

## MINUTES OF REGULAR MEETING – SEPTEMBER 8, 2008

The regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order at 6:00 p.m. by Director Reinhart on September 8, 2008 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Reinhart, Withers, and Swan

Directors Absent: Miller and Matheis

Also Present: General Manager Jones, Assistant General Manager Cook, Director of Engineering Heiertz, Ms. Debby Cherney, Secretary Bonkowski, Legal Counsel Arneson, Mr. Jim Reed, Mr. Jim Carter, Mr. Jeff Smyth, Ms. Beth Beeman, Mr. Carl Ballard, Ms. Gretchen Maswadeh, Mr. Mike Hoolihan, Ms. Fiona Sanchez, Mr. Christopher Smithson, Mr. Kevin Hunt, 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 wells 1, 4, 5, C-8, C-9, 10, 13, 14, 15, 16, and 17 are in operation in accordance with the District's annual pumping plan. Wells 12 and 18 will operate part of the week, and Wells 2, 3, 6, 7 and 11 will be placed in operation as required. The District's planned pumping for September is 3,390 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), a Notice of Completion was approved by the OCWD Board of Directors on March 19, 2008. Metropolitan Water District has given notice to OCWD that it will begin extracting a portion (i.e. 22,000 acre feet) of its 48,500 acre feet in storage beginning in fiscal year 2008-09. It is expected that an additional 22,000 acre feet will be extracted in FY 2009-10. The extraction is being performed by agencies that constructed conjunctive use wells under this program. IRWD is not a participant. This was confirmed by Mr. Jones.

With respect to the OCWD annexation of certain IRWD lands, OCWD staff is evaluating IRWD's most current projections of the amount and general location of its future groundwater production for inclusion in OCWD's proposed update of the Long-Term Facilities Plan and Annexation Environmental Impact Report. OCWD has taken no further actions with respect to the annexation. At OCWD's request, IRWD staff has provided additional future groundwater production scenarios with annexation. 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 is finalizing negotiations of an agreement with certain south Orange County water agencies to fund the interconnection facilities needed to affect the emergency transfer of water. This was confirmed by Mr. Jones.

ITEMS TOO LATE TO BE AGENDIZED: None.

WORKSHOP

MWDOC POTABLE WATER SHORTAGE ALLOCATIONS

Using a PowerPoint presentation, Ms. Fiona Sanchez provided an update on the MWDOC Allocation Plan. Ms. Sanchez said that the steps for allocation include: 1) determining a baseline; 2) establishing allocation year information; 3) staging shortage reductions; and 4) applying allocation adjustments and credits. She discussed adjustments to the allocation from MWD and MWDOC; growth adjustment scenarios; refinements to allocation by MWDOC; rate structure conservation credits; and modeled options and scenarios. She further discussed the next steps which included finalizing IRWD base year data; advocating for growth adjustment based on service connections; and appealing conservation rate structure. Following discussion, Mr. Kevin Hunt, General Manager of MWDOC, complimented staff on their efforts.

CONSENT CALENDAR

On MOTION by Withers, seconded and unanimously carried, CONSENT CALENDAR ITEMS 4 THROUGH 10 were approved as follows:

4. MINUTES OF BOARD MEETING

Recommendation: That the minutes of the August 25, 2008 Regular Board Meeting be approved as presented.

5. RATIFY/APPROVE BOARD OF DIRECTORS' ATTENDANCE AT MEETINGS AND EVENTS

Recommendation: That the Board ratify/approve the meetings and events for Doug Reinhart, Peer Swan, and John Withers.

6. RESOLUTION FOR CALPERS PRE-TAX PAYROLL DEDUCTION PLAN

Recommendation: That the Board adopt the following resolution by title for an Employer Pickup for a Pre-tax Payroll Deduction Plan for Credit Purchases (Contribution Code 14).

RESOLUTION NO. 2008-49

IRVINE RANCH WATER DISTRICT  
RESCINDING RESOLUTION 1996-25 AND  
APPROVING EMPLOYER PICKUP RESOLUTION  
PRE-TAX PAYROLL DEDUCTION PLAN  
FOR SERVICE CREDIT PURCHASES  
(CONTRIBUTION CODE 14)

CONSENT CALENDAR (CONTINUED)

7. MICHELSON WATER RECLAMATION PLANT PHASE 2 EXPANSION GRANT

Recommendation: That the Board adopt the following resolution by title authorizing application to the State Water Resources Control Board, Division of Financial Assistance, for a grant for the construction of a recycled water system expansion project, including the Michelson Water Reclamation Plant (Phase 2).

RESOLUTION NO. 2008 - 50

RESOLUTION OF THE BOARD OF DIRECTORS OF  
IRVINE RANCH WATER DISTRICT AUTHORIZING  
APPLICATION TO THE STATE WATER RESOURCES CONTROL  
BOARD DIVISION OF FINANCIAL ASSISTANCE FOR A GRANT  
FOR THE CONSTRUCTION OF A RECYCLED WATER SYSTEM  
EXPANSION PROJECT, INCLUDING THE MICHELSON WATER  
RECLAMATION PLANT (PHASE 2)

8. WATERWORKS BUSINESS PARK PROJECT – PROPERTY MANAGEMENT

Recommendation: That the Board approve the selection of Newport Real Estate Services to provide property management services on a month-to-month basis related to Waterworks Business Park at a fee of 4.5% of gross revenue for the project or approximately \$2,179 per month.

9. WELL 14 DESTRUCTION – REJECTION OF CONSTRUCTION BIDS

Recommendation: That the Board reject all bids and authorize the General Manager to notify all bidders of the bid rejection for the Well 14 Destruction, project 10285.

10. EQUITY TRANSFERS

Recommendation: That the Board approve an equity transfer involving capital funds from Improvement District 130 to Improvement District 235 in the amount of \$707,300.

ACTION CALENDAR

FISCAL YEAR (FY) 2007/08 FOURTH QUARTER OPERATING AND FINANCIAL HIGHLIGHTS

Director of Finance Cherney reported that the total budget-to-actual variance was a negative \$2,071,200 for FY 2007-08. Ms. Cherney said that the treated water, untreated water and sewer systems all finished the year in the negative by \$176,966, \$555,290 and \$1,536,800. She said that the most significant variance was for water expenses, which was over-budget by nearly \$900,000 in the untreated system because the District purchased a higher proportion of water at the full service untreated rate in order to

increase the water stored in Irvine Lake. Water expenses were also over-budget by \$2.2 million in the sewer (reclaimed) system primarily because the Harvard Avenue Trunk Sewer and Los Alisos Water Reclamation Plant Upgrade projects experienced construction and start-up delays, resulting in a need to purchase additional untreated water that was not included in the operating budget for FY 2007-08.

Director Swan reported that this item was reviewed and approved by the Finance and Personnel Committee on September 2, 2008. Following discussion, on MOTION by Swan, seconded and unanimously carried, **THE BOARD APPROVED TRANSFERS FROM CONSERVATION FUNDS TO THE TREATED WATER SYSTEM OF \$1,022,472 FOR CONSERVATION PROGRAMS AND \$901,163 FOR NATURAL TREATMENT SYSTEM EXPENSES INCURRED IN FY 2007-08, AND APPROVED A TRANSFER OF \$6,469,600 FROM THE SEWER OPERATING FUND TO THE REPLACEMENT FUND FOR THE USER RATE COMPONENT RECEIVED IN FY 2007-08.**

#### ALLOCATION OF 1% PROPERTY TAX REVENUE FOR FY 2008/09

Director of Finance Cherney reported that the District historically used 1% property tax revenue to aid in funding annual debt service; however, in FY 2004-05 and FY 2005-06, the state used \$9.7 million of the District's 1% allocation for ERAF. The resulting impact to fund balances aided the District in choosing to spread the funds to other capital funding categories to reduce the potential impact to connection fees and property tax rates in the future. Ms. Cherney said that at the July Board meeting, the Board directed staff to allocate 1% revenue to the three capital silos including enhancements (24%), replacements (32%), and new capital (44%).

Ms. Cherney said that in FY 2001-02, the District and the City of Newport Beach reached an agreement that resulted in the Newport Coast remaining within the District's service boundary. The agreement called for the District to pay the City of Newport Beach \$25 million over the course of six years. The replacement fund provided the source for this transaction with an immediate benefit coming in the form of 1% tax revenue that was used for debt service within specific Improvement Districts. Ms. Cherney said that staff has reviewed the annual debt service and recommends: 1) establishing a receivable to the replacement fund in the amount of the borrowing with interest added; 2) establishing a matching payable within those specific Improvement Districts that benefit from the increased 1% revenue used to pay annual debt service; 3) using the 1% tax receipts allocated to the replacement fund to pay debt service as needed but to reimburse the replacement fund with equivalent funds from capital; and 4) continuing to pay the liability at a slower pace in the event the 1% tax receipts are reduced. She said that moving forward in this way provides an allocation that can be supported by the pledge that tax receipts be used for debt service and provides a reasonable schedule for repayment of the funds advanced by the replacement fund.

Director Swan said that this item was reviewed and approved by the Finance and Personnel Committee on September 2, 2008. On MOTION by Swan, seconded and unanimously carried, **THE BOARD ADOPT THE FOLLOWING RESOLUTION BY TITLE:**

RESOLUTION NO. 2008 – 51

RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE IRVINE RANCH WATER DISTRICT  
AMENDING ALLOCATION OF AD VALOREM  
PROPERTY TAXES, SUBJECT TO PLEDGE

CULVER DRIVE ANODE BED REPLACEMENT – APPROVAL OF EXPENDITURE  
AUTHORIZATION

Mr. Jeff Smyth said that impressed current cathodic protection was installed on the 36-inch recycled water pipeline in Culver Drive connecting the Michelson Water Reclamation Plant to Rattlesnake Reservoir in 1985. The cathodic protection system consists of six rectifiers and six deepwell anode beds.

Mr. Smyth said that Corrpro Companies has been providing annual monitoring of the cathodic protection system and recommended that two of the anode beds be replaced. He said that a Request for Proposal was sent to five bidders and that four of the bidders attended the mandatory pre-bid meeting and three submitted bids; however, one bid arrived past the deadline and could not be accepted. Once the funding is in place, the construction contract to the apparent low bidder, American Construction and Supply, Inc., for \$80,080.00 under the General Manager's authority.

On MOTION by Swan, seconded and unanimously carried, THE BOARD APPROVED AN EXPENDITURE AUTHORIZATION IN THE AMOUNT OF \$123,800 FOR THE CULVER DRIVE ANODE WELL REPLACEMENT PROJECT 30312.

2009 MEDICAL INSURANCE COVERAGE RENEWAL

Human Resources Manager Maswadeh reported that the District has been notified that for premiums for the upcoming contract year, and that there will be no substantive changes to the plan designs, co-pays, or deductibles for any of the PERS health plans in which District employees can enroll for the 2009 calendar year.

Ms. Maswadeh said that in 2008, the CalPERS Board approved the addition of two new high performance network health plans. The PERS Select PPO plan mirrors the plan design of PERS Choice but includes a smaller network of providers who have demonstrated efficient practice patterns that achieve cost savings. The Blue Shield NetValue HMO plan mirrors the plan design of the Blue Shield Access+ plan but, like the PERS Select plan, includes a smaller network of providers who have demonstrated efficient practice patterns that achieve cost savings. The CalPERS 0.29% administrative rate will be increased to 0.45% retroactive to July 1, 2008 and will remain through June 30, 2009.

Ms. Maswadeh said that renewal of the District's current health insurance coverage with CalPERS will result in total projected expenses for FY 2008-09 of \$3,161,646. The District's budget for this coverage for FY 2008-09 is \$3,357,558. Projected annual

medical insurance premiums for FY 2008-09 will be approximately \$193,596 (5.8%) under budget.

Director Swan said that this item was reviewed and approved by the Finance and Personnel Committee on September 2, 2008. On MOTION by Swan, seconded and unanimously carried, THE BOARD AUTHORIZED THE CONTINUANCE OF THE DISTRICT'S HEALTH CARE COVERAGE WITH CALPERS FOR CALENDAR YEAR 2009 AND CHANGED EMPLOYEE CONTRIBUTION LEVELS AS NOTED IN THE TABLE BELOW.

Plan Providers	2009 Premium Change	2008 Employee Contribution (Emp/Emp+1/Fam)	2008 District Contribution (Emp/Emp+1/Fam)	Proposed 2009 Employee Contribution (Emp/Emp+1/Fam)	Proposed 2009 District Contribution (Emp/Emp+1/Fam)
Kaiser Permanente	8.00%	\$0 / \$8.25 / \$16.50	\$394 / \$779 / \$1007	\$0 / \$10 / \$20	\$425 / \$840 / \$1085
Blue Shield NetValue	3.61%	\$0 / \$9.00 / \$18	\$402 / \$795 / \$1027	\$0 / \$10 / \$20	\$416 / \$823 / \$1062
Blue Shield Access+	5.18%	\$0 / \$9.50 / \$19	\$448 / \$886 / \$1146	\$32 / \$64 / \$96	\$439 / \$878 / \$1129
PERS Select PPO	-3.00%	\$29 / \$58 / \$87	\$415 / \$830 / \$1068	\$20 / \$40 / \$60	\$411 / \$821 / \$1060
PERS Choice PPO	0.00%	\$32 / \$64 / \$96	\$429 / \$857 / \$1096	\$32 / \$64 / \$96	\$427 / \$853 / \$1096
PERS Care PPO	0.00%	\$325 / \$650 / \$875	\$388 / \$775 / \$978	\$300 / \$600 / \$800	\$413 / \$825 / \$1053

GENERAL MANAGER'S REPORT

General Manager Jones provided a State budget update. He said that the Senate voted 13-21 against AB 1793; the California Taxpayer's Association endorsed the Governor's budget proposal and interim sales tax increase; and that the California Correction Peace Officer's Association is launching a recall for the Governor. He also said that 873 bills are awaiting signature by the Governor, and if he signs them by September 30<sup>th</sup>, they will take effect on January 1, 2009.

DIRECTORS' COMMENTS – None.

ADJOURNMENT

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

APPROVED and SIGNED this 22nd day of September, 2008.

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President, IRVINE RANCH WATER DISTRICT

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Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

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Legal Counsel - Bowie, Arneson, Wiles & Giannone