required under Proposition 218. He further said that the final version of the Operating budget had been placed before each Director.

Using a PowerPoint presentation, Mr. Christopher Smithson reported on the overall operating expense budget. He said that the District's proposed FY 2007-08 Consolidated Operating Budget totals \$94.8 million, representing a \$6.1 million or 6.83%, increase over the Fiscal Year 2006-07 Operating Budget. Mr. Smithson said that one of the major areas affected by this increase corresponds directly to cost increases imposed by external entities over which the District has little or no control. These uncontrollable cost increases comprise \$4.3 million, or 71%, of the total budget increase, leaving the remaining \$1.8 million or 29% increase attributable to controllable costs. He then reviewed the budget "highlights" for this fiscal year which included: anticipated residential growth of 4%, commercial growth of 2% and reclaimed landscape customer growth of 3%; addition of nine positions and deletion of three positions to meet demands from increased growth and consolidations; Increased treatment and reclaimed production at MWRP and LAW RP that carry substantial electricity and chemical costs but result in reduced dependence on OCSD and increased reclaimed water production; the addition of a magnesium hydroxide treatment process at MWRP to avoid plant upsets related to low PH that could result in MWRP shutdowns; and the addition of eight reservoir management systems to the potable system to assure water quality is maintained which requires additional electricity and chemicals.

Mr. Smithson said that staff had reviewed costs and revenues for the treated water system, the untreated water system and the sewer system which included reclaimed water irrigation. He then reviewed the proposed changes to the water and wastewater rates for the Irvine Ranch rate area, Santiago County rate area, and the Los Alisos rate area recommended for Fiscal Year 2007-08. Using charts, Mr. Smithson provided comparison of IRWD's proposed water rates to current rates in neighboring agencies. Following discussion, Director Swan asked staff to submit an item to the next Finance and Personnel Committee explaining how those numbers were derived.

Following discussion on the sample draft notices provided in the write-up which will be mailed to property owners informing them of the proposed rate changes as required under Proposition 218, Director Matheis suggested a minor modification on the text. Following discussion, on MOTION by Swan, seconded and unanimously carried, THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2007-11

RESOLUTION OF THE BOARD OF DIRECTORS OF IRVINE  
RANCH WATER DISTRICT, ORANGE COUNTY, CALIFORNIA  
APPROVING DISTRICT'S OPERATING BUDGET FOR FISCAL  
YEAR 2007/08 AND DETERMINING COMPLIANCE WITH  
ARTICLE XIII B OF CALIFORNIA CONSTITUTION

## CONSENT CALENDAR

General Manager Jones asked that Item No. 19 be moved to the Action Calendar for discussion. In regard to President Reinhart's inquiry on Item No. 8 on the OSHA recordables, staff was asked to determine if the injury was caused by improper lifting. There being no further comments, on MOTION by Matheis, seconded and unanimously carried, **CONSENT CALENDAR ITEMS 6 THROUGH 18 AND 20 WERE APPROVED AS FOLLOWS:**

6. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the March 30, 2007 Adjourned Regular Board Meeting, the April 4, 2007 Special Board Meeting, and the April 9, 2007 Regular Meeting be approved as presented.

7. RATIFY/APPROVE BOARD OF DIRECTOR'S ATTENDANCE AT MEETINGS AND EVENTS

Recommendation: That the Board ratify/approve the meetings and events for Mary Aileen Matheis, Darryl Miller, Doug Reinhart and Peer Swan.

8. STRATEGIC MEASURES DASHBOARDS

Recommendation: Receive and file.

9. IRVINE RANCH WATER DISTRICT (IRWD) SPONSORED 2007 STATE LEGISLATION

Recommendation: Receive and file.

10. STATE LEGISLATIVE UPDATE

Recommendation: That the Board take a support position on AB 715 (Laird), SB 645 (Correa and Tran), and SB 1029 (Ducheny) and a watch position on AB 1481 (De la Torre) and SB 201 (Florez).

11. RESEARCH ORGANIZATIONS

Recommendation: That the Board approve the District's membership in the WateReuse Foundation for an annual fee of \$12,000.

12. MARCH 2007 FINANCIAL REPORTS

Recommendation: Receive and file the Treasurer's Investment Summary Report and the Monthly Interest Rate SWAP Summary for March 2007; and approve the March 2007 Summary of Wire Transfers and ACH payments in the total amount of \$4,942,123.13; and the March 2007 Warrant Nos. 278298 through 279329, Workers' Compensation Distributions and voided checks in the total amount of \$13,737,614.50.

13. IRVINE HISTORICAL SOCIETY – MEMORANDUM OF UNDERSTANDING

Recommendation: That the Board approve the amended and restated Memorandum of Understanding between Irvine Historical Society and Irvine Ranch Water District relative to preservation of historical structures.

14. IRVINE LAKE METERS IMPROVEMENT BUDGET ADDITION AND EXPENDITURE AUTHORIZATION

Recommendation: That the Board receive and file the Irvine Lake Meters Evaluation Report; approve the addition of project 11290 to the Fiscal Year 2006/07 Capital Budget for \$49,000; and approve an Expenditure Authorization for \$49,000 for the Irvine Lake Meters Improvement Project.

15. PLANNING AREA 9B, PHASE 1A – RECLAIMED WATER PIPELINE EXPENDITURE AUTHORIZATION

Recommendation: That the Board approve an Expenditure Authorization for project 30012 for \$216,700 to fund the construction contract for 6-inch reclaimed water pipeline to serve Planning Area 9B, Phase 1A.

16. BLUE LAKE NORTH RECLAIMED WATER PIPELINE REPLACEMENT PROJECT - FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Blue Lake North Reclaimed Water Pipeline Replacement, project 30099; 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.

7. IRVINE DESALTER PROJECT PAP, SGU TREATMENT SITE, WELLS ET-2 AND 78 – FINAL ACCEPTANCE

Recommendation: That the Board accept construction of the Irvine Desalter Project - Principal Aquifer Plant, Shallow Groundwater Unit Treatment Site, Wells ET-2 and 78; 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.

18. TURTLE ROCK ZONE B+ BOOSTER PUMP STATION DESIGN VARIANCE AND EXPENDITURE AUTHORIZATION

Recommendation: That the Board approve an Expenditure Authorization for project 30103 in the amount of \$121,000 and approve Variance No. 2 for project 30103 in the amount of \$99,528 to Lee & Ro for final design services for the Turtle Rock Zone B+ Booster Pump Station Improvement project.

20. RESERVOIR MANAGEMENT SYSTEM (RMS) AND CHLORINE ANALYZERS AND RESERVOIR MIXER/SAMPLERS AT DOMESTIC WATER RESERVOIRS MITIGATED NEGATIVE DECLARATION (MND) PROJECT

Recommendation: That the Board adopt the proposed Mitigated Negative Declaration for the Reservoir Management System (RMS) and Chlorine Analyzers and Reservoir Mixer/Samplers at Domestic Water Reservoirs project; and direct staff to post and file a Notice of Determination with a filing fee to the California Department of Fish and Game.

ACTION CALENDAR

POSITION ON MUNICIPAL WATER DISTRICT OF ORANGE COUNTY (MWDOC) PROPOSED 2007/08 FISCAL YEAR BUDGET

General Manager Jones said that it was staff's recommendation to not accept MWDOC's proposed budget and to reaffirm a request for a 10% budget reduction consistent with the position taken by IRWD and five other South County Special Districts. Mr. Jones said he would like to amend the motion to request that the budget reduction process be facilitated through the Local Agency Formation Commission. He said that a letter was sent to MWDOC on April 23, 2007 by IRWD and five other South Orange County Special Districts regarding MWDOC's Municipal Service Review with the central point in the letter identifying specific areas to reduce the MWDOC Budget by 10% per year to a limit of \$4.0 million dollars. Director Miller said that the letter also included a request for the adoption of a member-agency budget ratification policy and a request to reduce general fund reserves to \$1.0 million (and establish a reserve policy to eliminate transfers to fund annual O&M expenses). Mr. Kevin Hunt, General Manager of MWDOC, said that based upon MWDOC's recently adopted policies, it was not necessary for IRWD or MWDOC's other member agencies to take a position on the budget. He also said that he believed budget figures used by IRWD staff in the Board write-up were incorrect, and that he would forward Mr. Jones the corrected figures for review. Mr. Hunt further thanked the Board and staff for their efforts relative to the planned Diemer plant shutdown. On MOTION by Miller, seconded and unanimously carried, **THE BOARD DID NOT ACCEPT MWDOC'S PROPOSED FISCAL YEAR 2007/08 BUDGET AND REAFFIRMED IRVINE RANCH WATER DISTRICT'S REQUEST FOR A 10% BUDGET REDUCTION THROUGH A FACILITATED PROCESS BY THE LOCAL AGENCY FORMATION COMMISSION.**

MAINTENANCE BUILDING AND PURCHASING - WAREHOUSE ROOF REPLACEMENTS

General Manager Jones said the District's Maintenance building and the Purchasing warehouse roofs were leaking and require replacement. The roof on the maintenance shop building was approximately 13 years old and had an expected life of ten years. The Purchasing Department's warehouse roof was approximately 24 years old and had an expected life of 20 years. The new roofs for both buildings will have a 30-year warranty. He said that staff recommends re-roofing to eliminate the yearly repair costs amounting to approximately \$20,000 over the last 10 years.

Mr. Jones said that a project manual and Request for Proposal were sent to four select bidders, and following an evaluation of these bids, staff recommends awarding the project to the low bidder, Coast Roof Company for \$270,608. The engineer's estimate was \$263,000. Coast Roof Company was on the District's pre-approved list for contractors and has successfully completed several District projects. This contractor was also approved by the roofing manufacturer who is responsible for the warranty. Following discussion, staff was asked to examine the District's ability to modify the roof for a solar retrofit in the future so as not to void a 30-year warranty. On MOTION by Miller, seconded and unanimously carried, **THE BOARD APPROVED EXPENDITURE AUTHORIZATIONS FOR PROJECTS 11047, 11077, 21077, AND 31077 IN THE AMOUNTS OF \$7,200, \$136,400, \$136,400, AND \$31,400; AND THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE A CONSTRUCTION CONTRACT WITH COAST ROOFING COMPANY FOR \$270,608 FOR THE REPLACEMENT OF THE DEPARTMENT 50 BUILDING AND THE PURCHASING DEPARTMENT WAREHOUSE ROOFS.**

### SOLAR PANELS FOR THE SAND CANYON HEADQUARTERS BUILDING

General Manager Jones reported that the District was expanding its commitment to the environment through the installation of solar panels on the roof at the Sand Canyon headquarters building. Mr. Jones said that the 97 KW system would provide an estimated 20% of the total power use for the building. He said that Southern California Edison has agreed to a rebate of \$243,385 provided "significant progress" has been made on the project by May 17, 2007. The shade provided by the roof-mounted solar panels will also reduce the amount energy for heating and cooling as well as extend the life of the existing roof. With only five to seven estimated years of life remaining on the existing roof and the solar panels life expectancy of 20 to 25 years, staff evaluated roof replacement and roof life enhancement products. Mr. Jones said that the most cost efficient option to extend the life of the existing roof is a spray-on roofing system, which costs \$120,000 with a 10-year warranty.

Mr. Jones said that a request for proposal was sent to four select bidders and they attended the job walk. Staff recommends awarding the contract to the low bidder, Halcyon Electric, for \$1,475,777. The engineer's estimate was \$1,483,263. He further said that staff checked reference provided by Halcyon Electric and found that they are a reputable contractor with experience installing solar panels. The payback for the project at current energy rates, including the Edison rebate, was estimated at 12 to 15 years.

On MOTION by Matheis, seconded and unanimously carried, **THE BOARD AUTHORIZED A BUDGET INCREASE FOR PROJECT 10914 BY \$27,400, FROM \$11,300 TO \$38,700, FOR PROJECT 10912 BY \$579,400, FROM \$155,100 TO \$734,500, FOR PROJECT 20912 BY \$579,400, FROM \$155,100 TO \$734,500, AND FOR PROJECT 30912 BY \$132,700, FROM \$36,400 TO \$169,100; APPROVE EXPENDITURE AUTHORIZATIONS FOR \$30,900, \$693,400, \$693,400 AND \$159,500; AND THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE A CONSTRUCTION CONTRACT WITH HALCYON ELECTRIC FOR \$1,475,777 FOR THE INSTALLATION OF THE SOLAR PANELS.**

## RATTLESNAKE RECREATION FACILITY UTILITIES, FENCING AND RESTROOM BUILDING

General Manager Jones reported that improvements to the Rattlesnake site for use by IRWD employees and other water agencies were approved by the Board in June of 2003. Mr. Jones said that since then, many improvements have been completed including significant donations by the Cub Scouts and the Shadetree Partnership. In addition, the Strawberry Farms Golf Course Partnership met its obligation to assist District efforts in developing the site for the park area lost to the golf course development.

Mr. Jones said that a request for proposal for the utilities (domestic water, electricity, and sewer tank connection) and the restroom building was sent to three select bidders and that two of the three firms submitted proposals. He said that Lacey Construction's low bid of \$265,596 was rejected due to their failure to post a bid bond. He said that staff recommended awarding the contract to the remaining bidder, Philco Construction, for \$275,000. Construction oversight will be provided by Newport Real Estate Services for a cost of \$25,000 and the security fencing and gates are to be installed by Champion Fence for \$30,000. On MOTION by Matheis, seconded and unanimously carried, THE BOARD AUTHORIZED A BUDGET INCREASE FOR PROJECT 10558 BY \$27,500, FROM \$122,400 TO \$149,900, FOR PROJECT 20558 BY \$27,500, FROM \$142,200 TO \$169,700, AND FOR PROJECT 30558 BY \$27,500, FROM \$142,200 TO \$169,700; EXPENDITURE AUTHORIZATIONS WERE APPROVED FOR THE SAME AMOUNTS; AND THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE A CONSTRUCTION CONTRACT WITH PHILCO CONSTRUCTION FOR \$275,000 FOR THE CONSTRUCTION OF THE RESTROOM BUILDING.

## NATURAL TREATMENT SYSTEM IN-LINE BASINS AND EL MODENA BASIN CONSTRUCTION SERVICES CONTRACT AWARDS

General Manager Jones said that construction contracts for the In-Line and El Modena NTS Basins were awarded by the Board in February 2007. Mr. Jones said that IRWD is continuing with the implementation of the NTS Master Plan to assist the County and cities in the San Diego Creek Watershed in meeting surface water quality requirements as set by the Santa Ana Regional Water Quality Control Board. This includes working with developers on the design and construction of local NTS sites, and the IRWD design for regional sites. Design of the initial regional NTS site groups was completed in late 2006. These groups include three in-channel/in-line basins in San Diego Creek (Woodbridge), the Santa Ana/Santa Fe Channel, and Peters Canyon Channel ("In-Line Basins" project), and the "Urban Wetland Retrofit" project that included the El Modena Basin.

Mr. Jones said that staff has solicited proposals for construction administration and inspection duties for the In-Line and El Modena project in addition to the normal contracted services of geotechnical, surveying and engineering support services. For the in-line project, staff evaluated the proposals and recommended the following firms be awarded a professional service contract to provide the services for a not-to-exceed fee as follows: Construction Management & Inspection: VA Consulting for 78,330; Geotechnical services: Ninyo & Moore for \$ 35,697; Engineering Support: Stantec (Sole Source) for \$39,366; and Surveying: Stantec (Sole Source) for \$12,810. For the El Modena basin,

staff evaluated the proposals and recommended that a professional service contract be awarded to the following: Construction Management and Inspection: VA Consulting for \$118,216; Geotechnical Services: Ninyo & Moore for \$39,842; Engineering Support: VA Consulting (Sole Source) for \$71,128; and Surveying: VA Consulting (Sole Source) for \$25,798.

Director Withers said that this item was reviewed and approved by the Engineering and Operations Committee on April 18, 2007. On MOTION by Withers, seconded and unanimously carried, AN EXPENDITURE AUTHORIZATION FOR \$41,100 FOR PROJECT 10834 WAS APPROVED AND THE GENERAL MANAGER WAS AUTHORIZED TO EXECUTE A PROFESSIONAL ENGINEERING CONTRACT WITH VA CONSULTING FOR \$293,472; WITH NINYO & MOORE FOR \$75,539; AND WITH STANTEC, INC. FOR \$52,176 FOR THE NATURAL TREATMENT SYSTEM IN-LINE BASINS, PROJECT 10834, AND THE URBAN WETLAND RETROFIT EL MODENA, PROJECT 10836.

#### PLANNING AREA 6 CAPITAL FACILITIES, CONSTRUCTION CHANGE ORDERS

Director of Engineering Heiertz reported that Planning Area 6 (PA6) is bound generally by Sand Canyon Avenue, Irvine Boulevard, the Foothill Transportation Corridor, and to include Alton Parkway in the future. Mr. Heiertz said that the Board previously approved a Supplemental Reimbursement Agreement with the Irvine Community Development Company (ICDC) and IRWD to design and construct the IRWD Capital Facilities for PA6. He said that since ICDC awarded the contracts, staff has been involved in negotiations for several construction change orders and that staff concurs with the costs for the change orders and ICDC directed the contractor to perform the work.

Director Withers said that this item was reviewed and approved by the Engineering and Operations Committee on April 18, 2007. On MOTION by Withers, seconded and unanimously carried, CONSTRUCTION CHANGE ORDERS FOR THE PA6 CAPITAL FACILITIES PROJECTS IN THE AMOUNT OF \$141,757.25 FOR PROJECTS 10778, 10827 AND 30778; AND IN THE AMOUNT OF \$92,101.19 FOR PROJECTS 10778, 10779, 20349, 20352, AND 30779; AND IN THE AMOUNT OF \$200,677.86 FOR PROJECTS 10781 AND 30781 WERE APPROVED.

#### MICHELSON WATER RECLAMATION PLANT 2005 UPGRADES CONSTRUCTION SUPPORT SERVICES VARIANCES

Director of Engineering Heiertz reported that in June 2006, the Board awarded the construction of the Michelson Water Reclamation Plant (MWRP) 2005 Upgrades to Gateway Pacific Contractors in the amount of \$8,828,497. Mr. Heiertz said that Malcolm Pirnie was selected to perform construction management and inspection services, and under a separate agreement, they were also contracted to perform engineering support services during construction. He said that since the start of construction, there has been a significant redesign effort to resolve several major conflicts with existing plant utilities resulting in construction delays that have extended the original construction schedule of 12 months to 17 months. He said that Malcolm Pirnie was now requesting variances to reflect the required effort for an additional five months of construction and additional services not

anticipated in the original budget. He then reviewed all of the items in the variance for the construction management and inspection services as well as engineering support services during construction.

Director Withers said that this item was reviewed and approved by the Engineering and Operations Committee on April 18, 2007. On MOTION by Withers, seconded and unanimously carried, AUTHORIZE THE GENERAL MANAGER TO EXECUTE VARIANCE NO. 1 WITH MALCOLM PIRNIE, INC. FOR CONSTRUCTION MANAGEMENT AND INSPECTION SERVICES IN THE AMOUNT OF \$190,000, AND VARIANCE NO. 1 FOR ENGINEERING SUPPORT SERVICES DURING CONSTRUCTION IN THE AMOUNT OF \$224,500 FOR THE MICHELSON WATER RECLAMATION PLANT 2005 UPGRADES, PROJECT 20276.

PROPOSED COMPENSATION, BENEFIT, AND BUDGET CHANGES FOR FISCAL YEAR 07/08

General Manager Jones reported that each year during the budgetary process, staff reviews current salaries and benefits to determine whether the District's compensation package is competitive within our industry. Mr. Jones said that the goal was to provide a competitive compensation package to retain and attract qualified employees who are excited about working together to achieve the high standards of the District. He said that staff was recommending several changes to existing budgeted positions, including upgrading eight positions, downgrading three positions, transferring three positions, and deleting three positions. Staff also recommended the addition of nine positions, title changes for six positions, and the reclassification of five job titles.

Mr. Jones said that last year, as a part of the biannual compensation survey, staff performed an extensive benefits comparison with the 20 compensation survey participants that provided benefit data. He said staff believes no further adjustments are warranted at this time and they will survey benefits information as a part of the next biannual compensation survey scheduled to begin in January 2008.

Mr. Jones said that during this years' operating budget process, much greater consideration was given to the Succession Planning needs of the District. As the implementation of the plan has developed, associated costs have risen as predicted. These increases include added costs for educational reimbursement, training and manpower needs as evidenced by the increases in the Personnel budget.

Mr. Jones said that as part of the Succession Planning process, staff had identified the need to assist in preparing our existing employees for future opportunities. He said that staff is therefore recommending an increase in the educational incentive amounts, proposing to increase the incentive for completion of a certification from \$500 to \$750 and to increase the incentive for completion of a degree program from \$750 to \$1,000. Included in the operating budget is an increase of \$45,000 to provide for the increased utilization and costs of these programs. He said that an additional increase of \$25,000 in training costs has been budgeted to implement the next phase of the District's Succession Plan. Generational Diversity Training will be provided for all employees to discuss and prepare employees to effectively work with the four generations currently making up the workforce:

Director Swan said that this item was reviewed by the Finance and Personnel Committee on March 27, 2007 and the Committee concurs with the staff recommendation. On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED THE PROPOSED CHANGES IN THE DISTRICT'S BUDGETED POSITIONS AS OUTLINED IN THE PROPOSED OPERATING BUDGET; THE INCREASE IN FUNDING FOR EDUCATIONAL AND TRAINING PROGRAMS IN SUPPORT OF SUCCESSION PLANNING EFFORTS WAS APPROVED; THE SALARY GRADE SCHEDULE CHANGES WERE APPROVED EFFECTIVE WITH THE APPROVED FISCAL YEAR 2007/2008 OPERATING BUDGET ON JULY 1, 2007; AND THE FOLLOWING RESOLUTION WAS ADOPTED BY TITLE:

RESOLUTION NO. 2007-12

RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE IRVINE RANCH WATER DISTRICT  
RESCINDING RESOLUTION NO. 2006-39 AND  
ESTABLISHING REVISED SCHEDULE OF  
POSITIONS AND SALARY RATE RANGES

GENERAL MANAGER'S REPORT

General Manager Jones reported that on Friday he met with Mr. Huell Howser along with Mr. Norris Brandt and Ms. Trude Hurd in association with the California Water series at the San Joaquin Wildlife Sanctuary for an interview. He said that the series will be aired on June 29 and July 12 at 7:30 p.m. on PBS.

DIRECTORS' COMMENTS

Director Swan reported on his attendance at the Exchange Club breakfast last Friday with Mayor Beth Krom along with the Southern California Dialog group in the afternoon. He said that the Orange County Business Council published its legislative guide and suggested that staff review it. He also said that a group approached him for temporary parking at the Operations Center.

Director Withers reported on his vacation to the island of Lanai and relayed the concept of planting Norfolk pine trees as a means to minimize rain runoff. He also reported on an upcoming LAFCO meeting on May 9, 2007.

Director Matheis reported on her visit to Virginia Beach and said that the Heritage Museum had a computer program to identify birds, and suggested purchasing this program once the San Joaquin Wildlife Sanctuary campus was complete.

Vice President Miller reported on a successful Urban Water Institute conference last week.

President Reinhart said he attended the MWDOC dinner; the Urban Water Institute conference; Mayor Krom's breakfast; and an OCWD annexation strategy meeting.

CLOSED SESSION

President Reinhart said that two closed session items would be held as follows:

1) Conference with legal counsel relative to anticipated litigation; Government Code Section 54956.9(c); initiation of litigation (one or more potential cases, concerning the annexation to OCWD); and 2) Conference with real property negotiator (Government Code Section 54956.8) Property: Assets of Orange Park Acres Mutual Water Company Agency; Negotiator: Paul Jones; Negotiating Parties: Orange Park Acres Mutual Water Company; Under Negotiation: Price and terms of acquisition

OPEN SESSION

The meeting was reconvened with Reinhart, Withers, Swan, Miller, and Matheis present. President Reinhart said that there was no action to report.

ADJOURNMENT

There being no further business, President Reinhart adjourned the meeting at 9:35 p.m.

APPROVED and SIGNED this 14th day of May, 2007.

\_\_\_\_\_  
President, IRVINE RANCH WATER DISTRICT

\_\_\_\_\_  
Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

\_\_\_\_\_  
Legal Counsel - Bowie, Arneson, Wiles & Giannone