

## MINUTES OF ADJOURNED REGULAR MEETING – APRIL 7, 2006

The adjourned regular meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) was called to order by President Swan at 10:00 a.m., April 7, 2006 in the multi-purpose room, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Reinhart, Swan, Withers, Miller, and Matheis

Directors Absent: None

Also Present: General Manager Jones, Assistant General Manager Cook, Director of Engineering Heiertz, Ms. Janet Wells, Ms. Deborah Cherney, Mr. Christopher Smithson, Mr. Sat Tamaribuchi, Mr. Ken Harlow, and other members of the public and staff.

### WORKSHOP

General Manager Jones said that the desired outcomes of the meeting would be to: 1) Provide the Board a “hands-on” experience with Enterprise Model and receive direction on the financial policy, rate, tax and future issues to be analyzed in upcoming months; 2) Receive additional feedback on the draft Succession Plan and discuss areas of interest by the Board; 3) Review and discuss financial and political considerations regarding annexation to OCWD and develop negotiating positions and strategies; 4) Discuss, prioritize and brainstorm 2006 Draft Goals and Objectives, and Target Activities; and 5) To receive feedback and encourage discussion of various Board issues.

Mr. Jones then reviewed the agenda, and ground rules.

### Enterprise Model Prototype Review

Mr. Jones said that the Enterprise Model, a spreadsheet-based financial model, consolidates information from different models, including the Water Resource Model, the Replacement Planning Model (RPM), and the cash run models into one single system. He said that today staff would provide the Board an opportunity to interact with this model. He introduced our consultant, Mr. Ken Harlow, developer of the model.

Using a power point presentation, Ms. Debra Cherney and Mr. Christopher Smithson presented driving factors that influenced the Board’s decisions related to connection fees and property tax increases for FY 2005-06 and discussed issues voiced by The Irvine Company. Staff then presented a sampling of the inputs and outputs of the model. The Board then became familiar with the “switches and levers” that influence the model outputs.

### OCWD Annexation Update

General Manager Jones reported that staff would be presenting an update of recent events related to the annexation of additional IRWD territory into the Orange County Water District (OCWD). Mr. Jones said that financial impact of annexation fees, groundwater

capital projects, and additional mitigation costs would be discussed, and direction from the Board on proposed negotiating positions and strategies would be sought.

Director of Engineering Heiertz reviewed the spreadsheet-based model which analyzed several different potential annexation scenarios in order to understand the cost advantage or disadvantage of IRWD annexing additional portions of its service area into OCWD. He noted that staff had identified the following parameters as having the most substantial impacts on the model results: 1) IRWD capital costs to construct additional groundwater production facilities; 2) OCWD capital costs to construct LTFP projects; and 3) Adjustments in anticipated property tax revenues (from which the OCWD Annexation Fee is calculated). He said that one of the primary parameters of interest to IRWD was the “headroom” between the cost to purchase water from MWDOC and IRWD’s cost to produce groundwater (OCWD’s Replenishment Assessment plus IRWD’s production and capital costs). He said that the model was currently based on rate projections provided by OCWD and MWDOC.

Mr. Heiertz then discussed the assumptions and results from three model run scenarios for conservative/worst case; probable case; and aggressive/best case. He said that it was important to note that all of the scenarios did not include payment of any additional “mitigation” costs that could be imposed beyond the Annexation Fee currently in place under OCWD’s Annexation policy.

Mr. Heiertz then discussed draft message points to assist the Board, staff, and others in communicating IRWD’s positions regarding the OCWD annexation.

#### IRWD’s Goals and Priorities

Assistant General Manager Cook reviewed the 2006 goals and objectives; the target activity priority list; and the target activity descriptions.

#### Succession Plan

Mr. Jones said that due to the timing on the previous items, this item was being deferred to a future Board workshop.

#### Board Issues/Miscellaneous

Mr. Paul Jones discussed the Irvine Desalter/ToxNews.org.website. Mr. Cook discussed Board Services. The Board was satisfied with only one minor suggestion. A discussion was held relative to meeting attendance at various activities by the Board.

#### ADJOURNMENT

There being no further business, President Swan adjourned the meeting at 2:30 p.m.

APPROVED and SIGNED this 24th day of April, 2006.

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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