

MINUTES OF REGULAR MEETING – JULY 10, 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., July 10, 2006 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

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

Directors Absent: None

Also Present: General Manager Jones, Assistant General Manager Cook, Director of Engineering Heiertz, Treasurer Loomis, Secretary Bonkowski, Legal Counsel Arneson, Ms. Deborah Cherney, Mr. James Reed, Ms. Beth Beeman, Mr. Rob Jacobson, Mr. Norris Brandt, Mr. Sat Tamaribuchi, Mr. Dan Miller, and other members of the public and staff.

WRITTEN COMMUNICATIONS: 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 currently the deep aquifer treatment system wells C-8 and C-9 and wells 1, 2, 3, 4, 5, 6, 7, 10, 11, 12, 14, 15, 16 and 17 are in operation. Wells 13 and 18 are currently undergoing rehabilitation work. 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. Staff has been working with OCWD to review comments on the EIR, and anticipates responses to be prepared and an OCWD Board action on the EIR and annexation in August. This was confirmed by Mr. Jones.

ITEMS TOO LATE TO BE AGENDIZED None

WORKSHOP

SETTING CONNECTION FEES AND PROPERTY TAXES FOR FISCAL YEAR 2006-07

Mr. Jones said that this workshop is the first of two opportunities for the Board to review the proposed rates and charges. He said that this item will be brought to the Board for adoption on July 24, 2006. General Manager Jones reported that staff has been meeting with The Irvine Company on several occasions, and said they have proposed alternate recommendations for connection fees for dwelling units and property taxes which staff is analyzing, and would also be discussed this evening.

Using a power point presentation, Mr. Smithson said that the fundamental objectives to be considered in setting connection fees and property taxes are to minimize and equitably allocate new capital costs, including maintaining a 50/50 split between connection fees and property taxes; minimizing rate and fee "shock"; maintaining the 75% debt service coverage ratio, including swaps; and maintaining the District's replacement fund for its intended use.

Mr. Smithson said that the fundamental objectives are supplemented by a variety of assumptions, including cost of debt, the District's rate of return and the ENR index, as well as how 1% property tax revenues are to be allocated. He then reviewed a set of assumptions for purposes of establishing rates and charges and long-term planning.

Mr. Smithson said that staff recommends an across-the-board increase of 29% to connection fees. He then reviewed the current and proposed connection fees by Improvement District.

Mr. Smithson said that property tax rates vary between Improvement Districts primarily because the IDs have varying annual debt service demands. Property tax rates are defined as a rate per hundred dollars of assessed value, land only. He then reviewed the recommended changes to property tax rates.

Mr. Smithson reported on TIC suggested alternatives to staff's recommendation, and following discussion, an Enterprise Model Ad Hoc Committee was scheduled for July 14, 2006 to discuss this item further.

CONSENT CALENDAR

President Swan asked that item No. 5, RATIFY/APPROVAL OF BOARD OF DIRECTORS' ATTENDANCE AT MEETINGS AND EVENTS be placed under the Action Calendar in order to add additional meetings which he attended. There being no objections, this item was added to the Action Calendar as 10A (see page 4). On MOTION by Reinhart, seconded and unanimously carried, CONSENT CALENDAR ITEMS, 4, 6, 7, 8, AND 9 WERE APPROVED AS FOLLOWS:

4. MINUTES OF BOARD MEETINGS

Recommendation: That the minutes of the June 26, 2006 Board of Directors' Meeting be approved as presented.

6. QUITCLAIM OF REAL PROPERTY

Recommendation: That the Board adopt a resolution approving execution of the Quitclaim deed to Irvine Community Development Company LLC (relative to northerly right-of-way of Irvine Boulevard and the westerly right-of-way of the Eastern Transportation Corridor).

RESOLUTION NO. 2006 –23

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT APPROVING
EXECUTION OF THE QUITCLAIM DEED TO
THE IRVINE COMMUNITY DEVELOPMENT COMPANY LLC

7. QUITCLAIM OF REAL PROPERTY

Recommendation: That the Board adopt a resolution approving execution of the Quitclaim deed to Irvine Community Development Company LLC (relative to Irvine Planning Area 9C for Tract No. 16666).

RESOLUTION NO. 2006 –24

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT APPROVING
EXECUTION OF THE QUITCLAIM DEED TO
THE IRVINE COMMUNITY DEVELOPMENT COMPANY LLC

8. QUITCLAIM OF REAL PROPERTY

Recommendation: That the Board adopt a resolution approving execution of the Quitclaim deed to Irvine Community Development Company LLC (relative to Newport Coast Tract No. 16566).

RESOLUTION NO. 2006 –25

RESOLUTION OF THE BOARD OF DIRECTORS OF
IRVINE RANCH WATER DISTRICT APPROVING
EXECUTION OF THE QUITCLAIM DEED TO
THE IRVINE COMMUNITY DEVELOPMENT COMPANY LLC

9. IRVINE DESALTER PROJECT – WELLHEADS 76, 77, 110 AND 115
REDUCTION OF RETENTION

Recommendation: That the Board find that 75% of the work has been completed and that satisfactory progress has been made on the contract, authorize the reduction of retention from 10% to 5% of the contract amount; and release funds in excess of 5% of the contract amount from retention currently held for the Irvine Desalter Project Wellheads 76, 77, 110 and 115, project 10376.

ACTION CALENDAR

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

President Swan and Vice President Reinhart added additional meetings which they attended to the report. On MOTION by Miller, seconded and unanimously carried, THE MEETINGS AND EVENTS FOR MARY AILEEN MATHEIS, DARRYL MILLER, DOUG REINHART, PEER SWAN AND JOHN WITHERS WERE APPROVED AS AMENDED.

PROPOSITION 84: THE SAFE DRINKING WATER, WATER QUALITY AND SUPPLY, FLOOD CONTROL, RIVER AND COASTAL PROTECTION BOND ACT OF 2006

General Manager Jones placed before each Director a copy of the power point presentation presented by Steve Hall, ACWA's Executive Director at a recent Region X meeting. Proposition 84, the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 is scheduled to appear on the November 2006 ballot. Mr. Jones said that the purpose of this item was to present background information on Proposition 84 and provide a basis for the Board to consider a public position on this measure. He said that staff's recommendation was that the Board take a position to "Favor" Proposition 84. This support should be provided with a reciprocal assurance from the Conservation Strategy Group that they will cooperate in developing and supporting an ACWA-initiated Water Supply Infrastructure Bond for the 2008 ballot.

Mr. Jones said that in the fall of 2005, Mr. Joe Caves of the Conservation Strategy Group (CSG) began work on a general resource bond to meet initiative deadlines for the November, 2006 ballot. He said that in November 2005, ACWA formed a Water Infrastructure Task Force representing ACWA members state-wide to conduct negotiations with Mr. Caves to include a water component in the CSG's proposed bond package. This effort was done in parallel with, and as a contingency for, ACWA's negotiations with the Legislature and Governor's office to secure a water infrastructure bond in the Strategic Growth Package. Due to a variety of factors, including mixed messages from the leadership of the water community, the legislative effort failed. However, negotiations to get a water component in the Caves initiative were successful, and Proposition 84 gathered enough signatures to qualify for the 2006 ballot.

Mr. Jones said that that Proposition 84 was never was intended to be solely a water supply infrastructure bond package, but a multi-purpose resources bond that included environmental, habitat restoration, water quality, flood control and water resources funding. He said there were important political and other circumstances that should be considered regarding Proposition 84, including: 1) The water portion of Proposition 84 was negotiated in good faith with ACWA management and a Task Force of water community representatives state-wide.

Opposition to the measure at this time will be viewed as disingenuous and will only serve to alienate the moderate environmental community; 2) Given the water communities' inability to directly campaign for or against the bond, ACWA and its member agencies' opposition to the bond will not significantly influence the voters or the outcome of the election; 3) ACWA will most likely seek a water infrastructure bond on the 2008 ballot, and support of the moderate environmental community and the democratic legislature will be essential for its success; 4) "Water" continues to receive favorable polling amongst probable voters for bond measures. The water community should positively focus its efforts build a broad coalition of business, environmental and other interests to craft and develop support for a focused water supply infrastructure bond for 2008.

Mr. Jones said that overall, Proposition 84 appears to be consistent with the policy principles adopted by the IRWD Board related to the funding of California's water infrastructure with the exception of the concept to have specified levels of regional or local match funding for regional and local projects. He said that other considerations relative to the implications of Proposition 84 on IRWD include: 1) Although Proposition 84 contains funding for non-water infrastructure items such as habitat restoration, urban runoff treatment and watershed planning/management, these are *all* environmental project and program areas that are consistent with the District's activities (Marsh, NTS, etc.), interests and values; and 2) Because of the broad scope and success of IRWD's projects and programs, the District and its customers will most likely benefit and receive value from the bond through successful competition for prospective grant funds.

Mr. Jones said that staff believes the content of the bond is substantial, and is consistent with the ACWA Blueprint and IRWD's policy principles, and will provide value to the District and its customers. Also, ACWA's and the water community's backing for the bond initiative maintains a key alliance and level of credibility with an important constituency that will be needed to successfully secure passage of a water infrastructure bond in 2008.

President Swan raised concern with this Proposition and said he could not support it. He said that he attended the recent ACWA Region X meeting and he felt the consensus did not support this measure either. Director Matheis said that she supported staff's recommendation and said she felt that the District would benefit if the bond passed. Director Miller said that he initially did not favor the bond, but now concurs with the staff recommendation. He said he would like to see a water supply infrastructure bond in the future. Vice President Reinhart said that his objection to the proposition was that it did not include groundwater storage and therefore he would not be able to support it. On MOTION by Matheis, seconded and carried (3-2) (Matheis, Miller, and Withers voting aye and Swan and Reinhart voting no), **THE BOARD TOOK A POSITION TO FAVOR PROPOSITION 84; AND DIRECTED STAFF TO COMMUNICATE TO ACWA'S REGION 10 MEMBERS AND BOARD, COMMITTEE REPRESENTATIVES AND MANAGEMENT THAT ACWA'S SUPPORT SHOULD BE PROVIDED WITH A RECIPROCAL ASSURANCE FROM THE CONSERVATION STRATEGY GROUP THAT THEY WOULD COOPERATE IN DEVELOPING AND SUPPORTING AN ACWA-INITIATED WATER SUPPLY INFRASTRUCTURE BOND FOR THE 2008 BALLOT.**

GENERAL MANAGER'S REPORT

General Manager Jones reported that the Southern California Water Committee was asking for nominations from agencies for their annual Harriett M. Weider Award for Leadership. Following discussion, staff was asked to submit a nomination for Mr. Dennis Underwood, former General Manager of the Metropolitan Water District of Southern California and the following year nominate Mr. Steve Hall of ACWA. Mr. Jones said that he received correspondence from Mesa Consolidated Water District and that they have elected not to meet with staff relative to the annexation issue.

DIRECTORS' COMMENTS

Director Matheis reported that she attended the WACO meeting last Friday, the OCWD's signing ceremony on Prado Dam, and the Coalition for Environmental Protection Retreat today. Said that the General Manager would be speaking at the retreat tomorrow.

Vice President Reinhart reported that he attended the monthly WACO meeting and the ACWA Region X meeting.

President Swan congratulated Director Withers on his reelection to the LAFCO Commission. He said that he attended a meeting with Lewis Homes' staff in regards to the former Los Alisos Water District property. He also said he attended a meeting with Corps of Engineers as well as the OCWD Prado Dam signing ceremony.

ADJOURNMENT

There being no further business, President Swan adjourned the meeting at 8:10 p.m.

APPROVED and SIGNED this 24 day of July, 2006.

President, IRVINE RANCH WATER DISTRICT

Secretary, IRVINE RANCH WATER DISTRICT

APPROVED AS TO FORM:

Legal Counsel - Bowie, Arneson, Wiles & Giannone